



CALTEX
Caltex Australia

2016 CORPORATE
GOVERNANCE STATEMENT

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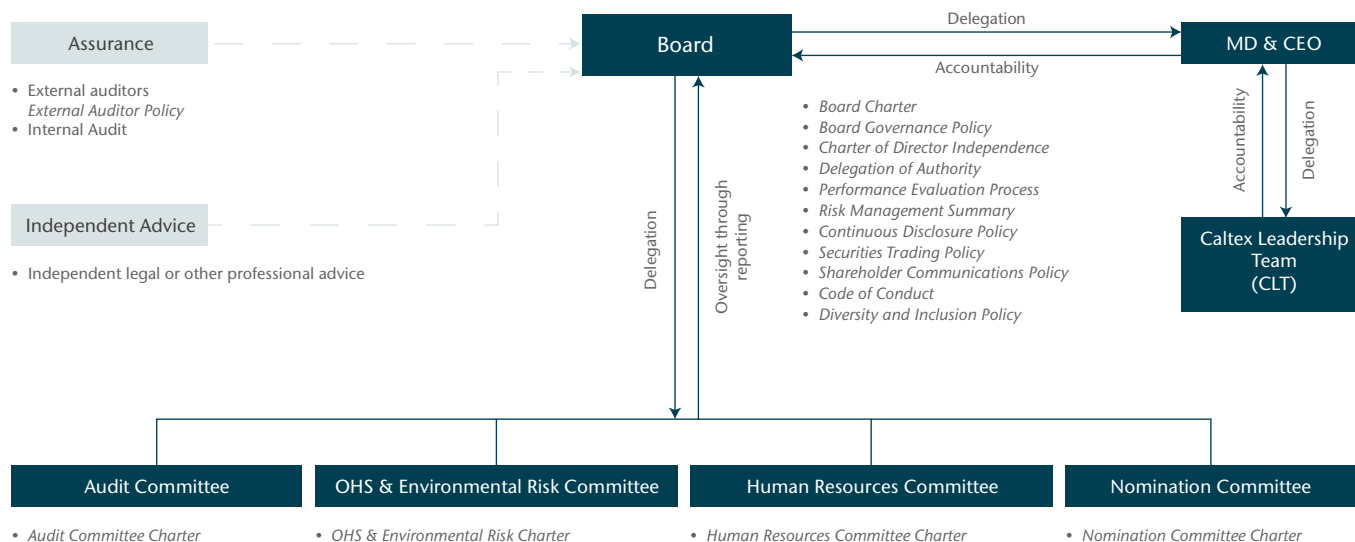
CALTEX AUSTRALIA LIMITED 2016 CORPORATE GOVERNANCE STATEMENT

AS AT 21 MARCH 2017

Introduction

The Board of Directors (Board) of Caltex Australia Limited (Caltex or the Company) is committed to high standards of corporate governance.

This Corporate Governance Statement (Statement) summarises Caltex's corporate governance practices including compliance with the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) for the period from 1 January 2016 to 21 March 2017. This Statement has been approved by the Board. As at the date of this Statement, Caltex has complied with all of the ASX Principles.



The Board

Role and responsibilities

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

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

The Board Charter and Caltex's DOA give Caltex's Managing Director & CEO and the CLT the authority to manage Caltex's day-to-day operations, while reserving important strategic, business, operational and governance matters to the Board.

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

Culture, ethical standards and diversity

- Establishing and modelling the Caltex culture, values and commitment to safety
- Enhancing and protecting Caltex's reputation and corporate integrity
- Approving Caltex's Code of Conduct and receiving an annual report from management in relation to compliance with the Code of Conduct
- Approving Caltex's diversity and inclusion policy and measurable objectives for achieving diversity and inclusion across the Caltex Group set in accordance with Caltex's diversity and inclusion policy, assessing annually those objectives and the progress against them, and monitoring the respective proportions of women and men on the Board, in senior executive positions, and across the whole organisation

