

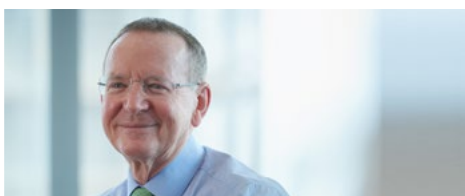
DIRECTORS' REPORT

The Board of Caltex Australia Limited presents the 2016 Directors' Report (including the Remuneration Report) and the 2016 Financial Report for Caltex Australia Limited (Caltex) and its controlled entities (Caltex Group) for the year ended 31 December 2016 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 AM and Penny Winn.

Subsequent to year end, Ms Melinda Conrad was appointed to the Board as an Independent, Non-executive Director effective 1 March 2017. As a result, there have been changes to the committee composition.



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 Mr Gailey 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. Mr Gailey was 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.



Trevor Bourne

Independent, Non-executive Director

Date of appointment:
2 March 2006

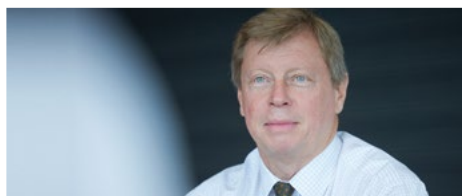
Board committees:

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).

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 25 years of investment banking experience in Australia and internationally and brings to the Board extensive executive, corporate finance, strategy, and mergers and acquisitions experience.

Mr Gregg has held various roles with ABN AMRO, most recently as Global Head of Investment Banking and the CEO of the United Kingdom. Following this, Steven was a Partner in the Strategy and Financial Institutions practice at McKinsey & Company in Sydney and internationally.

Mr Gregg is a director of Challenger Limited, Challenger Life Company Limited, Lorna Hodgkinson Foundation, 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 financial management, business advisory services, risk and general management. He is the Chairman of Sydney Water Corporation and Redkite, and a director of Origin Energy Limited (appointed November 2012), the University of New South Wales Foundation and the European Australian Business Council. Prior to this, Mr Morgan 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. Mr Morgan was previously Chairman of the PwC Board and a member of the PwC International Board. Prior to that, he was managing partner of PwC's Sydney and Brisbane offices.

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 New South Wales.

**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 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 internationally.

Ms Winn is Chairman and Non-Executive Director 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 and the Australian Institute of Company Directors. 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.

Leadership team



Andrew Brewer

Executive General Manager, Supply Chain Operations

Andrew was appointed to this position in April 2014. He is an experienced senior executive in the energy and resources sector. Commencing his career as a professional electrical engineer, Andrew has held leadership roles in engineering, project management, maintenance, reliability, operations, business strategy, planning and general management. This has spanned the minerals processing, resources and energy industries across Australia and in Canada, where he was Downstream Country Chair and General Manager of the Burnaby oil refinery for Chevron Canada. Andrew also previously managed the Kurnell refinery.



Viv Da Ros

Chief Information Officer

Viv was appointed to this position in December 2016 and is responsible for leading the technology transformation program at Caltex. He is a commercially-driven senior technology executive focused on customer-centric, innovative solutions which deliver operational efficiencies and engagement. His nearly 30 years of experience include senior leadership positions in Australia, Asia and Europe, predominantly in the retail sector with the ASW Group, Tesco, KPMG and Dairy Farm International. Viv holds a Master of Business Administration from Manchester Business School and a Master of Project Management from The University of Technology, Sydney.



Simon Hepworth

Chief Financial Officer

Simon was appointed to this position in 1999. He joined Ampol in 1996, after 10 years with Arthur Andersen. He is responsible for finance, accounting and decision support, treasury, taxation, investor relations, information technology and procurement. Simon holds a Bachelor of Arts and a Master of Applied Finance. He is a member of the Institute of Chartered Accountants in England and Wales. He is also a member of the Australian Institute of Company Directors.



Lyndall Stoyles

Executive General Manager, Legal and Corporate Affairs

Lyndall was appointed to this position in October 2016 when she joined Caltex. Lyndall manages Caltex's legal, secretariat, internal audit, compliance and corporate affairs teams. As General Counsel, she is responsible for providing legal advice to Caltex's Board, CEO and broader leadership team. She is also a Company Secretary to the Board. Prior to joining Caltex, Lyndall was Group General Counsel and Company Secretary for former logistics business Asciano and spent more than a decade with Clayton Utz advising on competition, commercial and corporate law issues in a broad range of industries. Lyndall holds a Diploma of Law/Masters of Law from the University of Sydney. Lyndall is also a member of the Australian Institute of Company Directors.



Louise Warner

Executive General Manager, Supply

Louise was appointed to this position in October 2016, and is responsible for ensuring competitive reliable fuel supply for our customers. Louise joined Caltex in 1999, and her career has spanned a range of roles within the company, starting with her role as a process engineer at the Kurnell refinery. She gained commercial and trading experience through her secondment to Chevron UK. Recently, she was responsible for successfully establishing Caltex Australia's first overseas operations, Ampol Singapore, which includes the company's global trading and shipping function. Louise holds a Bachelor of Engineering (Chemical) from the University of New South Wales.



Joanne Taylor

Executive General Manager, Human Resources

Joanne was appointed to this position in February 2016 when she joined Caltex. She is an accomplished Human Resources leader and has had an 11 year career with McDonald's Australia. Her last role at McDonald's was Senior Vice President Human Resources, Corporate Communications and Supply Chain. Prior to this, her roles included leading the franchise operations across New South Wales and the Australian Capital Territory for approximately 290 retail stores. Joanne holds a Bachelor of Commerce from the University of New South Wales.

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 75 to 118.

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. 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.

Group strategy

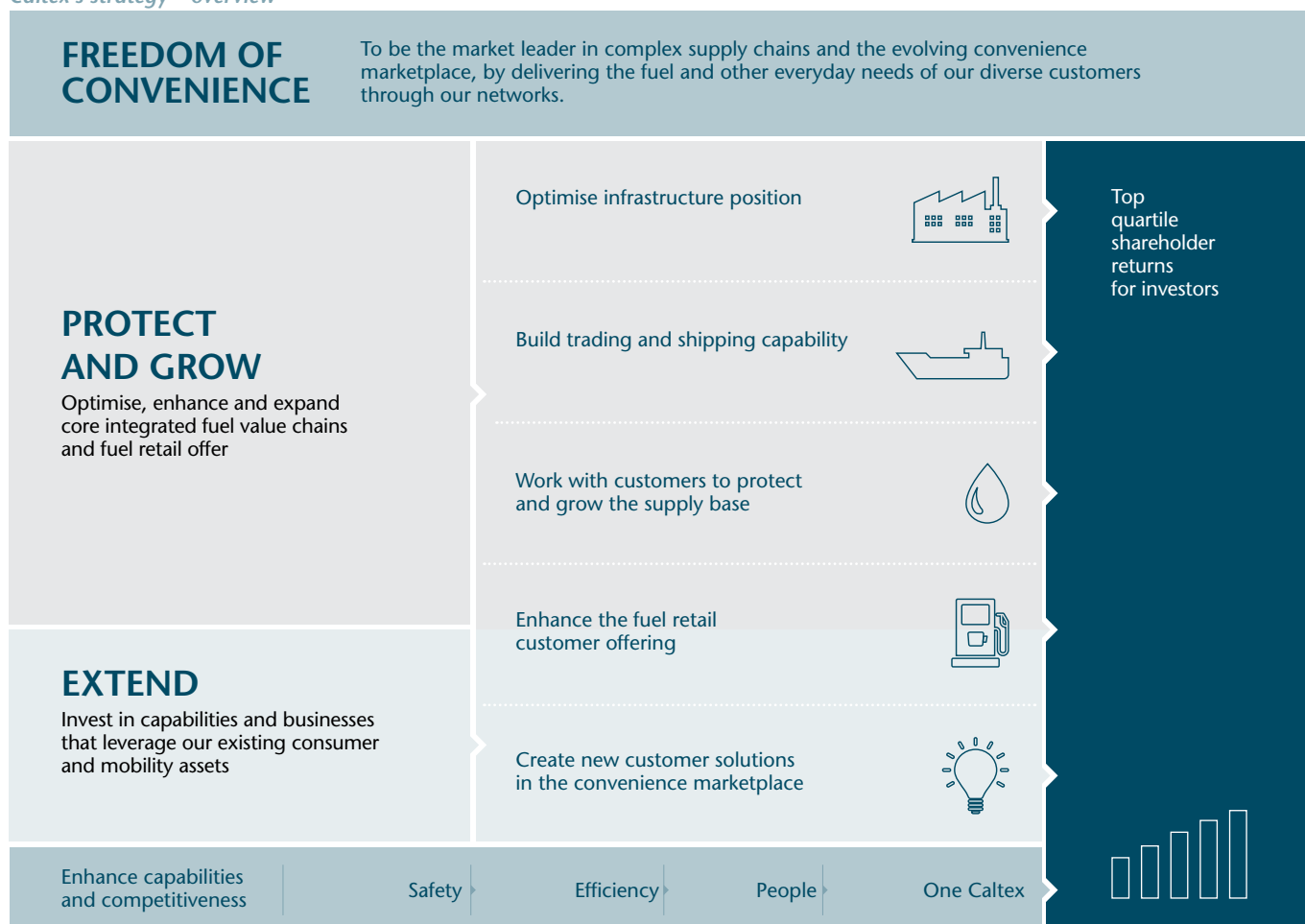
Over the past five years, Caltex has transformed key elements of its business to place the company on a stronger footing to navigate the evolving marketplace and successfully deliver top quartile total shareholder returns. Critical components of this transformation include:

- 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 2016 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 below 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.



Assessing each element in turn

Optimise infrastructure position	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.
Build trading and shipping capability	Continue to develop and expand the capabilities and operations of Ampol to capture opportunities for value creation in sourcing and delivering product.
Protect and grow supply base	Execute organic and inorganic strategies to increase marketing volumes in target regions to support long term infrastructure investment and competitive supply.
Enhance the fuel retail customer offering	Continue to develop elements of the fuel site retail offer which will attract more customers to Caltex sites and increase their spend while there.
Create new customer solutions in the convenience marketplace	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.

Operating and financial review continued

Group strategy continued

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.

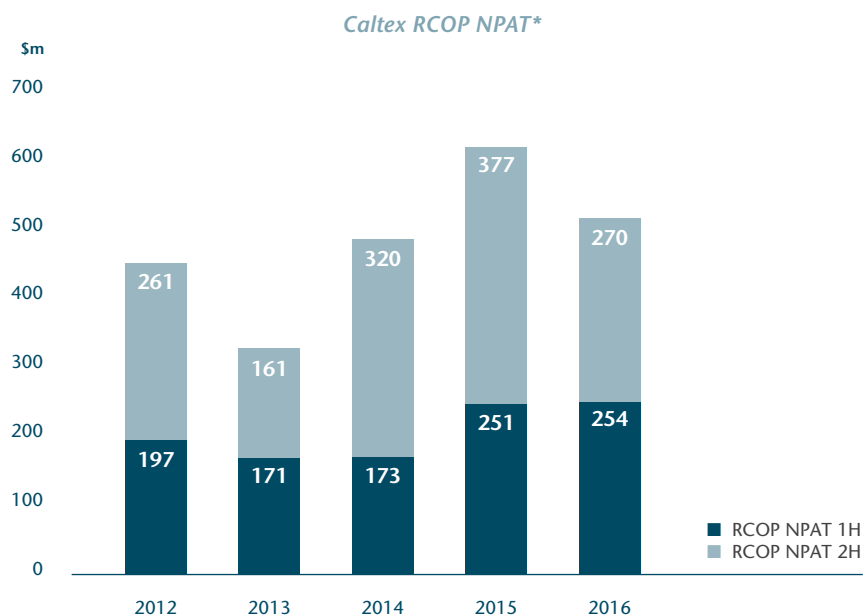
Caltex Group results 31 December 2016

On an historical cost profit basis, Caltex recorded an after-tax profit of \$610 million for the 2016 full year. This compares with the 2015 full year profit of \$522 million, which included a gain relating to significant items of \$29 million after tax. The 2016 result includes a product and crude oil inventory gain of \$86 million after tax. The 2016 total inventory gain of \$86 million compares with an inventory loss of \$135 million after tax in 2015.

