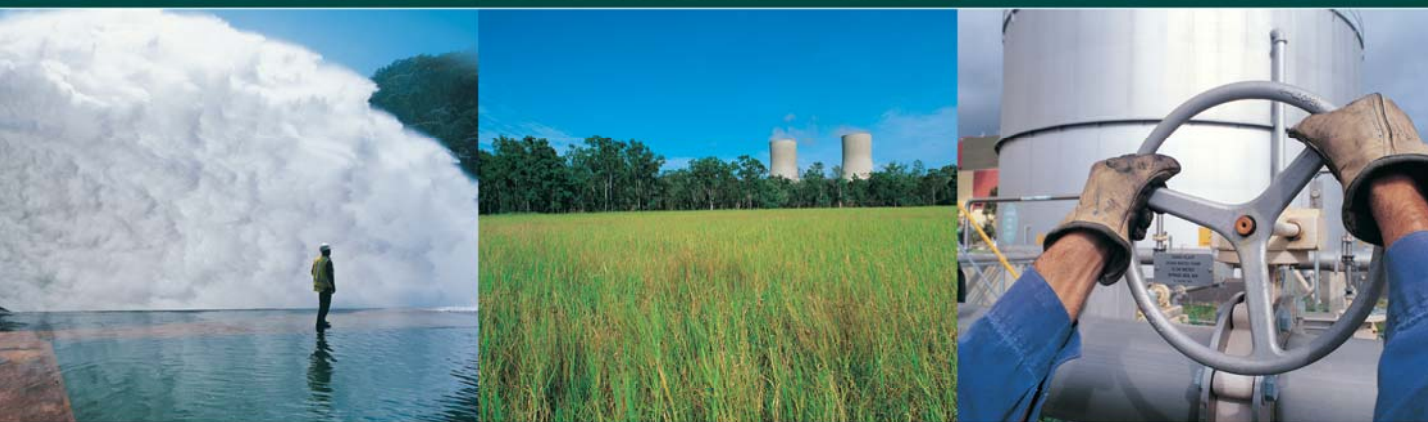


Board Handbook

August 2010



Contents

Policy Statement.....	3
Scope.....	3
Objectives.....	3
Policy Outline.....	3
Policy Content	4
1. Board Processes – Regulatory Framework	4
2. Directors.....	4
3. Powers of the Board – Delegation of Board Powers and Use of the Company Seal	5
Responsibilities.....	5
4. Directors’ Duties and Interests	5
5. The Role of Individual Directors	8
6. The Role of the Chairman	12
7. The Board and Strategy	13
8. Contacts and Advisory Role.....	15
9. Monitoring	15
10. Compliance	15
11. Risk Management	16
12. Chief Executive Officer Evaluation.....	16
13. Directors’ Remuneration	16
14. Officers’ Indemnity and Insurance.....	17
15. Chief Executive Officer and Senior Executives	19
16. Board Meetings	20
17. Board Meeting Agenda	22
18. Board Papers	22
19. Secretary	23
20. Board Minutes	24
21. Committees	24
22. Board Evaluation.....	26
23. Director Engagement	26
24. Director Development	27
25. Director Induction	27
Communication Plan	27
Review and Audit.....	28
Board and Committee Review.....	28
Review of Board Handbook.....	28
Payroll Audit and Alternative Governance Framework Audit	28
Links and References.....	28
Appendices.....	28
Appendix A – Human Resource and Workplace Health & Safety Committee Charter On 1 July 2011 this charter was superseded by a new People & Safety Committee Charter – Available on Stanwell’s website	28
Appendix B – Audit & Risk Management Committee Charter On 1 July 2011 this charter was superseded by a new Audit & Risk Management Committee Charter – Available on Stanwell’s website.....	28
Appendix C – Project Advisory Group Charter On 1 July 2011 this charter ceased to exist	28
Appendix D – Probity Protocols	28

Policy Statement

The Board of Stanwell has ultimate responsibility to its Shareholding Ministers for the strategy and performance of the company in general. The Board is dedicated to fulfilling these duties in a lawful and professional manner, and with the utmost integrity and objectivity. As such, the Board actively pursues best practice governance processes and aims to remain amongst the top Australian companies in applied corporate governance.

As part of its ongoing commitment to best practice corporate governance, the Board has decided to articulate and formalise the corporate governance framework within which Stanwell operates.

Scope

This document outlines Stanwell's corporate governance policy in the form of a Board Handbook, which is a written charter that defines the respective roles, responsibilities and authorities of the board of directors, both individually and collectively, and management in setting the direction, the management and the control of the organisation. As such, it establishes the guidelines that the directors and officers are to operate within as they carry out their respective roles.