Overall direction, objectives and goals, reviewing and approving strategy

- Approving Caltex's overall direction and financial, operational and safety objectives and goals each year
- Approving Caltex's business plan and budget each year
- Approving Caltex's strategies, as formulated by management with guidance from the Board, to implement the objectives and goals set by the Board
- Monitoring business performance against the objectives and goals set by the Board and reviewing the implementation of Board-approved strategies

Major capital expenditure, business acquisitions and other transactions

- Approving capital expenditure, business acquisitions and other transactions outside the authorities delegated to the Managing Director & CEO
- Monitoring the progress of major capital projects and business acquisitions and reviewing the returns from these investments

CORPORATE GOVERNANCE STATEMENT CONTINUED

Financial matters and reports

- Approving Caltex's half year and full year reports to shareholders and the ASX
- Receiving declarations from the Managing Director & CEO and the Chief Financial Officer in relation to financial reports (including as required by section 295A of the Corporations Act)
- Assessing the external auditor's independence, based on advice from the Audit Committee and taking into account matters related to services provided by the external auditor during the year
- Approving Caltex's dividend policy
- Determining the amount, nature and timing of dividends to be paid
- Approving changes to Caltex's capital structure and significant funding arrangements

Corporate Governance and legal and regulatory compliance

- Establishing appropriate standards of corporate governance and legal and regulatory compliance
- Approving policies dealing with continuous disclosure, securities trading and communications with shareholders
- Approving the charters of the Board's standing committees (Audit Committee, Human Resources Committee, Nomination Committee and OHS & Environmental Risk Committee)
- Approving the corporate governance statement and related governance disclosures for the Caltex Annual Report, including diversity and inclusion disclosures

Risk management

- Monitoring the adequacy, integrity and effectiveness of the critical systems and internal controls used to manage Caltex's material business risks, as implemented by management, including the identification, assessment, elimination, avoidance and control of these risks
- Receiving statements from management in relation to the effectiveness of risk management and internal control systems implemented to address material business risks
- Reviewing Caltex's risk management framework at least annually to satisfy itself that it continues to be sound and determining whether there have been any changes in material business risks
- Approving financial and other material risk management policies

Human resources matters

- Approving the selection, appointment terms, remuneration, cessation of, and termination payments to, the Managing Director & CEO
- Setting the performance objectives for the Managing Director & CEO and evaluating performance against those objectives
- Approving, following review with the Managing Director & CEO, the remuneration of the Caltex Leadership Team (CLT) and any termination payments to CLT members
- Approving changes to Caltex's remuneration system (on a whole of remuneration system basis)
- Approving Caltex's short term and long term incentive plans (with any discretionary powers to re-set approved targets or the size of a funding pool for incentive payments being specifically reserved to the Board)
- Approving the terms of any salary sacrifice share plans for directors (subject to the requirements of the ASX Listing Rules), senior executives and Caltex staff.

The Board Charter is available on the Corporate Governance page of the Caltex website, www.caltex.com.au.

Board composition and independence

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

Details of each Director's date of appointment and tenure as at 21 March are set out in the table below.

		DATE OF APPOINTMENT	TENURE AS AT 21 MARCH 2017
Greig Gailey	Chairman, Independent Non-Executive Director	11 December 2007	9 years, 3 months
Julian Segal	Managing Director & CEO	1 July 2009	7 years, 4 months
Trevor Bourne	Independent, Non-Executive Director	2 March 2006	11 years
Melinda Conrad	Independent, Non-Executive Director	1 March 2017	Appointed 1 March 2017
Steven Gregg	Independent, Non-Executive Director	9 October 2015	1 year, 5 months
Bruce Morgan	Independent, Non-Executive Director	29 June 2013	3 years, 8 months
Barbara Ward AM	Independent, Non-Executive Director	1 April 2015	1 year, 11 months
Penny Winn	Independent, Non-Executive Director	1 November 2015	1 year, 4 months

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

Assessing Director independence

Directors are required to disclose relevant personal interests and conflicts of interest when appointed and on an ongoing basis. Independence is initially assessed on each Director's appointment and is reviewed and confirmed annually.