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

	2016 \$m (after tax)	2015 \$m (after tax)
Reconciliation of the underlying result to the statutory result		
Net profit attributable to equity holders of the parent entity	610	522
Deduct/add: Significant items (gain)/loss	–	(29)
Deduct/add: Inventory (gain)/loss	(86)	135
RCOP NPAT (excluding significant items)	524	628

On an RCOP¹ basis, Caltex recorded an after-tax profit for the 2016 full year of \$524 million. This compares with an RCOP after-tax profit of \$628 million for the 2015 full year, excluding significant items.



* RCOP Net profit after tax, excluding significant items.

The overall result reflects a strong Supply and Marketing profit, and excellent operational performance by the Lytton refinery. The strong operational performance at Lytton continued to deliver outstanding production results, despite refiner margins being down on 2015 (but in line with the 10 year average).

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 unintended 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 52 cents per share (fully franked) for the second half of 2016. Combined with the interim dividend of 50 cents per share for the first half, paid in September 2016, this equates to a total dividend of 102 cents per share for 2016, fully franked. This compares with a total dividend payout of 117 cents per share (fully franked) for 2015. This is in line with a target dividend payout ratio of 40-60% of RCOP NPAT.

Income statement

For the year ended 31 December 2016	2016 \$m	2015 \$m
1. Total revenue ¹	17,935	19,918
2. Total expenses	(17,122)	(18,941)
Replacement cost earnings before interest and tax	813	977
Finance income	7	5
Finance expenses	(80)	(82)
3. Net finance costs	(73)	(77)
Income tax expense ²	(216)	(272)
Replacement cost of sales operating profit (RCOP)	524	628
4. Significant items gain/(loss) after tax	–	29
5. Inventory gain/(loss) after tax	86	(135)
Historical cost net profit after tax	610	522
Interim dividend per share	50c	47c
Final dividend per share	52c	70c
Basic earnings per share		
• Replacement cost (excluding significant items)	199c	233c
• Historical cost (including significant items)	232c	193c

1. Includes other income of \$2 million (2015: \$24 million) less the significant item gain of nil (2015: \$32 million gain).

2. Excludes tax payable on inventory gain of \$37 million (2015: \$58 million tax benefit) and excludes tax cost on significant items of nil million (2015: \$3 million tax cost).

DISCUSSION AND ANALYSIS – INCOME STATEMENT

1. Total revenue ▼ 10%	Total revenue decreased primarily due to the impact of the significant fall in world petroleum product prices, which reflects the fall in world crude oil prices, and the impact of lower refiner margins (a component of refined product prices). Product prices are denominated in US dollars. This decline was partly offset by the fall in the Australian dollar. The weighted average Brent crude oil price in 2016 was US\$44/bbl, compared to US\$51/bbl in 2015.
2. Total expenses – replacement cost basis ▼ 10%	Total expenses also decreased primarily as a result of lower replacement cost of goods sold due to the lower price of refined product.

Operating and financial review continued

DISCUSSION AND ANALYSIS – INCOME STATEMENT CONTINUED

RCOP EBIT BREAKDOWN¹

Caltex Refiner Margin (CRM) \$543m	<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 lower in 2016 at US\$10.50/bbl, compared with US\$16.46/bbl for 2015. In AUD terms, the CRM was 8.88 Australian cents per litre in 2016, compared with 13.85 Australian cents per litre in 2015.</p> <p>Total refinery production in 2016 of all products was 6.4 billion litres, compared with 5.6 billion litres in 2015, reflecting the closure for turnaround and inspection (T&I) maintenance work that occurred in May and June 2015.</p>
Transport fuels margin \$1,066m	<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 4.4 billion litres in 2016, compared with 4.3 billion litres in 2015. Caltex's overall transport fuel sales volumes are in line with 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 steady 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 2%. 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 increased 5%, driven by increased domestic capacity and a high win rate of new business. This follows the shedding of unprofitable volume in 2015. Diesel fuel volumes are in line with prior period; the decline in base grade volumes has been offset by 16% volume growth on Vortex Premium diesel sales.</p>
Lubricants and specialties margin \$70m	<p>Lubricants and specialties products include finished lubricants, base oils, liquefied petroleum gas, petrochemicals, wax and marine fuels.</p>
Non-fuel income \$177m	<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 \$6 million higher than prior year due to increased merchant service fees.</p>
Operating expenses (\$1,013m)	<p>Operating expenses in this category include Supply Chain, Marketing and Corporate operating expenditure.</p> <p>There has been an increase of \$35 million from 2015 due to:</p> <ul style="list-style-type: none"> • higher depreciation and amortisation of \$17 million • increased major project costs (including M&A and franchisee review), and • additional advertising with sponsorship of V8 Supercars and Socceroos, • partly offset by good cost control and a low inflationary environment.
Other (\$30m)	<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. There was a net foreign exchange loss of \$4 million (after hedging) in 2016.</p>
RCOP EBIT excluding significant items \$813m	

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

3. Net finance costs ▼ 5%	Net finance costs decreased by \$4 million compared with 2015, reflecting the lower cost of funding as a result of the composition of borrowings and lower average net debt for the period (despite the \$270 million share buy-back undertaken in April 2016).
4. Significant items after tax ▼ \$29m	During 2016, the Group has recognised no significant items. 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.
5. Inventory gains after tax ▲ \$221m	Inventory gains in 2016 were driven by the significant increase in crude oil prices in 2016, with crude oil rising from US\$38/bbl in December 2015 to US\$54/bbl in December 2016. This increase resulted in a net inventory gain of \$86 million after tax, compared to inventory losses of \$102 million after tax in 2015. Whilst the average crude oil price was lower during 2016 compared with 2015, the actual crude price rose during the period between 31 December 2015 and 31 December 2016. The inventory gain of \$122 million (\$86 million after tax) is driven by the increase in the crude price, partially offset by an increase in the Australian dollar, from the end of December 2015 to December 2016. This resulted in an increase in the cost of crude on an Australian dollar basis during the period.

Business unit performance

Supply and Marketing

Supply and Marketing delivered a headline EBIT of \$709 million. This result includes a realised loss on US dollar denominated product payables of \$4 million (2015 loss of \$26 million) and a price timing lag loss of \$25 million (versus a 2015 price timing lag gain of \$23 million). Excluding these net externalities (net \$29 million unfavourable), the underlying Supply and Marketing EBIT of \$738 million is up 9.3% on the 2015 result.

The underlying result reflects a strong and resilient retail business, continued growth in premium fuels and Ampol Singapore sourcing and supply benefits. The company continues to focus on operational efficiencies via the Tabula Rasa program, helping to offset the impact of highly competitive commercial and wholesale markets.

Total sales volumes of transport fuels were 16.0 BL, broadly in line with prior year (2015:16.1 BL). From a product mix perspective, sales of premium fuels sales continue to grow, up 3% on 2015. Higher sales of premium grades of petrol (Vortex 98 in particular) and Vortex diesel continue to offset the long term decline in demand for unleaded petrol, including E10.

Total petrol volumes declined 2% to 5.9 BL. This is despite the increased penetration of premium Vortex products that has been underpinned by targeted investment in growth, including new retail service stations and increased marketing spend.

Total diesel volumes are flat year on year at 7.2 BL. Double-digit volume growth in premium Vortex diesel product (sales up 12% to 2.2 BL) across Caltex's retail segment has largely offset lower commercial base grade diesel volumes (down 6%). This is a function of completed LNG related infrastructure projects and subdued transport, industrial and SME sectors. Pleasingly, Caltex is increasing sales volumes (albeit still small) of Caltex's differentiated diesel to mining and transport customers. Jet volumes grew by 4.8% to 2.6 BL.

Lytton Refinery

The Lytton Refinery has delivered a solid 2016 EBIT contribution of \$205 million. This compares with an EBIT contribution of \$406 million for 2015 and a 2016 first half EBIT of \$92 million. Less favourable externalities have impacted EBIT, with refiner margins down on 2015 (but in line with the 10 year average). The operating performance continued to deliver outstanding production results. Sales from production increased 14% to 6.2 BL, including a record second half sales from production performance (3.3 BL).

The realised Caltex Refiner Margin (CRM) averaged US\$10.29/bbl for the 2016 full year. This compares to the first half 2016 average of US\$10.10/bbl and the 2015 full year (US\$16.46/bbl). Improved yield loss and higher quality premium was more than offset by a lower Singapore Weighted Average Margin (US\$10.94/bbl, down US\$4.01/bbl), higher crude premium and lower net freight costs, year on year.

Corporate

Corporate costs of \$101 million are comparable to prior year (\$102 million). Corporate costs include continued investment relating to ongoing IT expenditures, major project costs (including M&A and franchisee review) and further building capabilities that will better position Caltex longer term.

Balance sheet remains strong

Net debt at 31 December 2016 was \$454 million, compared with \$693 million at 30 June 2016 and \$432 million at 31 December 2015. The net debt level includes the impact of the first half off-market buy-back, but does not include the cost of the two recently announced acquisitions (Milemaker \$95 million, Gull New Zealand approx. A\$325 million). Both of these transactions are expected to complete in the first half of 2017 following regulatory approvals.

Operating and financial review continued

Business unit performance continued

Capital Management – Off-Market Buy-Back

Caltex has previously indicated that it was focusing 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. In April 2016, the Group repurchased 9,189,481 shares at a total cost of \$270 million as part of the Group's capital management program.

The company's overarching objective is to deliver top quartile Total Shareholder Returns. The company's 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 enabled the return of surplus capital relative to the company's target BBB+ credit rating, and maintenance of financial flexibility to take advantage of growth opportunities as they arise. Management continues to actively pursue options to grow the business based on the company's core capabilities including management of complex supply chains, infrastructure services and leveraging its convenience and mobility base. The company's 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.

Merger and Acquisition Activity

Milemaker Petroleum

On 4 November 2016, Caltex entered into an agreement to purchase Milemaker Petroleum's retail fuel business assets in Victoria for \$95 million. The final consideration will be adjusted for working capital and other ancillary items at completion.

The acquisition will secure Caltex's existing network in Victoria and provide a stronger platform from which to provide new and improved customer offerings in the convenience marketplace.

Completion of the transaction is scheduled for the first half of 2017, allowing time for regulatory review and execution of various operational agreements.

Gull New Zealand

On 22 December 2016, Caltex entered into an agreement to purchase Gull New Zealand for NZ\$340 million (approximately A\$325 million). The final consideration will be adjusted for working capital. The transaction will see Caltex acquire Gull's Mount Maunganui import fuel terminal and retail operating assets.

The acquisition delivers on Caltex's strategic plan as it optimises Caltex's infrastructure position, builds trading and shipping capability, grows the supply base and enhances Caltex's retail fuel offering through low risk entry into a new market.

Subject to New Zealand regulatory approval (New Zealand Overseas Investment Office), completion of the transaction is scheduled for the second quarter of 2017.