Nothing in this Handbook must conflict with **Stanwell's Constitution**. If such a conflict occurs, the Constitution shall prevail.

Objectives

The purpose of this Board Handbook is to:

- Serve as a reminder for the Board of the contemporary legal framework within which it operates; and
- Document the policies that the Board has decided upon to meet its legal and other responsibilities.

Policy Outline

Stanwell's obligations to comply with all relevant legislation, laws, regulations, standards and Codes originates from its corporatisation as a government owned corporation, pursuant to the *Government Owned Corporations Act 1993* (Qld) and as a public company and a company limited by shares under the *Corporations Act 2001* (Cth).

Stanwell's Board Handbook Policy is based on legal obligations and best practice corporate governance standards as set out in:

- the *Corporations Act 2001* (Cth);
- the *Government Owned Corporations Act 1993* (Qld) (**GOC Act**);
- the *Financial Administration and Audit Act 1977* (Qld);
- Corporate Governance Guidelines for Government Owned Corporations – Version 2; and
- Code of Conduct and Conflicts of Interest Best Practice Guide for Government Owned Corporations.

Policy Content

1. Board Processes – Regulatory Framework

1.1 *The Corporations Act 2001 (Cth)*

The *Corporations Act* contains a number of replaceable rules regarding governance processes. In the case of Stanwell these are replaced by the Constitution (Rule 1.1). Nevertheless, the *Corporations Act* provides a guide to the expectations on directors in carrying out the duties of the Board. For example, s. 248A provides that directors may pass a resolution without holding a directors meeting by having all directors sign a document stating that they are in favour of the resolution. The resolution is passed when the last director signs or attaches their electronic signature to the statement. This clause provides for emergency or flying minutes to address issues between directors' meetings.

However, where physical meetings are required, s. 248C of the *Corporations Act* states that a directors' meeting may be called by a director giving reasonable notice individually to every other director. With regard to the minutes of directors' meetings, s. 251A states that they are required to be entered in the minute books within one month of the relevant meeting and signed by the chairperson (s. 251A).

2. Directors

As a government owned corporation, the structure of the Stanwell Board is largely determined by the Governor in Council.

2.1 *Number of Directors*

Rule 3.1 of Stanwell's Constitution states that the number of directors on the Stanwell Board is determined by the Governor in Council. At all times, Stanwell must have no less than three directors.

2.2 *Qualifications of Directors*

Section 89(2) of the GOC Act states that in appointing directors, the Governor in Council must have regard to the person's ability to make a contribution to the company's commercial performance and implementation of the Statement of Corporate Intent.

2.3 *Appointment of Directors*

Directors are appointed under the terms contained in the Constitution.

Rule 3.3 of the Constitution provides that all Directors must be appointed by the Governor in Council. The term of appointment for each individual director is also determined by the Governor in Council.

The Constitution (Rule 6.3) also states that a director may hold any position or place of profit or employment in Stanwell, other than that of auditor or a Public Service Officer or be a member of any corporation (other than Stanwell) or partnership.

2.4 *Retirement by rotation*

As contained in Rule 3.4 of the Constitution, no director is subject to retirement by rotation.

2.5 *Cessation of Director's Appointment and Removal from Office*

Rule 3.5 outlines the conditions whereby the office of director automatically ceases, including on legal prohibition from directorship, unsound mind or physical or mental incapacity, director resignation, or removal by the Governor in Council.

Rule 3.6 of the Constitution states that whether or not a Director's appointment was expressed to be for a specified period, the Governor in Council may remove a Director from office.

3. Powers of the Board – Delegation of Board Powers and Use of the Company Seal

Under Rule 5.1 of Stanwell's Constitution, the Board may, through resolution, delegate its powers to a director, a committee of directors, an employee of the company or any other person. As such, the Board must decide what company matters, if any, are to be delegated and what controls are in place to oversee the operation of these delegated powers.

Individual directors have no individual authority to participate in the day-to-day management of the Company including making any representations or agreements with member companies, suppliers, customers, employees or other parties or organisations. The exception to this principle occurs when the Board explicitly delegates an authority to the director individually. All such delegations should be implemented by Board resolution, and noted in the minutes of the relevant meeting.

Similarly, committees and their members require specific delegations from the Board as a whole and these will be contained in each committee's respective Terms of Reference.

The principles governing the use of the Company Seal are contained in Rule 15 of the Stanwell Constitution.

3.1 *General Delegations*

A complete list of delegations and authorities is documented in the **Stanwell Delegation of Authority Policy**. This document outlines the delegations, both financial and non-financial given by the Board to the Chief Executive Officer and from the Chief Executive Officer to senior officers.