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

Under Caltex's Charter of Director Independence, a Non-Executive Director will be considered independent if the Director:

- has not been employed in an executive capacity by Caltex or any Caltex group entity in the last three years;
- has not been a professional adviser or consultant that has had a material business relationship with Caltex in the last three years;
- has not had a significant relationship (as a substantial shareholder, partner, principal, director, officer, senior executive, or employee significantly associated with the service provided to Caltex) with a professional adviser or consultant that has had a material business relationship with Caltex in the last three years;
- has not been a supplier or customer that has had a material business relationship with Caltex;
- has not had a significant relationship (as a substantial shareholder, partner, principal, director, officer, senior executive, or employee significantly associated with the goods or services provided to or by Caltex) with a supplier or customer that has had a material business relationship with Caltex in the last three years;
- is not a substantial securityholder of Caltex;
- is not an officer of, or otherwise directly associated with, a substantial security holder of Caltex;
- has not been a partner, principal or director of Caltex's external auditor in the last five years;
- has not had significant direct or indirect involvement in the external audit of Caltex in the last five years;
- has no material contractual relationship (directly or indirectly) with Caltex or any Caltex group entity that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Caltex;
- has not served on the Board for a period that could materially interfere with the Director's ability to act in the best interests of Caltex; and
- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Caltex.

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

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

The Charter of Director Independence is available on the Corporate Governance page of the Caltex website.

Access to independent advice

Caltex Directors have access to independent professional advice at Caltex's expense.

Company secretaries

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

The decision to appoint or remove a Company Secretary is approved by the Board.

Appointment of new Directors

The Nomination Committee is responsible for reviewing policies and processes for the selection of new Non-Executive Directors, including the identification of the necessary and desirable competencies.

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

Based in the selection criteria, candidates who are considered suitable for appointment as Directors meet with the Chairman and other Directors. Any decision to appoint a new Director is made by the Caltex Board.

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

The Nomination Committee periodically reviews the standard letter of appointment for new Directors to ensure that it appropriately reflect Directors' evolving roles and changes to Caltex's business and operations. The standard letter of appointment was most recently reviewed and revised in 2017.

The Board Governance policy is available on the Corporate Governance page of the Caltex website.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Election and re-election of Directors

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

Following election by shareholders, a Non-Executive Director holds office for three years or until the third Annual General Meeting following their last election (whichever is longer).

Before each Annual General Meeting, the Board decides whether to support a Non-Executive Director standing for election or re-election. This is not automatic and is assessed with regard to advice provided by the Nomination Committee. The Nomination Committee considers various factors in forming its recommendations to the Board.

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

Induction and training

All new Non-Executive Directors are able to participate in an induction program to assist with familiarising them with Caltex's business, strategy and operations, performance, risks, governance and external environment. The induction program is tailored to each Director's experience and circumstances and includes briefings, site visits and relevant training. New Non-Executive Directors receive induction materials.

The Nomination Committee periodically reviews the effectiveness of the induction process.

Minimum shareholding

Each Non-Executive Director of Caltex Australia Limited is required to accumulate shares to the value of the annual Caltex Non-Executive Director base fee (before tax and excluding superannuation) as it applies from time to time (NED Base Fee) within three years of the Non-Executive Director's appointment to the Board; and maintain a minimum shareholding equal to the value of the NED Base Fee for the duration of the Non-Executive Director's tenure on the Board.

The minimum shareholding is tested on or around 31 December annually and reviewed by the Nomination Committee. All Non-Executive Directors have complied with the minimum shareholding requirements. When the CTX share price decreases, some shareholdings reduce slightly below the minimum when tested. In some cases, compliance with securities trading laws restrict the ability to purchase and 'top up' shareholdings.

Performance evaluation

A formal Board evaluation process is carried out every two to three years and is facilitated by an external consultant who conducts one on one interviews with Directors and key executives and prepares a report which is discussed with the whole Board. The Board subsequently agrees on specific actions, together with expected time frames and areas of responsibility, to further develop the Board's effectiveness. The Chairman also discusses the report with individual Directors and key executives.

A Board performance evaluation was conducted in 2016.

Caltex's performance evaluation process is available on the Caltex website.

Directors' skills and diversity

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

Details of the skills, experience, expertise and Committee membership of each Director is contained in their biographies which are in the *Annual Report* and on the Caltex website.