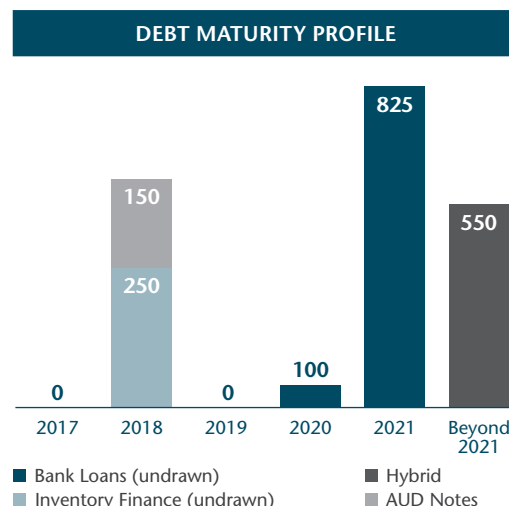
Balance sheet

As at 31 December 2016	2016 \$m	2015 \$m	Change \$m
1. Working capital	396	524	(128)
2. Property, plant and equipment	2,691	2,603	88
3. Intangibles	195	183	12
4. Net debt	(454)	(432)	(22)
5. Other non-current assets and liabilities	(18)	(90)	72
Total equity	2,810	2,788	22

DISCUSSION AND ANALYSIS – BALANCE SHEET

1. Working capital ▼ \$128m	<p>The decrease in working capital is primarily due to timing of tax payments, with an increase to current tax liabilities driven by current year profits, and higher payables driven by rises in crude oil. The decrease is partially offset by:</p> <ul style="list-style-type: none"> • higher receivables also due to the rises in crude oil and product prices in 2016, net of the impact of the lower Australian dollar, and • a portion of non-current environmental liabilities becoming current as remediation works at Kurnell increase.
2. Property, plant and equipment ▲ \$88m	The increase in property, plant and equipment is due to capital expenditure and accruals, including major cyclical maintenance, of \$323 million and capitalised interest of \$2 million. This is partly offset by depreciation of \$192 million and disposals of \$47 million.
3. Intangibles ▲ \$12m	The increase in intangibles is primarily due to investments in software of \$30 million, partially offset by depreciation of \$18 million and disposals of \$5 million.
4. Net debt ▲ \$22m	Net debt increased by \$22 million to \$454 million at 31 December 2016. Caltex's gearing at 31 December 2016 (net debt to net debt plus equity) was 13.9%, increasing from 13.4% at 31 December 2015. On a lease-adjusted basis, gearing at 31 December 2016 was 28.4%, compared with 27.8% at 31 December 2015.

CURRENT SOURCES OF FUNDING		
	A\$m	Source
A\$ notes	150	Australian and Asian institutional
Bank facilities	850	Australian and global banks
Inventory finance facility	250	Australian bank
Hybrid	550	Australian and Asian retail and institutional investors
	\$1,800	



5. Other non-current assets and liabilities ▼ \$72m	Other net non-current liabilities have decreased primarily due to a portion of non-current environmental liabilities becoming current as remediation works at Kurnell increase. Deferred tax assets have also been partially utilised, resulting from timing differences between the accounting and tax basis of inventory, provisions, and property, plant and equipment.
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Operating and financial review continued

Cash flows

For the year ended 31 December 2016	2016 \$m	2015 \$m	Change \$m
1. Net operating cash inflows	928	885	43
2. Net investing cash outflows	(357)	(411)	54
3. Net financing cash outflows	(590)	(263)	(327)
Net increase/(decrease) in cash held	(19)	211	(230)

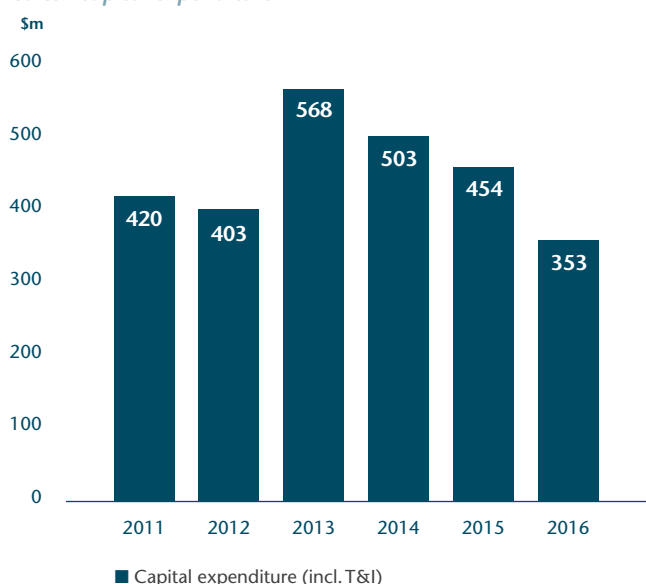
DISCUSSION AND ANALYSIS – CASH FLOWS

1. Net operating cash inflows ▲ \$43m	While receipts from customers are lower in 2016, this was largely offset by lower payments to employees, suppliers and governments as both are driven by current product prices.
2. Net investing cash outflows ▼ \$54m	The decrease in net investing cash outflows is due to lower T&I payments following the major T&I event at Lytton in 2015 and lower payments for property, plant and equipment.
3. Net financing cash outflows ▲ \$327m	The net financing outflow in 2016 arose from dividend payments and the execution of the \$270 million share buy-back. 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 2015 arose from dividend payments. Net proceeds/repayment of borrowing was nil, as there were also no drawdowns or repayment of fixed borrowings in 2015.

Capital expenditure

Capital expenditure in 2016 totalled \$353 million. Excluding major T&I spending at Lytton refinery of \$33 million, capital expenditure was \$320 million. Excluding the proposed acquisition of Gull New Zealand which is subject to New Zealand Overseas Investment Office approval, capital expenditure in 2017 is expected to range between \$395 million and \$895 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 is to maintain a leading position within the transport fuels industry and convenience retailing regionally. In support of this, 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.

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 convenience 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.

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 strengthening of the AUD/USD exchange rate (as the CRM components are US\$ based, strengthening of the AUD/USD exchange rate reduces the A\$ revenue earned by Caltex).

Commodity price risk

Caltex is exposed to the risk of price movements in both crude and finished product through its purchase and sales transactions, as these impact Caltex's earnings and cash flows. Through its Group Treasury Policy, Caltex seeks to manage this exposure by utilising both crude and finished product swap contracts. Caltex's policy has been not to hedge refiner margins.

Foreign exchange risk

Caltex is exposed to the effect of changes in foreign exchange rates. Caltex purchases crude and products in USD and sells predominantly in AUD with pricing formulas reflecting changes in the AUD/USD exchange rate. Due to timing differences between payments for purchases and pricing of sales, a change in the foreign exchange rate may negatively impact Caltex's earnings and cash flow. Additionally, the CRM is determined principally with reference to the USD Singapore spot product price relative to the US dollar Brent crude price. An increase in the AUD/USD exchange rate will adversely impact Caltex's Australian dollar refiner margin, and therefore refining earnings and cash flows.

The Group implemented a foreign exchange risk management policy in August 2014 of hedging 80% of the Group's US dollar denominated crude and products payable. From December 2016, this policy was amended to increase the hedging percentage to 100% of the Group's net exposure to US dollar payables and receivables. The instruments used to manage foreign exchange risk expose Caltex to fair value foreign exchange rate risk and counterparty credit risks. Exposure limits are set for each counterparty to ensure that Caltex is not exposed to excess counterparty credit risk.

Operating and financial review continued

Business risks and management continued

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 a capital structure that supports its activities and centrally monitoring cash flow forecasts and the degree of access to debt and equity markets. A key element of its funding strategy is the use of committed undrawn debt 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

Late in 2016, Caltex announced the proposed acquisition of Milemaker Petroleum and Gull New Zealand. Additionally, Woolworths announced the sale of its fuel business to BP, subject to regulatory approval. Caltex's 3.5 billion litre fuel supply arrangement with Woolworths is linked to Woolworths' continued ownership of the business. These three separate announcements did not impact the 2016 financial result for Caltex. They are, however, expected to have an impact in future periods. 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 2016.

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 Executive 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 2016, Caltex made its eighth 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 21 environmental protection licences were held by companies in the Caltex Group in 2016 in respect of a refinery, 12 terminals, three marketing facilities, three aviation refuelling facilities, a lubricants manufacturing facility and a bulk shipping facility.

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.

The business had no environmental infringements in 2016.

Caltex convicted of offence in relation to fuel spill at Banksmeadow in 2013

On 20 February 2017, Caltex Australia Petroleum Pty Limited (**Caltex**) was convicted in the Land and Environment Court of NSW of an offence under the Protection of the Environment Operations Act 1997 for negligently contributing to conditions that gave rise to a contractor causing a fuel spill.

On 12 July 2013, while carrying out new procedures put in place to manage a fuel quality issue at its terminal located at Penrhyn Road, Banksmeadow (**Terminal**), a contractor failed to correctly fit a temporary hose to a fuel storage tank. When Caltex began transferring fuel from the storage tank the temporary hose disconnected from the tank. As a result, fuel escaped from the tank into a purpose built containment bund. Two workers involved in the transfer were doused in fuel. The workers were taken to hospital and discharged shortly afterwards.

Emergency services were called to manage the risk of fire and local roads were closed. The leak continued for around 1 hour and 20 minutes until a NSW Fire and Rescue officer entered the bund containing the fuel and manually closed the valve on the storage tank. During this period, approximately 157,000 litres of petrol escaped into the bund which contained all of the fuel as designed. The petrol was later safely removed.

Caltex was found to be negligent, both in its assessment of the risks posed by new procedures put in place to deal with the fuel quality issue at its Terminal; and the way it carried out those procedures.

The prosecution was brought by the NSW Environment Protection Authority (**EPA**).

Caltex cooperated with the EPA in relation to all aspects of the investigation and entered a plea of guilty to the offence. As a responsible local employer and business, Caltex is sorry for the disturbance caused to the Botany community immediately following the incident.

Caltex has been fined a total of \$400,000, to be paid to the City of Botany Bay (or its successor) and the Department of Primary Industries to fund projects aimed at restoring and enhancing the environment for the benefit of neighbouring communities. Caltex also agreed to pay the EPA's legal costs of \$450,000.

This notice was placed by order of the Land and Environment Court of NSW and was paid for by Caltex.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 70 and forms part of the Directors' Report for the financial year ended 31 December 2016.

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 2016.

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
Trevor Bourne	Independent, Non-executive Director
Steven Gregg	Independent, Non-executive Director
Bruce Morgan	Independent, Non-executive Director
Barbara Ward	Independent, Non-executive Director
Penny Winn	Independent, Non-executive Director

Current Senior Executives

Julian Segal	MD & CEO
Andrew Brewer	Executive General Manager, Supply Chain Operations
Viv Da Ros	Chief Information Officer (<i>appointed 12 December 2016</i>)
Simon Hepworth	Chief Financial Officer
Bruce Rosengarten	Executive General Manager, Commercial
Lyndall Stoyles	Executive General Manager, Legal & Corporate Affairs (<i>appointed 24 October 2016</i>)
Joanne Taylor	Executive General Manager, Human Resources (<i>appointed 5 February 2016</i>)
Louise Warner	Executive General Manager, Fuels (<i>appointed 3 October 2016</i>) ⁽¹⁾

Former Senior Executives

Peter Lim	Executive General Manager, Legal & Corporate Affairs (<i>ceased to be a KMP on 7 December 2016</i>)
Adam Ritchie	Executive General Manager, Supply (<i>ceased employment 31 December 2016</i>)
Simon Willshire	Executive General Manager, Human Resources (<i>retired effective 30 April 2016</i>)