3.2 *Decisions Requiring Board Approval*

In practical terms, the Board delegates to the Chief Executive Officer all powers and authorities required to carry out the day-to-day operations of the company. However, there are exceptions to this, whereby the Board reserves a number of powers for its sole execution. Refer to the **Stanwell Financial Delegation of Authority Policy** for those decisions and actions requiring Board approval.

Responsibilities

4. Directors' Duties and Interests

4.1 *The Role of the Board – Stanwell Policy*

The *GOC Act* clearly establishes that the Board is ultimately responsible for all matters relating to the running of Stanwell (section 89 of the *Government Owned Corporations Act 1993* (Qld)). The following section outlines the specific role that the Board of Stanwell has within this regulatory framework.

The Board's overall role is to govern the organisation rather than manage it. It is the purpose of the Executive Management Team to manage the organisation in accordance with the direction and delegations of the Board, and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. Except when dealing with specific delegations to individual directors, it is misleading to refer to the management function of the Board.

The Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of Stanwell, except where the Shareholding Ministers exercise their reserve powers of policy and direction under s. 114 and s. 115 of the *GOC Act* (1993). The Board is required to do all things necessary in order to carry out the objects of the Company and, subject to the reserve powers of the Shareholding Ministers, has the final responsibility for the successful operations of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Stanwell Board include:

	Role	Principal functions and responsibilities of the Stanwell Board
a)	Health, Safety and Well-Being of Employees	<ul style="list-style-type: none"> ▪ In conjunction with the Executive Management Team, developing, overseeing and reviewing the effectiveness of Stanwell's occupational health and safety systems to ensure the well-being of all employees; and ▪ Ensuring systems and policies are in place so that employees are offered the training and tools necessary to fulfil their duties in a manner which protects the well-being of themselves, their colleagues and the community.
b)	Leadership of the Organisation	<ul style="list-style-type: none"> ▪ Determining the appropriate culture and values of the organisation; ▪ Demonstrating the desired culture and values of the organisation through the behaviour of the Board as a whole, and of each individual director; ▪ Establishing rules and procedures to enforce ethical behaviour and provide guidance on appropriate work methods; and ▪ Establishing a clear set of governance roles and responsibilities.
c)	Strategy Formulation	<ul style="list-style-type: none"> ▪ Working with the Executive Management Team in formulating the overall strategic direction of Stanwell and providing final approval of the strategic direction; ▪ Setting the goals of Stanwell in conjunction with the Executive Management Team, including short, medium and long term objectives; ▪ Working with the Executive Management Team in formulating regular reviews and updates or amendments to Stanwell's strategic direction and goals to reflect changes in the external or internal operating environments; ▪ Working with the Executive Management Team in developing an appropriate set of policies established to govern the operations of Stanwell; ▪ Working with the Executive Management Team in formulating a regular system of policy review and update; and ▪ Approving all significant corporate policies governing the operations of Stanwell.
d)	Overseeing Planning Activities	<ul style="list-style-type: none"> ▪ In conjunction with the Executive Management Team, overseeing the preparation of major operating plans, including the Corporate Plan, Statement of Corporate Intent and Stanwell's Employment and Industrial Relations Plan; ▪ Approving the major operating plans listed above; and ▪ Approving the annual budget.
e)	Stakeholder Liaison	<ul style="list-style-type: none"> ▪ Acting, through the Chairman, as the interface and key point of accountability between Stanwell and its Shareholding Ministers. ▪ Ensuring a positive working relationship is developed between the