	Greig Gailey	Julian Segal	Trevor Bourne	Steven Gregg	Bruce Morgan	Barbara Ward AM	Penny Winn	Melinda Conrad	%
Industry experience	Y	Y	Y						38%
Retail / Marketing						Y	Y	Y	38%
Strategy / M&A	Y	Y	Y	Y	Y	Y	Y	Y	100%
Financial acumen	Y	Y	Y	Y	Y	Y	Y	Y	100%
Executive leadership	Y	Y	Y	Y	Y	Y	Y	Y	100%
International experience	Y	Y	Y	Y	Y	Y	Y	Y	100%
Risk management	Y	Y	Y	Y	Y	Y	Y	Y	100%
Technology and new media							Y	Y	25%
Large Capital Projects	Y	Y	Y	Y		Y	Y		75%
Public Policy / Regulatory	Y	Y		Y	Y	Y		Y	75%
Governance and Board	Y	Y	Y	Y	Y	Y	Y	Y	100%
Health, Safety, Environment & Sustainability	Y	Y	Y		Y		Y		63%
Remuneration	Y	Y	Y	Y		Y	Y	Y	88%

Board Committees

The Board has established the four standing committees. The Audit, Human Resources, OHS & Environmental Risk Committee, and Nomination Committee (Committees). Each Committee has a Charter and provides advice and recommendations to the Board. Each Committee makes decisions on specific matters that have been delegated to them by the Board. Each Committee is chaired by an Independent, Non-Executive Director.

The Chairman of the Board attends meetings of the Audit, Human Resources and OHS & Environmental Risk Committees in an ex-officio capacity. All Directors receive Committee papers and are invited and encouraged to attend meetings of Committees of which they are not members.

From time to time, the Board also establishes certain special purpose committees to assist it in performing its role in respect of particular projects or governance matters, including disclosure.

For details of the number of Board and Committee meetings held during the financial year, refer to Caltex's *Annual Report* which is available on the Caltex website.

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

BOARD

Greig Gailey (C)	Steven Gregg
Julian Segal	Bruce Morgan
Trevor Bourne	Barbara Ward AM
Melinda Conrad	Penny Winn

NOMINATION COMMITTEE	AUDIT COMMITTEE	HUMAN RESOURCES COMMITTEE	OHS & ER COMMITTEE
Greig Gailey (C)	Bruce Morgan (C)	Barbara Ward AM (C)	Trevor Bourne (C)
Trevor Bourne	Steven Gregg	Trevor Bourne	Melinda Conrad
Melinda Conrad	Barbara Ward AM	Penny Winn	Bruce Morgan
Steven Gregg			
Bruce Morgan			
Barbara Ward AM			
Penny Winn			

CORPORATE GOVERNANCE STATEMENT CONTINUED

Audit Committee

The Audit Committee comprises three independent Directors. The role of the Audit Committee is outlined in its charter.

The Audit Committee charter is available on the Caltex website.

Human Resources Committee

The Human Resources Committee comprises three independent Directors. The role of the Human Resources Committee is outlined in its charter.

The Human Resources Committee charter is available on the Caltex website.

OHS & Environmental Risk Committee

The OHS & Environmental Risk Committee comprises three independent Directors. The role of the OHS & Environmental Risk Committee is outlined in its charter.

The OHS & Environmental Risk Committee charter is available on the Caltex website.

Nomination Committee

The Nomination Committee comprises seven independent Directors. The role of the Nomination Committee is outlined in its charter.

The Nomination Committee charter is available on the Caltex website.

Non-Executive Director remuneration

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

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

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

Details of Non-Executive Directors' fees are disclosed in the Remuneration Report contained in Caltex's *Annual Report* which is available on the Caltex website.

Senior Executives

Appointment

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

Performance evaluation

Evaluation of the performance of both the Managing Director & CEO and the CLT is undertaken with reference to the Performance Evaluation Process.

The Board sets annual performance objectives for the Managing Director & CEO based on Caltex's business plan and advice provided by the Human Resources Committee. The Chairman and Board has assessed the performance of the Managing Director & CEO.