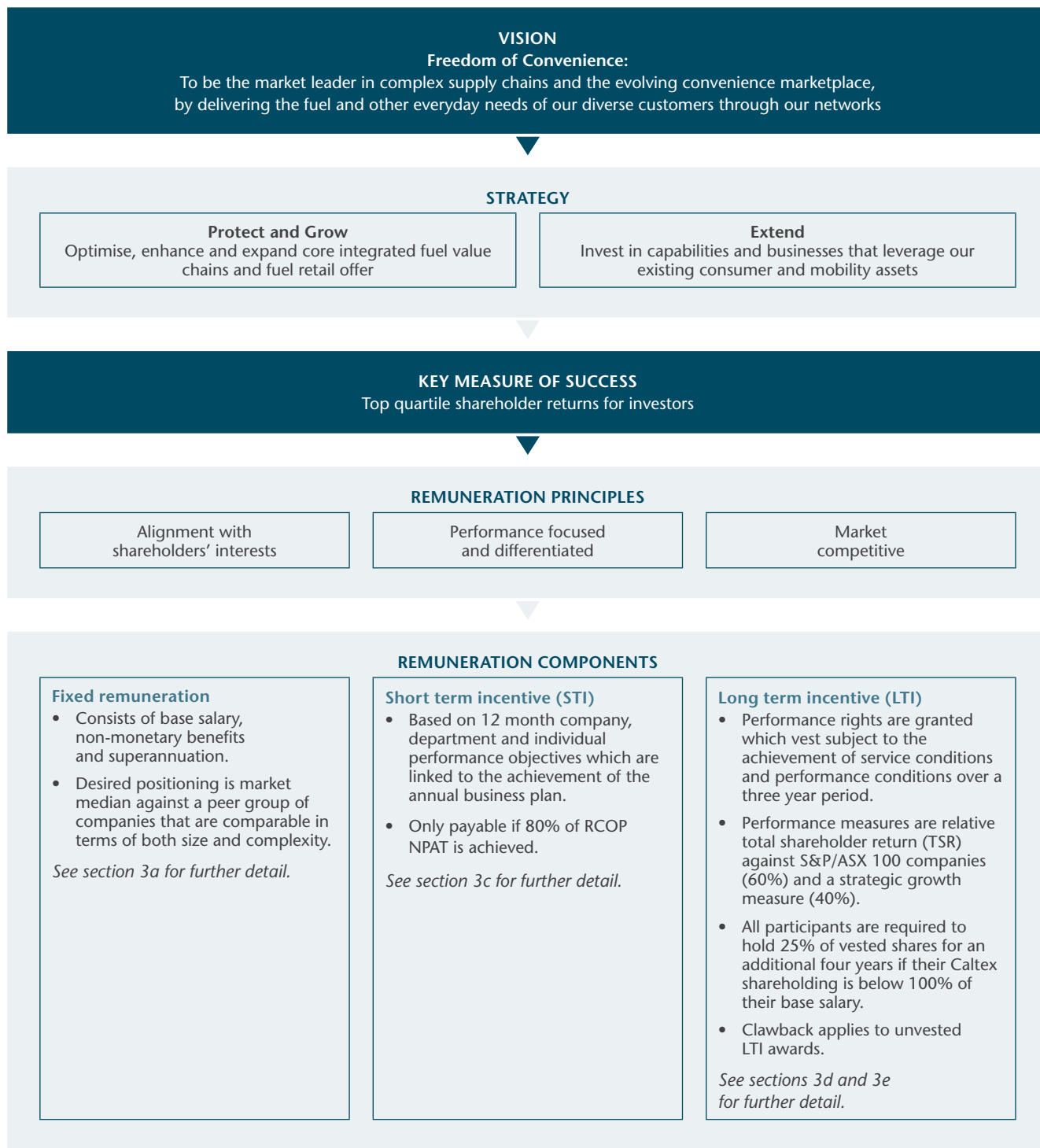
Note:

⁽¹⁾ Ms Warner was previously President Ampol and General Manager, Trading and Shipping.

Changes to KMP since the end of the financial year

The position of Executive General Manager, Commercial will be made redundant from 1 April 2017 and Mr Rosengarten will cease employment from this date.

1b. Summary of 2016 remuneration arrangements for Senior Executives



Remuneration Report continued

1. Remuneration snapshot continued

1c. Senior Executive remuneration outcomes in 2016

REMUNERATION ELEMENT	OUTCOME
MD & CEO remuneration increase	<p>The Board determined to freeze the fixed remuneration of the MD & 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 & CEO's target STI opportunity increased from 50% to 60% of base salary and his stretch STI opportunity increased from 100% to 120% of base salary. The Board determined that this was appropriate given:</p> <ul style="list-style-type: none"> advice from Aon Hewitt, the Human Resources Committee's independent remuneration adviser, indicated that target STI opportunities for MD & 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 the increase in the STI opportunity brought the MD & 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.
Other Senior Executive remuneration increase	<p>Base salaries for other Senior Executives (excluding the EGM Supply Chain Operations) increased by an average of 2.3%. This increase was below market movement and below the budgeted salary increase that applied to the majority of Caltex employees. The EGM Supply Chain Operations' fixed remuneration increased by 13.6%.</p> <p>This restrained level of average base salary increase was below forecast market movement and is below the budgeted salary increase which will apply to the majority of Caltex employees.</p> <p>The larger remuneration increase awarded to the EGM Supply Chain Operations was determined to be appropriate by the Board taking into account his below market positioning, his strong performance and strategic contribution, and internal relativities to his peers.</p>
STI	<p>While RCOP NPAT result was lower than 2015 (which was a record profit), the 2016 result is the second highest in the last 10 years and demonstrates a sound performance by the business, reflecting strong growth in the Supply and Marketing areas and a strong Lytton operating performance in the face of substantially lower refiner margins.</p> <p>RCOP NPAT performance in 2016 was 87% of target and the average 2016 STI award for Senior Executives was 95% of target. This outcome demonstrates the strong alignment between STI payments and profit outcomes.</p>
LTI	<p>2013: The 2013 LTI grant had a performance period from 1 January 2013 to 31 December 2015 and vested in April 2016. This grant was subject to the achievement of relative TSR against S&P/ASX 100 companies (60%), free cash flow (20%) and a mix of strategic measures (20%).</p> <p>Over the 2013-15 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&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 vested on 1 April 2016 and the remaining 19.51% lapsed.</p> <p>2014: The 2014 LTI grant had a performance period from 1 January 2014 to 31 December 2016 and vests in April 2017. This grant was subject to the achievement of relative TSR against S&P/ASX 100 companies (60%), free cash flow (20%) and a mix of strategic measures (20%).</p> <p>Over the 2014-16 performance period, Caltex's share price increased from \$20.05 to \$30.46 and its TSR was 178%. This placed Caltex at the 82nd percentile against S&P/ASX 100 companies. The company also achieved 100% of the free cash flow target and the Board determined that performance against the strategic measures was just above target performance (allowing 74.42% of this tranche to vest). As a result, 84.78% of the 2014 grant will vest on 1 April 2017 and the remaining 15.22% will lapse. No clawback occurred in respect of the LTI in 2016.</p>

1d. Summary of 2016 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 2016, the Chairman's fee and Non-executive Director base fees increased by 2.8%.

For 2016, superannuation contributions were made at a rate of 9.5%. No additional retirement benefits are paid.

Fees paid to Non-executive Directors are subject to a maximum annual Non-executive Director fee pool of \$2.5 million (including superannuation). This fee pool was approved by shareholders at the 2016 AGM.

See sections 4a and 4b for further detail.

1e. Outlook for FY17 (unaudited)

Key changes to remuneration arrangements in FY17 are outlined below:

CHANGE	COMMENTARY
MD & CEO remuneration	The Board determined that it would again freeze the fixed remuneration of the MD & CEO for 2017.
Senior Executive remuneration	<p>Excluding the MD & CEO and the EGM Fuels, Senior Executive remuneration will increase on average by 2.77% in April 2017. As noted above, the MD & CEO's fixed remuneration was frozen for 2016 and, if he is included, the average increase for all Senior Executives for 2017 will be 1.66% (excluding EGM Fuels).</p> <p>The EGM Fuels will receive a fixed remuneration increase of 10%. This increase reflects a broadening of responsibilities for this role to include responsibility for a new business unit.</p> <p>This level of average base salary increase is below forecast market movement and broadly in line with 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>
Non-executive Director fees	Non-executive Director base and committee fees will not increase in 2017.
Non-executive Director fee pool	There will be no change to the Non-executive Director fee pool for 2017.

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 to fulfil its corporate governance and oversight responsibilities in relation to Caltex's remuneration framework, the performance of the MD & CEO, succession planning, and the remuneration, diversity and inclusion disclosures. The Committee also assists the Board in setting the measurable objectives for achieving diversity and inclusion and reviewing progress made toward those objectives.

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

The Human Resources Committee 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.

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).

2b. External advice

The Human Resources Committee is independent of management and is authorised 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 2016, 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. No 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 \$34,300 excluding GST. Aon Hewitt also provided additional services (Finance and HR related) to Caltex over 2016. The fee for these additional services was \$39,300 excluding GST.

Remuneration Report continued

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.

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 peer group was also adjusted to include several additional companies with a retail focus to align with Caltex's strategy.

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. Superannuation is also paid on any short term incentive payments.

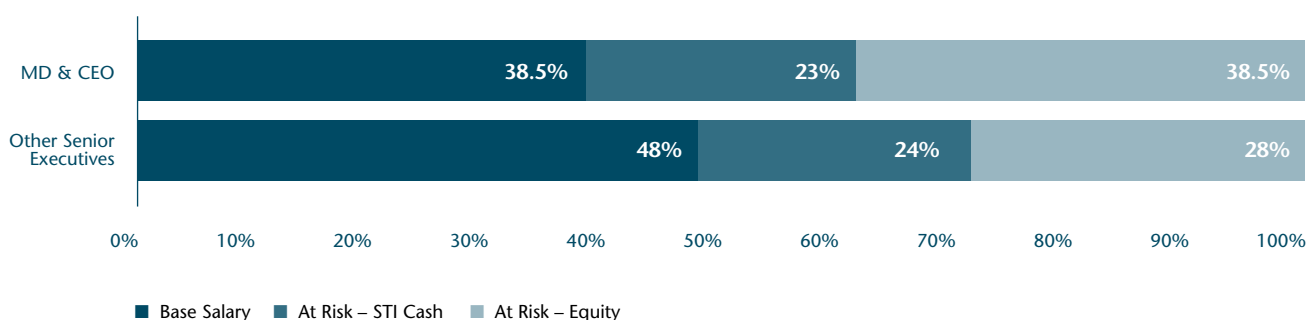
The remuneration structure (including the remuneration mix) is reviewed annually by the Board.

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.

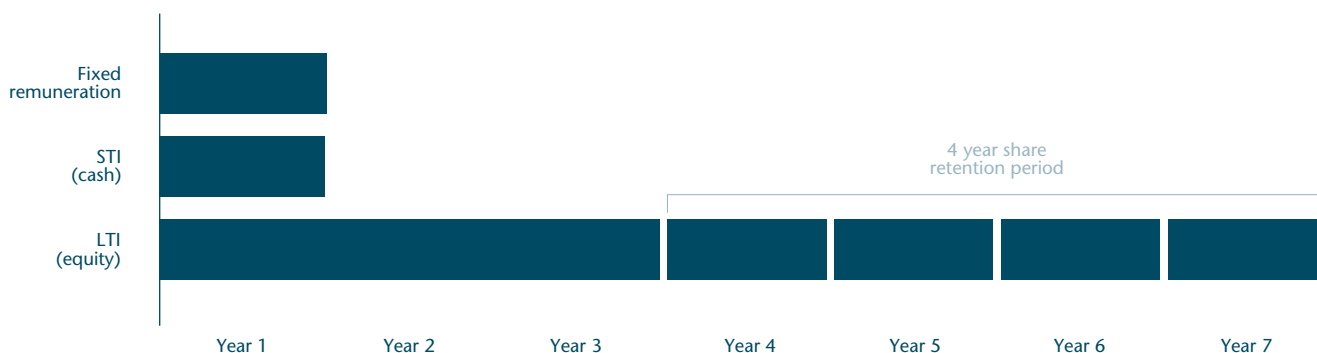
2016 Remuneration mix “at target”



Notes:

- ⁽ⁱ⁾ “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 Rosengarten and Ms Warner. Ms Stoyles, Ms Taylor and Mr Da Ros have a STI target of 46% of base salary.
- ⁽ⁱⁱ⁾ 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, with the free cash flow and the strategic growth measure 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:

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

Remuneration Report continued

3. Senior Executive remuneration continued

3c. Performance based "at risk" remuneration – 2016 STI Plan

Plan	STI awards are made under the Rewarding Results Plan.
Plan rationale	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.
Performance period	The performance period is for 12 months ending 31 December 2016.
2016 target and maximum stretch opportunity levels	MD & CEO – the target STI opportunity is 60% of base salary and the maximum stretch STI opportunity is 120% 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.
Financial gateway	RCOP NPAT performance, including the cost of incentives, needs to be at least at 80% of target before any short term incentives are payable.
Use of discretion	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 2016, no discretion was exercised by the Board to include or exclude any significant items in respect of Rewarding Results outcomes.
Payment vehicle	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.
Payment frequency	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 2016

Performance measures for 2016 were derived from the business plan in line with the company direction set by the Board. The Board approved the 2016 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.