	Role	Principal functions and responsibilities of the Stanwell Board
		<p>Board and the Shareholding Ministers; and</p> <ul style="list-style-type: none"> ▪ Reviewing the quarterly progress and performance of Stanwell against the Statement of Corporate Intent and reporting the outcome of such reviews to Stanwell's Shareholding Ministers.
f)	Monitoring, Compliance and Risk Management	<ul style="list-style-type: none"> ▪ Monitoring and directing the financial and operational performance of Stanwell in partnership with the Executive Management Team, in particular, ensuring the company is progressing towards the goals set by the Board and in line with the agreed corporate strategy as outlined in the Statement of Corporate Intent; ▪ Developing a set of internal controls to ensure that senior management are prudently and efficiently managing the organisation's resources; ▪ In conjunction with the Executive Management Team, developing, overseeing and reviewing the effectiveness of Stanwell's systems and policies to ensure that Stanwell acts in accordance with its Constitution; ▪ In conjunction with the Executive Management Team, developing, overseeing and reviewing the effectiveness of Stanwell's systems and policies to ensure that Stanwell meets its community obligations; ▪ In conjunction with the Executive Management Team, developing, overseeing and reviewing the effectiveness of Stanwell's systems and policies to ensure that Stanwell keeps appropriate accounting records; ▪ In conjunction with the Executive Management Team, developing, overseeing, reviewing and ensuring the effectiveness and integrity of the risk management and compliance systems of Stanwell; ▪ Promptly investigating any significant performance shortfalls or breaches in compliance standards; ▪ Actively promoting compliance with legal requirements and the obligations contained in the Legal Compliance Manual; ▪ In conjunction with the Executive Management Team, developing, overseeing and reviewing the effectiveness of Stanwell's systems and policies for fair dealing with Stanwell's customers, suppliers, competitors and employees; ▪ In conjunction with the Executive Management Team, developing, overseeing and reviewing the effectiveness of Stanwell's systems and policies for the protection of, and proper use of, company assets; and ▪ Actively encourage reporting of unlawful or unethical behaviour in accordance with the Prevention of Fraud and Official Misconduct / Whistleblower Policy.
g)	The Chief Executive Officer	<ul style="list-style-type: none"> ▪ Providing recommendations to the Shareholding Ministers for the appointment of the Chief Executive Officer; ▪ Subject to the consent of the Shareholding Ministers, approving the terms and conditions of the appointment of the Chief Executive

	Role	Principal functions and responsibilities of the Stanwell Board
		Officer; <ul style="list-style-type: none"> ▪ Reviewing and providing feedback on the performance of the Chief Executive Officer on at least an annual basis; ▪ Reviewing and approving the remuneration of the Chief Executive Officer in line with the performance assessment and subject to the approval of the Shareholding Ministers; ▪ In conjunction with the Executive Management Team, developing, overseeing and reviewing the effectiveness of Stanwell's systems and policies to ensure the accountability of senior management to the Board through the Chief Executive Officer; and ▪ Providing advice to and acting as a sounding board for the Chief Executive Officer.
h)	Delegation of Authority	<ul style="list-style-type: none"> ▪ Delegating appropriate powers to the Chief Executive Officer to ensure the effective day-to-day management of the business and monitoring the exercise of these powers; and ▪ Establishing and determining the powers and functions of the committees of the Board.

The Board will fulfil its responsibilities through the Chief Executive Officer by delegating appropriate powers and duties.

The detail of some Board functions will be handled through Board Committees. However the Board as a whole is responsible for determining the extent of powers residing in each committee and is ultimately responsible for accepting, modifying or rejecting committee recommendations.

5. The Role of Individual Directors

5.1 *The Role of Individual Directors – Regulatory Framework*

The Corporations Act is the pre-eminent source of directors' duties. Broadly speaking, there are five fundamental duties that all directors have and these are enshrined in the Corporations Act in the following sections:

- A duty to act with due care and diligence – s. 180;
- A duty to act in good faith – s. 181;
- A duty not to gain an advantage by improper use of their position - s. 182;
- A duty not to misuse information – s. 183; and
- A duty not to trade while insolvent – s. 588G.

	Duty	Description
a)	Duty of care and diligence	The first duty is that of care and diligence. It is set out in s. 180(1): <i>A director or other officer of a corporation must exercise the powers and discharge their duties with the degree of care and diligence that a reasonable person would exercise if they:</i> <ol style="list-style-type: none"> 1. were a director or officer of a corporation in the corporation's