The Managing Director & CEO regularly reviews the performance of his direct reports and reports to the Human Resources Committee on their performance following the end of the financial year. The Board has assessed the performance of the CLT having regard to recommendations made by the Human Resources Committee.

Further information on the performance review process for the CLT is provided in the Remuneration Report contained in Caltex's *Annual Report*.

Remuneration

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

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

Details of Caltex's remuneration arrangements for the Managing Director & CEO and the CLT are provided in the Remuneration Report contained in Caltex's *Annual Report*.

The performance evaluation process is available on the Corporate Governance page of the Caltex website.

Diversity

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

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

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

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

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

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

The Board approved a set of measurable objectives, related to gender diversity, Indigenous employee representation, and inclusion, for 2016. The 2016 objectives were disclosed in Caltex's 2015 Corporate Governance Statement.

In June and December 2016, and again in February 2017, the Board assessed Caltex's progress in achieving the 2016 diversity and inclusion objectives.

Caltex's Diversity and Inclusion Policy is available on the Caltex website.

WGEA Employer Of Choice

For the second consecutive year Caltex received an Employer of Choice for Gender Equality citation from the Workplace Gender Equality Agency (WGEA). This award is a reflection of Caltex's leadership and commitment on diversity, as well as the best practice programs we've put in place to promote gender equality.

Our BabyCare package, now in its fourth year, continues to deliver support for returning parents. The package remains available for both men and women with 24 mothers and one father accessing the package in 2016. We continued to maintain a 100% return rate in 2016.

Since 2014 we have been focused on improving the female representation in our senior leadership position, setting a target of 33% women in senior leadership roles by 31 December 2016. As a result of sustained focus we have exceeded our desired diversity target, 37.06% of our senior leaders are now female. In addition 37.5% of the Caltex Leadership team is comprised of female leaders, an increase from none in 2015.

The Caltex Indigenous Employment Strategy was launched in 2016 with a dedicated working group established. The strategy aims to make a meaningful difference to the lives of Indigenous Australians through employment and development. The working group has raised the awareness of our Indigenous Employment strategy throughout the year introducing protocols for welcome and acknowledgment of country, developing a guideline for managers of Indigenous employees, supporting sponsorship events including The Ross Kelly Cup and developing an approach to school based trainees in partnership with the Endeavour School.

Initiatives like BabyCare, the WGEA citation and our continued focus on diversity and inclusion support the attraction and retention of top talent at Caltex and help us build a great place to work.

CORPORATE GOVERNANCE STATEMENT CONTINUED

2016 Diversity & Inclusion Disclosable objectives

DISCLOSABLE OBJECTIVE		OUTCOMES
2016 Gender diversity objectives		
1	Increase women in senior leadership roles to 33% by December 2016	At 31 December 2016, 37.5% of our senior leaders were women. This is an increase from 32.4% at 31 December 2015 and has been achieved due to substantial focus by leaders, HR and targeted selection for key executive positions. This outcome sees us exceed our disclosed target of 33% by 2017.
1	Eliminate gender-based pay differences	We have continued to manage our gender based pay differential at a negligible rate of 1.03% in favour of males. This compares to 1.05% in 2015.
2016 Indigenous diversity objective		
2	Build long-term Indigenous employment market capability	In 2016 we launched our Indigenous Employment Strategy with a vision to make a meaningful difference to the lives of Indigenous Australians. This strategy has been instrumental in building momentum within Caltex and has brought a focus on expanding the entry points for Indigenous Employees. We have increased the total Indigenous Employee population to 39 (1.33% of our Australian workforce) and expanded our internship program from five to seven interns.
2016 Inclusion objective		
3	Implement initiatives to drive inclusiveness and flexibility.	Throughout 2016 a series of employee events occurred alongside manager focused flexibility workshops. In addition to ongoing activities Caltex also received the WGEA Citation for Gender Equality for the second year in a row.

2017 Diversity & Inclusion measures

In December 2016, the Board approved the following diversity and inclusion objectives for 2017.