Senior Executive performance objectives and outcomes

The table below outlines the common performance objectives that applied to the Senior Executives over 2016. These measures accounted for between 60% and 65% of the Senior Executive's scorecard depending upon their role. The remaining 35-40% of performance objectives were customised to the executive's remit. Such objectives include delivery of specific strategic growth projects, delivery of capability build in critical business areas, achievement of divisional EBIT targets, achievement of specific transport fuel market targets and achieving specific refinery production targets. Actual performance against the common objectives has 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 resulting in lost time or medical treatment during FY16.
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 above threshold (11 spills > 1 bbl and marine) but as there were 3 Tier 2 process safety incidents the process safety gateway for payment was not met.
RCOP NPAT	See explanation of RCOP NPAT below	40%		✓				RCOP NPAT was below target at \$524m due to pressure on refiner margins, a tight competitive market and other external factors in 2016.
Tabula Rasa	Key business improvement program focusing on revenue generation and cost efficiency	10-15%				✓		This highly successful program has continued to exceed expectations and achieved above target results in terms of revenue generation and costs saved.

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 unintended 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.

Remuneration Report continued

3. Senior Executive remuneration continued

3c. Performance based "at risk" remuneration – 2016 STI Plan continued

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. The Board may exclude any exceptional events from RCOP NPAT that management and the Board consider to be outside the scope of usual business. Exclusions may be made to give a clearer reflection of underlying financial performance from one period to the next.

3d. Performance based "at risk" remuneration – 2016 LTI Plan

Plan	LTI awards are granted under the CEIP.
Plan rationale	<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>
LTI instrument	<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>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>
Allocation methodology	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.
Performance period	The performance period is three years commencing on 1 January in the year the awards are made. For the 2016 awards, this is the three year period from 1 January 2016 to 31 December 2018.
2016 target and maximum stretch opportunity levels	<p>The MD & 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>

Performance measures	For 2016, the LTI performance measures were relative TSR (weighted at 60%) and a strategic growth measure (weighted at 40%).														
	<i>Relative TSR</i>														
	Relative TSR is assessed against a comparator group of S&P/ASX 100 companies. The vesting schedule is:														
	<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>	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 %													
	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														
<i>Strategic growth measure</i>															
In 2016, a financial gateway applies to the strategic growth measure, being return on average funds employed (RoAFE). The RoAFE gateway is measured as Profit Before Interest and Tax/Average Funds Employed excluding refining over the prior 12 month period (including intangibles but excluding debt). The RoAFE gateway has been included in the strategic growth measure to ensure that executives are only rewarded when Caltex has invested in the right projects and created shareholder value.															
Once the RoAFE gateway has been met, the strategic growth measure that will apply 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.															
<i>Disclosure of performance outcomes</i>															
Specific details of the RoAFE gateway and the strategic measures have not been disclosed due to commercial sensitivity. However, in the 2018 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 2014 and that vest in April 2017.															
Shares acquired upon vesting of the performance rights	<p>Shares to satisfy vested performance rights are usually purchased on market.</p> <p>Shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares (including dividends and voting rights).</p>														
Share retention arrangements	<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 2023 for the 2016 LTI awards). This effectively extends the life of the LTI plan from three years to seven years. For the 2016 LTI awards and future awards, these retention arrangements will be waived if the executive can demonstrate he or she holds the equivalent of 100% of their base salary in shares prior to vesting.</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 & 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>														
Clawback Policy	See section 3e for information on the Caltex Clawback Policy.														
Termination provisions	<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>														
Change of control provisions	Any unvested performance rights may vest at the Board's discretion, having regard to pro-rated performance.														

Remuneration Report continued

3. Senior Executive remuneration continued

3d. Performance based "at risk" remuneration – 2016 LTI Plan continued

Legacy LTI awards

The 2014 and 2015 LTI awards will vest in April 2017 and April 2018 respectively. The operation of these awards is consistent with the 2016 awards, except for the weighting and nature of the performance measures. The performance measures for the 2014 awards were relative TSR (weighted at 60%), free cash flow (weighted at 20%) and strategic measures (weighted at 20%). The performance measures for the 2015 awards were relative TSR (75%) and strategic measures (25%).

Performance measure	Commentary
Relative TSR – 2014 and 2015 grant	The operation of the relative TSR measure is the same as that outlined above under the 2016 awards.
Free cash flow (FCF) – 2014 grant only	<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 2016 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>The FCF targets have not been disclosed due to commercial sensitivity. See section 3h for Caltex's performance against the cumulative FCF target applicable for the 2014 awards.</p>
Strategic measures	<p>Performance measures</p> <p>2014: The 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"> • a competitively efficient organisation • the development and demonstration of end to end value chain optimisation capability • the development and demonstration of competitive supply capability • the development and demonstration of innovation and growth capabilities. <p>2015: The strategic measure is based on a profit growth target at the end of 2017 (in reference to 2014) attributable to M&A (core and non-core) and step-out ventures (new products/services/geographies).</p> <p>Disclosure and performance assessment</p> <p>2014: See section 3h for Caltex's performance against the strategic measures applicable for the 2014 awards.</p> <p>2015: The Board will set out in the 2017 Remuneration Report how Caltex performed against the 2015 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 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.

3f. Hedging and margin lending policies

The Caltex Securities Trading Policy prohibits Designated Caltex Personnel, which includes Senior Executives, from entering into any arrangements that would have the effect of limiting their exposure relating to Caltex securities, including vested Caltex securities or unvested entitlements to Caltex securities under a Caltex employee incentive scheme.

Designated Caltex Personnel, including Senior Executives, must not enter into any margin lending arrangements in respect of Caltex securities.

Designated Caltex Personnel, including Senior Executives are required to undertake online training periodically to ensure that they are aware of and understand their obligations and responsibilities under the Securities Trading Policy and are required to certify on an annual basis that they have complied with the Securities Trading Policy. A contravention is a serious matter and may lead to disciplinary action, including termination of employment.

3g. Senior Executive remuneration and service agreements

MD & CEO

The MD & CEO's remuneration is determined by the Board following receipt of a recommendation from the Human Resources Committee. In making its 2016 remuneration recommendation, the Human Resources Committee considered the performance of the MD & CEO and advice provided by Aon Hewitt, which took into account remuneration levels provided by companies of a similar size and complexity.

The split between the MD & CEO's 2016 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 ⁽ⁱⁱ⁾
\$2,248,500 ⁽ⁱ⁾	"At target"	"At target" – when TSR is at the 75th percentile of peer companies, and the strategic growth measure has been met at target.
	\$1,289,100 (60% 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.
	\$2,578,200 (120% of base salary)	\$3,222,750 (150% of base salary)

Notes:

⁽ⁱ⁾ The MD & CEO's remuneration was frozen during the 2016 remuneration review.

⁽ⁱⁱ⁾ Share retention arrangements have been implemented to encourage share retention and promote alignment with shareholders over the longer term. For the 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

Remuneration Report continued

3. Senior Executive remuneration continued

3g. Senior Executive remuneration and service agreements continued

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
Viv Da Ros	6 months	6 months
Simon Hepworth	3 months	3 months
Bruce Rosengarten	6 months	6 months
Lyndall Stoyles	6 months	6 months
Joanne Taylor	6 months	6 months
Louise Warner	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, Human Resources

Mr Simon Willshire retired effective 30 April 2016. On retirement, his unvested long term incentive awards were pro-rated based on the portion of the vesting period he was employed. The portion of LTI awards he retains will remain subject to the applicable performance hurdles and will vest, if applicable, in accordance with original terms of offer in April 2017 and April 2018. In addition, as he had satisfied the service condition in relation to the STI Deferral shares awarded in April 2015 (awarded in respect of the deferred portion of his 2014 STI), his STI Deferral shares were released upon the cessation of employment (although the shares remain subject to clawback in the event of a material misstatement or omission in any Group Company's financial accounts prior to 1 April 2017).

Executive General Manager, Supply

Mr Adam Ritchie ceased employment with Caltex on 31 December 2016 after a very successful period in the EGM Supply role, which, among a number of accomplishments, has seen the establishment of our standalone trading and shipping capability through our Ampol subsidiary in Singapore. On ceasing employment, Mr Ritchie's unvested long term incentive awards were pro-rated based on the portion of the vesting period he was employed. The portion of LTI awards he retains will remain subject to the applicable performance hurdles and will vest, if applicable, in accordance with original terms of offer in April 2018 and April 2019. As notice was provided on 1 September 2016, the remaining two months' notice were paid on cessation of employment. He also received a payment for past service equivalent to six months' salary as compensation for an additional six month post-employment restraint until 30 September 2017.

Mr Ritchie's unvested restricted shares (awarded in lieu of LTI awards forgone at his prior employer) will continue to vest on his second and third anniversary of his commencement date. Mr Ritchie retains these shares on ceasing employment as, under the terms of his contract, the shares only lapse on resignation, serious misconduct or negligence. The award of restricted shares is outlined in table 6.

Chief Information Officer

Mr Viv Da Ros was appointed on 12 December 2016 as Chief Information Officer. Mr Da Ros' contract included relocation and accommodation support to assist him to relocate from Hong Kong, where he was previously employed. If Mr Da Ros' 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 Da Ros also received an award of restricted shares to compensate him for forgone STI and LTI at his prior employer. Thirty three and one-third percent (33.33%) of the restricted share grant will vest after six months' employment, with an additional 33% and 34% of the grant vesting on each of Mr Da Ros' second and third anniversary of his commencement date. Each unvested tranche will lapse if his employment ceases due to resignation, serious and wilful misconduct, negligent behaviour or unsatisfactory performance prior to each respective vesting date.

The award of restricted shares is outlined in table 6.

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 2016 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 2012 to 2016 together with the linkage to actual STI and LTI outcomes.

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

Summary of performance over 2012-16	2016	2015	2014	2013	2012
12 month TSR % ⁽ⁱ⁾	-16.5	13.6	74.1	6.1	66.6
Dividends (cents per share)	102c	117c	70c	34c	40c
Share price ⁽ⁱⁱ⁾	\$30.46	\$37.70	\$34.21	\$20.05	\$19.21
RCOP excluding significant items earnings per share	\$2.01	\$2.33	\$1.83	\$1.23	\$1.70
RCOP NPAT excluding significant items (million) ⁽ⁱⁱⁱ⁾	\$524	\$628	\$493	\$332	\$458
Caltex Safety – TTIFR ^(iv)	2.35	2.35	1.76	1.36	2.86
Caltex Safety – LTIFR ^(v)	1.11	0.62	0.77	0.63	0.59
Link to remuneration					
STI – percentage of business plan RCOP NPAT target achieved	87%	134%	125%	76%	137%
STI – funding of STI pool (relative to target)	99%	141%	127%	0%	144%
LTI – percentage vesting three years after grant date					
Year of grant	2014	2013	2012	2011	2010
Percentage of grant vesting	84.78%	80.49%	88.9%	42.3%	77.8%

Notes:

⁽ⁱ⁾ 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.

⁽ⁱⁱ⁾ The price quoted is the trading price for the last day of trading (31 December) in each calendar year. The share price for the last day of trading in 2011 was \$11.77.

⁽ⁱⁱⁱ⁾ 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.

^(iv) TTIFR – Total Treatable Injury Frequency Rate.

^(v) LTIFR – Lost Time Injury Frequency Rate.

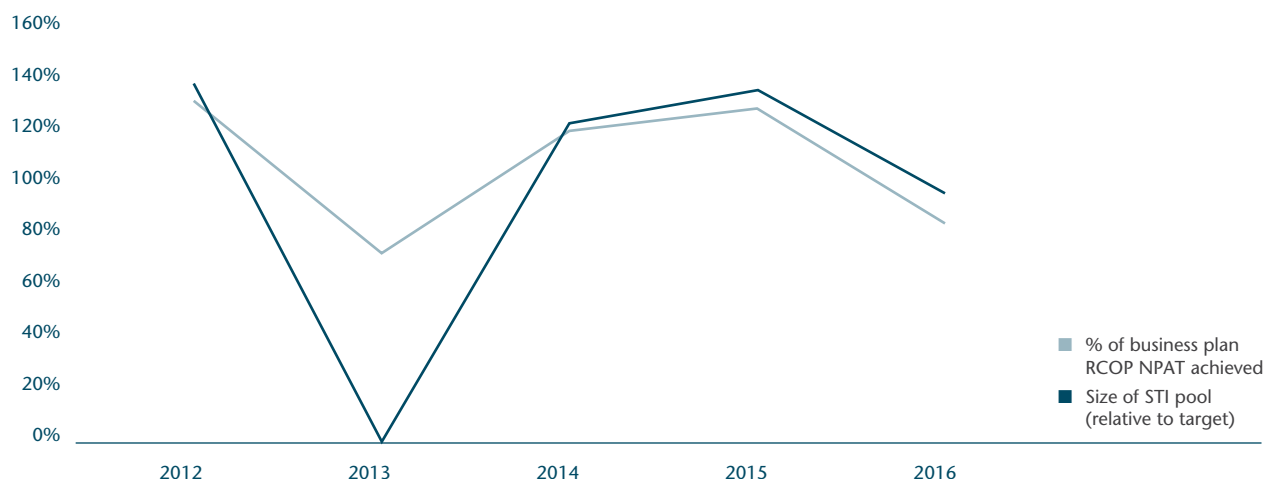
Remuneration Report continued

3. Senior Executive remuneration continued

3h. Link between company performance and executive remuneration continued

Alignment between STI outcomes and RCOP NPAT

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



2014 LTI vesting outcomes and the link to company performance

Relative TSR (60%)

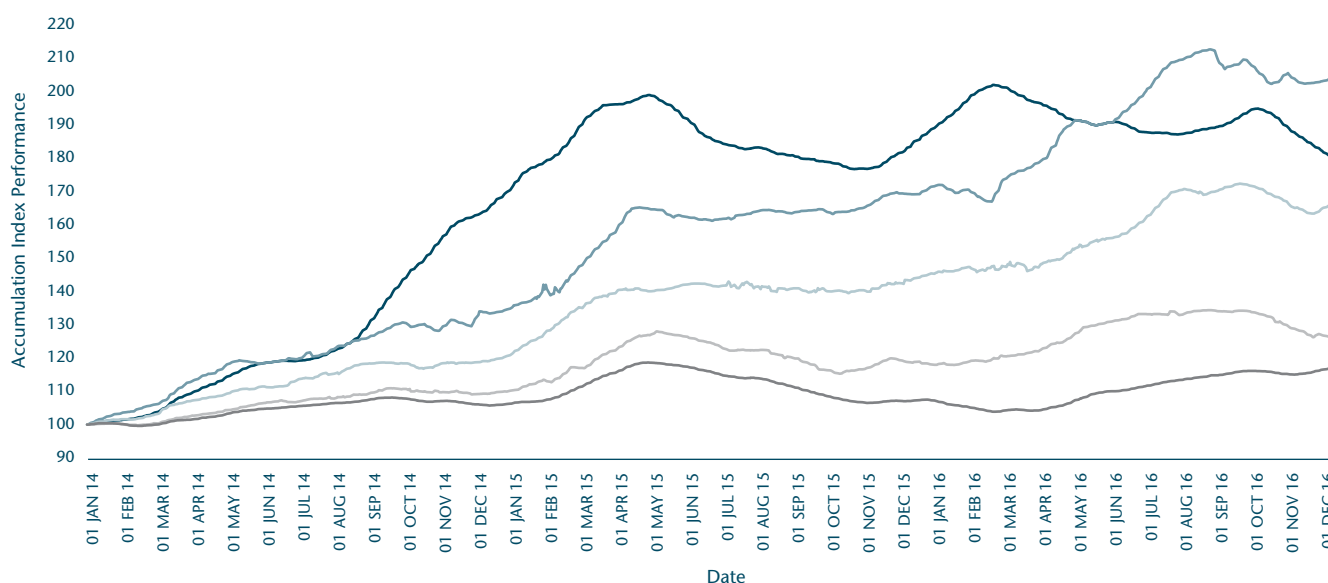
The chart below provides a comparison of Caltex's three year TSR performance compared to S&P/ASX 100 companies over the period from 1 January 2014 to 31 December 2016. This reflects the final status of the tranche of the 2014 LTI grant that is subject to the relative TSR performance measure. Caltex's TSR over this period was 178%, placing it at the 82nd percentile. This will lead to 83.16% of the performance rights subject to the relative TSR performance measure vesting on 1 April 2017.

Caltex Australia Limited and the Constituents of the S&P/ASX 100 Index

Total Shareholders Return Performance

1 January 2014 – 31 December 2016

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



2016 Copyright. All Rights Reserved. Egan Associates. Indices based on a value of 100 at 1 January 2014. Three month smoothing applied.

1. Constituents based on the S&P/ASX 100 Index as at grant date (i.e. 1 January 2014). Caltex is included in the S&P/ASX 100 Index.
Source: S&P Capital IQ

eganassociates

Free cash flow (FCF) (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 2014.

Actual FCF performance over the 2014-16 period was extremely strong (140% of the aggregate target for this period), with the stretch vesting level achieved and 100% of the FCF hurdled performance rights vesting on 1 April 2017. No adjustments were made by the Board to the FCF figures when determining the level of vesting against the FCF performance measure.

Strategic measures (20%)

The table below provides an overview of performance against the applicable 2014 strategic measures, each designed to support top quartile shareholder returns through the transformation of the company into a competitively efficient organisation with innovation and growth capabilities.

Strategic measures	Actual vesting (%)	Performance commentary
<p>The Board's qualitative assessment of performance against:</p> <ul style="list-style-type: none">• A competitively efficient organisation• The development and demonstration of end-to-end value chain optimisation (VCO) capability• The development and demonstration of competitive supply capability• The development and demonstration of innovation and growth capabilities.	74.42%	<p>The Board determined that 74.42% of this tranche would vest, which is equivalent to an on target performance level. This was based on an overall assessment of management's achievements against each of the four nominated criteria. Key factors taken into account by the Board are as follows:</p> <ul style="list-style-type: none">• Competitively efficient organisation: Significant progress has been made in embedding continuous business improvement processes throughout the company over the three year period, with key savings and efficiency targets via the company's Tabula Rasa program being met at a stretch or near stretch level (between target to stretch performance)• End-to-end value chain optimisation capability: This is an area which has seen significant improvements in understanding the end-to-end value chain in certain key Australian markets (e.g. to optimise shipping scheduling, thereby minimising demurrage and working capital costs). The Board however believes there is additional room for improvement across the organisation (between threshold to target performance)• Competitive supply capability: The establishment of our Ampol Singapore operations as the primary supply operation for the company has been an outstanding success for the company in terms of capability development and financial returns over the performance period. Our Singapore supply operations have significantly exceeded budget over this period and successfully established a standalone trading and shipping capability which has created significant value to the company. We have also expanded our crude sourcing and feedstock trading capabilities, east coast optimisation strategy (e.g. make or buy decisions around premium gasolines with our Lytton refinery) and embedded appropriate commodity risk management practices (stretch performance)• Innovation and growth: The last three years have seen significant development in innovation and growth. New businesses have been established in areas outside our core transport fuels business – in soil remediation and developing a sophisticated test area looking into the sale of software analytics to road-freight transport customers (i.e. telematics). We have created an ideas platform to capture innovative employee ideas, developing a pipeline of future opportunities to explore, together with the greater use of data analytics across our pricing optimisation and property decisions. The current innovation and growth focus of the organisation is now strongly on the Future of Convenience with the establishment of new convenience retail solutions which will continue to be rolled out in future years (target performance).

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables

Table 4a. Total remuneration earned by Senior Executives in 2016 (unaudited, non-statutory disclosures)

The following table sets out the actual remuneration earned by Senior Executives in 2016. The value of remuneration includes the equity grants where the Senior Executive received control of the shares in 2016.

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 2016.

Dollars	Salary and fees ⁽ⁱ⁾	Other remuneration ⁽ⁱⁱ⁾	Bonus (STI)	Deferred STI vested in the year	LTI vested during the year ⁽ⁱⁱⁱ⁾	Remuneration “earned” for 2016 ^(iv)
Julian Segal (Managing Director & CEO) ^(v)						
2016	2,223,500	134,205	1,063,792	–	4,384,357	7,805,854
Andrew Brewer (Executive General Manager, Supply Chain Operations) ^(v)						
2016	772,556	89,207	343,692	–	433,606	1,639,061
Viv Da Ros (Chief Information Officer) ^(vi)						
2016	32,386	3,638	–	–	–	36,024
Simon Hepworth (Chief Financial Officer)						
2016	827,429	242,807	470,506	–	964,276	2,505,018
Peter Lim (Executive General Manager, Legal & Corporate Affairs) ^{(v)(vii)}						
2016	593,199	62,472	196,603	–	622,660	1,474,934
Adam Ritchie (Executive General Manager, Supply) ^{(v)(viii)}						
2016	1,452,953	49,746	370,057	–	98,506	1,971,262
Bruce Rosengarten (Executive General Manager, Commercial) ^(v)						
2016	897,063	62,539	303,601	–	521,336	1,784,539
Lyndall Stoyles (Executive General Manager, Legal & Corporate Affairs) ^(ix)						
2016	104,762	16,037	–	–	–	120,799
Joanne Taylor (Executive General Manager, Human Resources) ^{(v)(x)}						
2016	464,339	45,092	242,963	–	–	752,394
Louise Warner (Executive General Manager, Fuels) ^{(v)(xi)}						
2016	167,559	55,138	80,656	–	–	303,353
Simon Willshire (Executive General Manager, Human Resources) ^{(v)(xii)}						
2016	201,310	16,414	–	–	635,343	853,067
Total remuneration: Senior Executives						
2016	7,737,056	777,295	3,071,870	–	7,660,084	19,246,305

Notes:

- ⁽ⁱ⁾ Salary and fees comprises base salary and cash payments in lieu of employer superannuation (on 2016 base salary and/or on STI payments made in respect of the 2015 performance year paid in 2016).
- ⁽ⁱⁱ⁾ 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.
- ⁽ⁱⁱⁱ⁾ This refers to equity based plans from prior years that have vested in the current year. The value is calculated using the closing share price of Company shares on the vesting date. The 2016 figures reflect the strong performance in respect of the LTI that was granted in 2013 and that operated over the performance period from 1 January 2013 to 31 December 2015. Over this period, Caltex's TSR was 200% and the Caltex share price increased from \$19.21 to \$37.70. At the time of vesting, the Caltex share price was \$33.82. For Mr Rosengarten, this is the value of the third tranche of sign-on restricted shares granted in 2013 which vested in November 2016. For Mr Ritchie, this is the value of the first tranche of sign-on restricted shares granted in 2015 which vested in April 2016.
- ^(iv) This refers to the total value of remuneration earned during 2016, being the sum of the prior columns.
- ^(v) 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.
- ^(vi) Mr Da Ros commenced employment on 12 December 2016 and his remuneration is disclosed from this date.
- ^(vii) Mr Lim ceased to be a KMP on 7 December 2016, but remains an employee, utilising annual and long service leave.
- ^(viii) Mr Ritchie ceased employment on 31 December 2016. The 'salary and fees' figure includes the value of his notice paid in lieu, and a payment for past service made in respect of an additional six month employment restraint period.
- ^(ix) Ms Stoyles commenced employment on 24 October 2016 and her remuneration is disclosed from this date.
- ^(x) Ms Taylor commenced employment on 5 February 2016 and her remuneration is disclosed from this date.
- ^(xi) Ms Warner's remuneration relates to the period from 3 October 2016 when she was appointed Executive General Manager, Fuels and became a KMP.
- ^(xii) Mr Willshire ceased employment on 30 April 2016 and his remuneration is disclosed up to this date.