OBJECTIVE	
2017 Gender diversity objectives	
1	Increase women in senior leadership roles to 40% by December 2020
2	Eliminate gender based pay differences on a job level basis
2017 Indigenous diversity objective	
3	Build long-term Indigenous employment market capability
2017 Inclusion objective	
4	Implement initiatives to drive inclusiveness and flexibility

Female representation across Caltex

The table below contains details about the representation of females on the Caltex Board, in leadership and management positions, and across Caltex as at 31 December 2016.

LEVEL	2016	2015	2014	2013
Board	29%	29%	25%	25%
Senior executives (direct reports to the CEO)	37%	0%	0%	0%
Senior managers (salary grades 58 and above)	36%	32%	25%	20%
Middle managers (salary grades 56 & 57)	25%	24%	23%	18%
Caltex	39%	38%	36%	34%

As seen, we have made substantial progress with increasing our female representation, particularly at the senior manager level. In 2013, one in five of our senior managers were female. At this time, we set a publicly disclosed goal to have one in three female senior managers by 2017. By 31 December 2016 we had exceeded our target.

Similarly, progress has been made at increasing our female board representation (from 25% in 2013 to 29% in 2016), our senior manager pipeline of middle managers (from 18% in 2013 to 25% in 2016) and across the entire company (from 34% in 2013 to 39% in 2016).

While we had no female senior executives in 2015, this has changed for 2016. Ms Joanne Taylor was appointed as EGM Human Resources, Ms Lyndall Stoyles was appointed as EGM Legal and Corporate Affairs and Ms Louise Warner was appointed as EGM Fuels. All roles are direct reports to the CEO.

Code of Conduct

Caltex's Code of Conduct (Code) applies to all employees, directors and officers of the Caltex Group as well as those in our operated joint ventures and contractors. Caltex expects external parties, including suppliers and customers to act in accordance with our Code.

The Code provides a framework for decision making and business behaviour, which builds and sustains our corporate integrity, reputation and success. The Code identifies responsibilities for investigating breaches of the Code and associated reporting of breaches to the Board or senior management as appropriate.

The Board receives an annual update on the administration of, and compliance with, the Code of Conduct. The Human Resources Committee receives a six monthly update.

The Code is reviewed by the Board biennially.

Caltex's Code of Conduct is available on the Caltex website.

Integrity in financial reporting

Prior to the approval of Caltex's full year financial statements the Board receives a signed declaration from the Managing Director & CEO and the Chief Financial Officer, pursuant to section 295A of the *Corporations Act 2001* (Cth) (Corporations Act).

A signed declaration in the form required the Corporations Act has been received from the Managing Director & CEO and the Chief Financial Officer for the year ended 31 December 2016.

Continuous Disclosure and Securities Trading

Caltex's Continuous Disclosure Policy sets out the key obligations of the Board, senior executives and employees to ensure that we comply with our continuous disclosure obligations so that investors have equal and timely access to material information concerning Caltex, and company announcements are factual and presented in a clear and balanced way. Caltex is committed to promoting investor confidence by ensuring that trading in our securities takes place in an informed market. Caltex has mechanisms in place to ensure that we meet our continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

Caltex's Securities Trading Policy applies to all Caltex employees. Every Caltex Director, contractor and secondee has a personal responsibility to ensure they comply with the law and the Securities Trading Policy. The Securities Trading Policy has been developed to ensure Caltex employees do not trade in Caltex securities and the securities of other companies that Caltex may be in business with (including customers, suppliers, contractors and business partners) in a way that breaches the law or compromises confidence in Caltex's investor practices.

Hedging, margin lending and trading by connected persons

Designated Caltex personnel must not enter into any arrangements that would have the effect of limiting their risk exposure relating to Caltex securities, including vested Caltex securities or unvested entitlements to Caltex securities under Caltex employee incentive schemes.

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

Designated Caltex Personnel must take reasonable steps, including notifying their connected persons of closed periods, to prevent any closely connected persons from trading in Caltex securities in any way that is prohibited under this Policy.

The Continuous Disclosure Policy and Securities Dealing Policy are reviewed by the Board biennially.

Caltex's Continuous Disclosure Policy and Securities Trading Policy are available on the Caltex website.