Table 4b. Total remuneration for Senior Executives in 2016 (statutory disclosures)

The following table sets out the audited total remuneration for Senior Executives in 2015 and 2016, calculated in accordance with statutory accounting requirements:

	PRIMARY		POST EMPLOYMENT	OTHER LONG TERM	EQUITY		TOTAL	
Dollars	Salary and fees ⁽ⁱ⁾	Bonus (STI)	Non- monetary benefits ⁽ⁱⁱ⁾	Super- annuation	Other ⁽ⁱⁱⁱ⁾	Share benefits ^(iv)	Rights benefits ^(v)	
Julian Segal (Managing Director & CEO) ^(vi)								
2016	2,267,804	1,063,792	13,695	25,000	51,206	–	2,193,138	5,614,635
2015	2,137,659	1,568,405	13,331	25,000	75,950	215,878	2,345,131	6,381,354
Andrew Brewer (Executive General Manager, Supply Chain Operations) ^(vi)								
2016	791,097	343,692	17,696	19,462	33,508	–	381,191	1,586,646
2015	715,473	491,330	23,308	24,354	38,771	58,770	325,401	1,677,407
Viv Da Ros (Chief Information Officer) ^(vii)								
2016	32,694	–	253	3,077	–	5,466	–	41,490
2015	–	–	–	–	–	–	–	–
Simon Hepworth (Chief Financial Officer)								
2016	852,336	470,506	21,642	139,294	56,964	–	518,398	2,059,140
2015	834,865	673,560	17,021	110,459	62,929	79,901	526,003	2,304,738
Peter Lim (Executive General Manager, Legal & Corporate Affairs) ^{(vi)(viii)}								
2016	599,020	196,603	21,079	24,808	10,764	–	326,084	1,178,358
2015	551,113	380,400	16,892	30,000	21,113	46,295	331,591	1,377,404
Adam Ritchie (Executive General Manager, Supply) ^{(vi)(ix)}								
2016	1,456,969	370,057	20,982	20,635	4,112	100,180	262,198	2,235,133
2015	625,900	667,890	143,037	30,858	–	74,998	107,306	1,649,989
Bruce Rosengarten (Executive General Manager, Commercial) ^(vi)								
2016	905,819	303,601	15,604	30,400	7,778	89,328	445,854	1,798,384
2015	838,952	574,241	13,899	30,400	25,486	309,814	290,461	2,083,253
Lyndall Stoyles (Executive General Manager, Legal & Corporate Affairs) ^(x)								
2016	105,787	–	4,725	9,952	334	–	–	120,799
2015	–	–	–	–	–	–	–	–
Joanne Taylor (Executive General Manager, Human Resources) ^{(vi)(xi)}								
2016	467,554	242,963	11,693	28,845	1,338	–	71,327	823,720
2015	–	–	–	–	–	–	–	–
Louise Warner (Executive General Manager, Fuels) ^{(vi)(xii)}								
2016	176,165	80,656	10,435	7,912	28,184	–	40,154	343,507
2015	–	–	–	–	–	–	–	–
Simon Willshire (Executive General Manager, Human Resources) ^{(vi)(xiii)}								
2016	201,310	–	1,914	14,500	–	–	151,019	368,743
2015	559,943	383,945	14,195	26,446	15,526	49,463	338,474	1,387,992
Total remuneration: Senior Executives								
2016	7,856,555	3,071,870	139,718	323,886	194,188	194,974	4,389,363	16,170,554
2015	6,263,905	4,739,771	241,683	277,517	239,775	835,119	4,264,367	16,862,137

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables continued

Table 4b. Total remuneration for Senior Executives in 2016 (statutory disclosures) continued

Notes:

- ⁽ⁱ⁾ Salary and fees includes base salary and cash payments in lieu of employer superannuation. For 2016, the cash payments in lieu of employer superannuation are on 2016 base salary and/or on STI payments made in respect of the 2015 performance year paid in 2016.
- ⁽ⁱⁱ⁾ 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 (2015 figures only).
- ⁽ⁱⁱⁱ⁾ Other long term remuneration represents the long service leave for all Senior Executives.
- ^(iv) For the 2015 values, Share benefits includes 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. For Messrs Da Ros, Ritchie and Rosengarten, this also includes the value of the restricted shares (calculated under the accounting standards) granted to each Senior Executive in 2016, 2015 and 2013.
- ^(v) 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.
- ^(vi) 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.
- ^(vii) Mr Da Ros commenced employment on 12 December 2016 and his remuneration is disclosed from this date.
- ^(viii) Mr Lim ceased to be a KMP on 7 December 2016, but remains an employee, utilising annual and long service leave.
- ^(ix) Mr Ritchie ceased employment on 31 December 2016. This figure includes the value of his notice paid in lieu, and a payment for past service of \$403,500 made in respect of an additional six month employment restraint period.
- ^(x) Ms Stoyles commenced employment on 24 October 2016 and her remuneration is disclosed from this date.
- ^(xi) Ms Taylor commenced employment on 5 February 2016 and her remuneration is disclosed from this date.
- ^(xii) Ms Warner's remuneration relates to the period from 3 October 2016 when she was appointed Executive General Manager Fuels and became a KMP.
- ^(xiii) Mr Willshire ceased employment on 30 April 2016 and his remuneration is disclosed up to this date.

Table 5. Unvested shareholdings of Senior Executives during 2016

	Unvested shares at 31 Dec 2015	Restricted shares granted	Shares vested from prior performance years	Forfeited	Unvested shares at 31 Dec 2016
Adam Ritchie ⁽ⁱ⁾	8,741	–	(2,914)	–	5,827
Bruce Rosengarten ⁽ⁱⁱ⁾	16,932	–	(16,932)	–	–

Notes:

- ⁽ⁱ⁾ 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 vested in April 2016, one third will vest in April 2017 and the final third will vest in April 2018.
- ⁽ⁱⁱ⁾ For Mr Rosengarten, the unvested shares as at 31 December 2015 represent the unvested portion of the sign-on restricted shares awarded to Mr Rosengarten on commencement with Caltex in lieu of the LTI forgone with his previous employer. Fifty percent (50%) of this award vested in November 2015, and the remaining 50% of the award vested in November 2016.

Mr Da Ros will receive unvested shares in 2017 in lieu of STI and LTI forgone with his previous employer (refer to section 3g for further detail). These shares were to have been awarded on commencement of employment in December 2016, but share purchases were not permitted at this time under the Caltex Securities Trading Policy.

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. One new award of restricted shares will be made in respect of the 2016 Financial Year to the Chief Information Officer on commencement of employment in lieu of the unvested STI and LTI which lapsed upon his resignation with his prior employer. One award was made previously to the Executive General Manager, Supply in 2015 also in respect of unvested LTI which lapsed upon his resignation with his prior employer. 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	58%	2017 (33%) 2018 (9%)	124,814
Viv Da Ros ⁽ⁱ⁾	Sign on	2016	0%	2017 (33%) 2018 (33%) 2019 (34%)	315,000

Note:

- ⁽ⁱ⁾ Mr Da Ros will receive unvested sign-on restricted shares in 2017 in lieu of STI and LTI forgone with his previous employer (refer to section 3g for further detail).

Table 7. 2016 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 2016 ⁽ⁱ⁾	Granted in 2016 ⁽ⁱⁱ⁾	Vested in 2016 ⁽ⁱⁱⁱ⁾	Lapsed in 2016 ^(iv)	Balance at 31 Dec 2016
Julian Segal	424,187	101,505	(129,638)	(31,422)	364,632
Andrew Brewer	60,303	20,000	(12,821)	(3,109)	64,373
Simon Hepworth	95,329	24,295	(28,512)	(6,913)	84,199
Peter Lim	60,456	15,250	(18,411)	(4,494)	52,831
Adam Ritchie	22,208	22,875	–	(26,465)	18,618
Bruce Rosengarten	56,373	22,875	–	–	79,248
Joanne Taylor	–	14,175	–	–	14,175
Louise Warner	16,186	7,980	–	–	24,166
Simon Willshire	61,163	–	(18,786)	(20,936)	21,441

Notes:

⁽ⁱ⁾ This relates to the 2013, 2014 and 2015 performance rights. If the service based and performance based vesting conditions are achieved, the 2014 and 2015 performance rights will vest in 2017 and 2018 respectively.

⁽ⁱⁱ⁾ This relates to the 2016 performance rights. If the service based and performance based vesting conditions are achieved, these performance rights will vest in 2019.

⁽ⁱⁱⁱ⁾ This relates to the 2013 performance rights of which 80.49% vested. Senior Executives received one Caltex share for each right that vested.

^(iv) This relates to the 2013 performance rights of which 19.51% 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.

	2016 GRANT ⁽ⁱ⁾⁽ⁱⁱ⁾		2015 GRANT ⁽ⁱ⁾		2014 GRANT ⁽ⁱ⁾	
	Relative TSR against S&P/ASX 100	Strategic measure	Relative TSR against S&P/ASX 100	FCF and strategic measure	Relative TSR against S&P/ASX 100	FCF and strategic measures
Grant date	4 April 2016/ 13 May 2016	4 April 2016/ 13 May 2016	7 April 2015	7 April 2015	7 April 2014	7 April 2014
Vesting date	1 April 2019	1 April 2019	1 April 2018	1 April 2018	1 April 2017	1 April 2017
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	26%	26%	30%	30%	35%	35%
Risk free interest rate	1.88%/1.58%	1.88%/1.58%	1.75%	1.75%	3.02%	3.02%
Dividend yield	3.3%/2.8%	3.3%/2.8%	3.2%	3.2%	2.7%	2.7%
Expected life (years)	3.0/2.9 years	3.0/2.9 years	3.0	3.0	3.0	3.0
Share price at grant date	\$33.86/\$34.20	\$33.86/\$34.20	\$34.94	\$34.94	\$21.85	\$21.85
Valuation per right	\$13.34/\$12.43	\$30.68/\$31.55	\$15.69	\$31.76	\$12.57	\$20.16

Notes:

⁽ⁱ⁾ 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.

⁽ⁱⁱ⁾ In 2016, two separate CEIP performance grants were made. All Senior Executive awards, excluding the MD & CEO, were made on 4 April 2016. The MD & CEO's award was made on 13 May 2016 after shareholder approval for the award was obtained at the 2016 AGM held on 5 May 2016. The terms of the awards, including all performance hurdles and vesting conditions are the same.

Remuneration Report continued

3. Senior Executive remuneration continued

3i. Remuneration tables continued

Table 9. Mix of fixed and variable remuneration based on 2016 statutory remuneration table

The proportion of each Senior Executive's remuneration for 2016 that was fixed, and the proportion that was subject to a performance measure, is outlined below. The percentages are based on the 2016 statutory remuneration disclosures in table 4b (including the LTI values which are determined in accordance with accounting standards), 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	42%	58%
Andrew Brewer	54%	46%
Viv Da Ros	87%	13%
Simon Hepworth	52%	48%
Peter Lim	56%	44%
Adam Ritchie	67%	33%
Bruce Rosengarten	53%	47%
Lyndall Stoyles	100%	0%
Joanne Taylor	62%	38%
Simon Wilshire	59%	41%
Louise Warner	65%	35%

Table 10. FY16 STI outcomes

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

Senior Executives ⁽ⁱ⁾	2016	2015
Julian Segal	41%	73%
Andrew Brewer	49%	72%
Simon Hepworth	55%	74%
Peter Lim	40%	72%
Adam Ritchie	46%	78%
Bruce Rosengarten	38%	67%
Joanne Taylor ⁽ⁱⁱ⁾	58%	–
Louise Warner ⁽ⁱⁱⁱ⁾	52%	n/a
Simon Willshire	n/a	76%
Average^(iv)	47%	73%

Notes:

⁽ⁱ⁾ Mr Da Ros and Ms Stoyles commenced in December and October 2016 respectively and were not eligible to receive an STI for the 2016 performance year.

⁽ⁱⁱ⁾ Ms Taylor commenced employment in February 2016.

⁽ⁱⁱⁱ⁾ Ms Warner was not a KMP during the 2015 financial year.

^(iv) This is the average for those KMP who were eligible to receive an STI payment in this year.

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 expertise and diversity. 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.

4b. Board and Committee fees for 2016

The current maximum annual fee pool for Non-executive Directors is \$2.5 million, including statutory entitlements. This amount was approved by shareholders at the 2016 Annual General Meeting.

Table 11. 2016 Non-executive Director fees

The table below outlines the 2016 Non-executive Director fees. As outlined in the 2015 Remuneration Report, the base fees for the Chairman and Non-executive Directors increased from 1 January 2016 by 2.8%. All other Committee fees remained unchanged from 2015.

	BOARD		COMMITTEES ⁽ⁱ⁾	
	Chairman	Member	Committee Chairman	Member
2016 fee ⁽ⁱⁱ⁾	\$492,360	\$164,120	\$36,000	\$18,000

Notes:

⁽ⁱ⁾ 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.

⁽ⁱⁱ⁾ Caltex pays superannuation of 9.5% for Non-executive Directors in addition to the above fees.

Remuneration Report continued

4. Non-executive Director fees continued

4c. Remuneration table

Table 12. Non-executive Director fees in 2016 (statutory disclosures)

The following table sets out the audited Non-executive Director fees in 2015 and 2016 calculated in accordance with statutory accounting requirements and which reflects the actual remuneration received during the financial year. 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 ⁽ⁱ⁾	Other	
Current Non-executive Directors					
Greig Gailey (Chairman)					
2016	507,017	430	48,167	–	555,614
2015	249,160	558	23,415	–	273,133
Trevor Bourne					
2016	220,551	761	20,952	–	242,264
2015	231,650	914	22,007	–	254,571
Steven Gregg					
2016	195,258	–	18,549	–	213,807
2015	36,284	–	3,447	–	39,731
Bruce Morgan					
2016	220,551	791	20,952	–	242,294
2015	231,650	1,082	22,007	–	254,739
Barbara Ward					
2016	218,120	197	20,721	–	239,038
2015	155,738	79	14,368	–	170,185
Penny Winn					
2016	179,689	–	17,070	–	196,759
2015	26,608	–	2,528	–	29,136
Former Non-executive Directors					
Elizabeth Bryan (Chairman)					
2016	–	–	–	–	–
2015	501,057	278	17,926	–	519,261
Richard Brown					
2016	–	–	–	–	–
2015	40,241	–	–	–	40,241
Barbara Burger					
2016	–	–	–	–	–
2015	44,778	–	–	–	44,778
Ryan Krogmeier					
2016	–	–	–	–	–
2015	44,778	–	–	–	44,778
Total: Non-executive Directors					
2016	1,541,186	2,179	146,411	–	1,689,776
2015	1,561,944	2,911	105,698	–	1,670,553

Note:

⁽ⁱ⁾ Superannuation contributions are made on behalf of Non-executive Directors to satisfy Caltex's obligations under the Superannuation Guarantee legislation. Fees paid to 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.

5. Shareholdings of Key Management Personnel

Table 13: 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: The table does not include unvested shareholdings which are disclosed in Tables 5 and 6 in section 3(i).

	Held at 31 Dec 2015	Purchased	Vested	Sold	Held at 31 Dec 2016
Directors					
Greig Gailey	5,000	–	–	–	5,000
Trevor Bourne	5,395	–	–	–	5,395
Steven Gregg	–	–	–	–	–
Bruce Morgan	10,500	–	–	–	10,500
Barbara Ward	–	5,000	–	–	5,000
Penny Winn	1,261	3,650	–	–	4,911
Senior Executives					
Julian Segal	141,906	–	129,638	(48,614)	222,930
Andrew Brewer	25,073	–	12,821	(30,911)	6,983
Simon Hepworth	23,681	–	28,512	(35,000)	17,193
Peter Lim	8,332	–	18,411	(15,000)	11,743
Adam Ritchie	220	–	–	–	220
Bruce Rosengarten	4,389	–	16,932	–	21,321
Simon Willshire	3,179	–	18,786	(16,965)	5,000
Louise Warner	451	–	–	–	451
Joanne Taylor	–	–	–	–	–
Lyndall Stoyles	–	–	–	–	–
Viv Da Ros	–	–	–	–	–

	Held at 31 Dec 2014	Purchased	Vested	Sold	Held at 31 Dec 2015
Directors					
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	–	–	–	–	–
Senior Executives					
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	–	220	2,913	(2,913)	220
Bruce Rosengarten	–	–	21,321	(16,932)	4,389
Simon Willshire	5,157	–	40,207	(42,185)	3,179

Remuneration Report continued

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 2016 (2015: nil).

Directors' interests

The directors' relevant interests in the shares of Caltex Australia Limited at 31 December 2016 are set out in the following table.

Director	Shareholding	Nature of interest
Greig Gailey	5,000	Indirect interest
Julian Segal	222,930	Direct interest (176,695 shares) Indirect interest (46,235 shares) Mr Segal also has a direct interest in 364,632 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	5,000	Direct interest
Penny Winn	4,911	Direct interest

Note:

No director has acquired or disposed of any relevant interests in the company's shares in the period from 1 January 2017 to the date of this Annual Report.

Board and Committee meetings

The Caltex Board met 17 times during the year ended 31 December 2016. In addition, directors attended Board strategy sessions and workshops, site visits and special purpose committee meetings during the year.

In 2016, the Board convened the following standing committees:

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

Special purpose committees were convened on six occasions in 2016.

The number of Board and Committee meetings attended by each director during 2016 is set out in the following table:

DIRECTOR	BOARD ⁽ⁱ⁾		AUDIT COMMITTEE		HUMAN RESOURCES COMMITTEE		NOMINATION COMMITTEE		OHS & ENVIRONMENTAL RISK COMMITTEE		OTHER ⁽ⁱⁱⁱ⁾	
	A ⁽ⁱⁱ⁾	B	A	B	A	B	A	B	A	B	A	B
Current directors												
Greig Gailey	17	16	–	–	–	–	4	4	–	–	6	6
Julian Segal	17	17	–	–	–	–	–	–	–	–	6	6
Trevor Bourne	17	15	–	–	4	4	4	4	4	4	–	–
Steven Gregg	17	17	4	4	–	–	4	4	4	4	6	5
Bruce Morgan	17	16	4	4	–	–	4	4	4	4	6	5
Barbara Ward AM	17	17	4	4	4	4	4	4	–	–	–	–
Penny Winn	17	17	–	–	4	4	4	4	–	–	–	–

Notes:

A: Number of meetings required to attend.

B: Number of meetings attended.

⁽ⁱ⁾ Includes out of session meetings. Excludes strategy workshops and briefings.

⁽ⁱⁱ⁾ 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.

⁽ⁱⁱⁱ⁾ Includes special purpose Committee meetings.

Shares and interests

The total number of ordinary shares on issue at the date of this report and during 2016 is 261 million shares (2015: 270 million shares). The total number of performance rights on issue at the date of this report is 1,296,263 (2015: 1,482,001). 460,515 performance rights were issued during 2016 (2015: 434,972). 646,253 performance rights vested or lapsed during the year (2015: 971,082). On vesting, Caltex is required to allocate one ordinary share for each performance right. For each right that vests, Caltex intends to purchase a share on market following vesting. No new shares were issued as a result of the vesting of performance rights during 2016.

Non-audit services

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

In 2016, 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 2016:

- for non-audit services – total fees of \$247,300 (2015: \$299,000); these services included taxation services (\$173,200) and other assurance services (\$74,100), and
- for audit services – total fees of \$1,082,700 (2015: \$1,000,500).

The Board has received a written advice from the Audit Committee in relation to the independence of KPMG, as external auditor, for 2016. 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 2016 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 2016 by KPMG did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:
 - the provision of non-audit services in 2016 was consistent with the Board's policy on the provision of services by the external auditor
 - the non-audit services provided in 2016 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 2016 that would impair the impartial and objective judgement of KPMG as external auditor.

Company secretaries

The following persons are current company secretaries of Caltex and the Caltex Group as at the date of this report.

Lyndall Stoyles

Ms Stoyles was appointed to this position in October 2016 when she joined Caltex. Ms Stoyles manages Caltex's legal, secretariat, internal audit, compliance and corporate affairs teams. As General Counsel, she is responsible for providing legal advice to Caltex's Board, CEO and broader leadership team. She is also a Company Secretary to the Board.

Prior to joining Caltex, Ms Stoyles was Group General Counsel and Company Secretary for former logistics business Asciano and spent more than a decade with Clayton Utz advising on competition, commercial and corporate law issues in a broad range of industries. Lyndall holds a Diploma of Law/Masters of Law from the University of Sydney.

Kara Nicholls

Ms Nicholls has nearly 20 years' experience across global equity capital markets including wide-ranging commercial and corporate compliance involvement. She brings extensive knowledge of the Australian Securities Exchange listing rules, corporate governance and company compliance and administration to the Board. Prior to joining Caltex, she has held roles with Woolworths Limited, Arrium Limited, Macquarie Group Limited and the Australian Securities Exchange Limited.

She is a Non-executive Director and Company Secretary of the Gidget Foundation Australia, member of the Advisory Board of Macquarie University's Department of Accounting and Corporate Governance (DAB) and Chair of the DAB's Nomination Committee.

She is a Chartered Secretary, JP, Fellow of the Governance Institute of Australia, Member of the Australian Institute of Company Directors and holds a Bachelor of Business and Master of Legal Studies from the University of Technology Sydney.

Indemnity and insurance

Caltex has paid insurance premiums for directors' and officers' liability for current and former directors and officers of the company, its subsidiaries and related entities.

The insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

The Constitution provides that each officer of the company and, if the Board considers it appropriate, any officer of a subsidiary of the company out of the assets of the company to the relevant extent against any liability incurred by the officer in or arising out of the conduct of the business of the company or the subsidiary (as the case may be) or in or arising out of the discharge of the duties of the officer, unless incurred in circumstances that the Board resolves do not justify indemnification. Where the Board considers it appropriate, the company may execute a documentary indemnity in any form in favour of any officer of the company or a subsidiary of the company, provided that such terms are not inconsistent with the Constitution. For more information, refer to the Constitution which is located on our website.

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 2016 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



Greg Boydell
Partner

Sydney, 21 February 2017

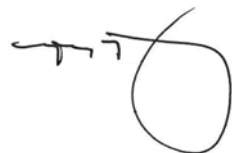
KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 2016 Directors' Report and the 2016 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

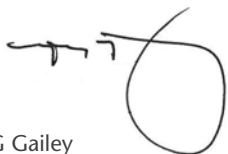
Sydney, 21 February 2017

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 2016
- (b) in the directors' opinion, the financial statements and notes for the year ended 31 December 2016, 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 2016, 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 2016, 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, 21 February 2017