Communicating with Shareholders

Caltex is committed to giving our investors and other stakeholders timely, balanced and understandable information about our business and performance, including via the Caltex website.

The Caltex website contains, among other things an overview of our business, our history and values and an investor centre which contains ASX announcements, a corporate governance page, annual reports and presentations, shareholder information and our registry and key contact details.

Caltex's Shareholder Communications Policy is available on the Caltex website.

Annual General Meetings

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

The Chairman seeks to address significant issues raised by security holders who submit a question in his address and security holders who attend the meeting in person have the opportunity to ask relevant questions at the meeting.

The Chairman's and Managing Director & CEO's addresses are released to the ASX and are published on the Caltex website.

Investor Relations Program

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

During 2016, Caltex undertook a detailed program of scheduled and unscheduled engagements with institutional investors, private investors, sell-side and buy-side analysts and the financial media.

While Caltex's investor relations program is a valuable way of disseminating information to our investors and other stakeholders, the interactions also provide an opportunity for two way communication between Caltex and its investors.

Investor presentations that contain new information are released to the market in accordance with the ASX Listing Rules and the Corporations Act.

Electronic communication and payments

Caltex encourages security holders to receive communications and payments electronically. Caltex is transitioning to mandatory electronic payments from 1 July 2017.

Security holders can update their payment and communication elections by emailing Caltex.queries@computershare.com.au, visiting www.computershare.com.au or by contacting Computershare.

Caltex's share registry contact details are on the Caltex website.

Caltex has a dedicated email address for our security holders. Contact us by email at caltex.queries@computershare.com.au

Risk management

Risk management framework

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

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

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

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

The Board reviews Caltex's risk management framework at least annually to satisfy itself that it continues to be sound. The Board conducts an annual review of Caltex's risk status and Risk Management Framework.

Management assesses risks on a regular basis, and reports on material risks to the Board and its Committees. These reports include the status and effectiveness of control measures relating to each material risk. The Board, the Audit Committee, the OHS & Environmental Risk Committee and the Human Resources Committee each receive regular reports on material risks relevant to their responsibilities. The Board and the OHS & Environmental Risk Committee also receive quarterly risk updates throughout the year.

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

The Risk Management Summary outlines Caltex's practices to oversee and manage risks, including the risk management framework and the roles and responsibilities of the Board, its Committees, senior executives and employees.

Caltex's risk management summary is available on the Caltex website.

Internal audit

Caltex has a dedicated internal audit function which provides an independent and objective assessment to the Board and management regarding the adequacy, effectiveness and efficiency of our risk management, control and governance processes.

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

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

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

External auditor

The Board has approved an External Auditor Policy that addresses the provision of services by the external auditor, including non-audit services. The Audit Committee monitors services provided by Caltex's external auditor, KPMG during the year to confirm that KPMG continues to be independent and to confirm compliance with the policy.

The Audit Committee also monitors the rotation requirements for the external auditor under the Corporations Act with KPMG each year.

One of the Audit Committee's key responsibilities is to assess the performance of the external auditor and, as appropriate, make recommendations to the Board on the appointment, re-appointment or replacement of the external auditor. The Audit Committee has reviewed KPMG's performance as external auditor.

The Audit Committee meets privately with the external auditor and the Audit Committee Chairman meets with the external auditor outside Committee meetings.

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

Security holders are given the opportunity to put questions relevant to the audit to the external auditor prior to the Annual General Meeting.

Caltex's external auditor policy is available on the Caltex website.

Economic, environmental and social sustainability risks

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

Maintaining safe, reliable and sustainable operations is at the core of our business. A culture of operational excellence is formally supported through an enterprise-wide risk management framework and our operational excellence management system.

Caltex has a Health and Safety Policy, approved by the OHS & Environmental Risk Committee, which requires Caltex to provide a safe and healthy workplace for all our people, and to operate in a way that will not adversely affect the health and safety of our neighbours, customers or the public. The emphasis on health and safety is embedded in our business planning process and entrenched in our culture.

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

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

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

Key metrics and other economic, environmental and social sustainability risks are included in the *Caltex Annual Report* which is available on the Caltex website.