	Duty	Description
		<p><i>circumstances; and</i></p> <p>2. <i>occupied the office held by, and had the same responsibilities within the corporation as, the director or officer.</i></p> <p>However, under s. 180(2):</p> <p><i>A director or other officer of a corporation who makes a business judgment is taken to meet the requirements of subsection (1), [that is to say, the duty of care and diligence] and their equivalent duties at common law and in equity, in respect of the judgment if they:</i></p> <ul style="list-style-type: none"> <i>a) make the judgment in good faith for a proper purpose; and</i> <i>b) do not have a material personal interest in the subject matter of the judgment; and</i> <i>c) inform themselves about the subject matter of the judgment to the extent they reasonably believe appropriate; and</i> <i>d) rationally believe that the judgment is in the best interests of the corporation.</i> <p><i>The director's or officer's belief that the judgment is in the best interest of the corporation is a rational one unless the belief is one that no reasonable person in their position would hold.</i></p> <p>In s. 180(3), "business judgment" is defined as <i>any decision to take or not to take action in respect of a matter relevant to the business operations of the corporation.</i></p>
b)	The duty to act in good faith	<p>Directors have a fiduciary relationship with the company and must act in the best interests of the company as a whole.</p> <p>Section 181(1) of the <i>Corporations Act</i> defines this duty as follows:</p> <p><i>A director or other officer of a corporation must exercise their powers and discharge their duties:</i></p> <ul style="list-style-type: none"> <i>a) in good faith in the best interests of the corporation; and</i> <i>b) for a proper purpose</i>
c)	Not to gain advantage by improper use of position	<p>The third duty is contained in s. 182 of the <i>Corporations Act</i>, which states:</p> <ul style="list-style-type: none"> <i>i) A director, secretary, other officer or employee of the corporation must not improperly use their position to:</i> <ul style="list-style-type: none"> <i>o gain an advantage for themselves or someone else; or</i> <i>o cause detriment to the corporation.</i> <p>The directors of a company have a duty to promote the interests of the company they are representing. If they do not, they are misusing their position to gain a personal benefit.</p>
d)	Not to misuse information	<p>The fourth duty covered by the <i>Corporations Act</i> is that of improper use of information. It is governed by s. 183, which states:</p> <p><i>A person who obtains information because they are, or have been, a director of other officer or employee of a corporation must not improperly use the information to:</i></p> <ul style="list-style-type: none"> <i>a) gain advantage for themselves or for someone else; or</i> <i>b) cause detriment to the corporation.</i>

	Duty	Description
e)	Duty not to trade while insolvent	<p>Section 588G of the <i>Corporations Act</i> deals with the liability of directors for insolvent trading by their company. There are three conditions for the application of s. 588G, being that:</p> <ul style="list-style-type: none"> ▪ the relevant person was a director when the company incurred a debt; ▪ the company was either insolvent or pushed into insolvency by the debt; and ▪ there were reasonable grounds for suspecting insolvency. <p>Under s. 588G(2), a director contravenes this section if he or she failed to prevent the company from incurring the debt. A director commits an offence under s. 588G(3) if the director suspected that the company was insolvent when it incurred the debt, or would become insolvent as a result of incurring the debt.</p> <p>If a company is found to have continued trading when insolvent, its directors face serious penalties ranging from orders to pay the creditors for the debts involved to full civil and criminal fines.</p>

There are two other sections of the Corporations Act that have direct implications for directors. The sections of particular importance are requirements for the disclosure of personal interests and conflict of interest (ss. 191-195) and related party transactions (part 2E).

	Duty	Description
f)	Requirements for the disclosure of personal interests and conflict of interest	<p><i>Disclosure of Interests</i></p> <p>In line with directors' general fiduciary duty to avoid conflicts of interest, a director has a duty to notify the other directors of a material personal interest (s. 191(1)), unless notice is not required because of s. 191(2). Under s. 192 of the <i>Corporations Act</i>, a director may give other directors standing notice about an interest. This duty of disclosure is mirrored in Rule 6.4 of Stanwell's Constitution.</p> <p><i>Conflict of Interest</i></p> <p>The voting rights of directors with a conflict of interests are governed by s. 195 of the <i>Corporations Act</i>. This section states that a director who has a material personal interest cannot be present when the matter is being considered or vote on the matter, unless the other directors have passed a resolution that identifies the director and the nature and extent of his or her interest and its relation to the decision. The board resolution must state that the directors are satisfied that the interest should not disqualify the particular director from voting (s. 195).</p>
g)	Related party transactions	<p><i>Related Party Transactions</i></p> <p>Related party transactions are closely allied to the conflict of interest provisions and are contained in Chapter 2E of the <i>Corporations Act</i>. Directors should refer to the provisions of Chapter 2E under which,</p>

	Duty	Description
		subject to a number of exceptions, member approval is required for giving financial benefits to related parties.

Directors also have obligations under the *GOC Act* and the *Crime and Misconduct Act 2001 (Qld)* to conduct themselves in a way that does or could not adversely affect the honest and impartial performance of their or Stanwell's functions and powers.

5.2 *The Role of Individual Directors – Stanwell Policy*

Subject to the reserve powers of the Shareholding Ministers, Stanwell directors have ultimate responsibility for the overall successful operations of the Company. In line with other companies, their duties relate to:

- The strategic direction of Stanwell;
- Financial operations and solvency;
- All matters as prescribed by law including, but not limited to, ensuring compliance with trade practices and environmental acts; and
- All major policy issues including, but not limited to, employment and industrial relations.

5.2.1 Directors' Code of Conduct

In accordance with legal requirements and agreed ethical standards, the Stanwell Board has adopted the following Code of Conduct¹:

- A director must act honestly, in good faith and in the best interests of Stanwell;
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- A director must use the powers of office for a proper purpose, in the best interests of Stanwell as a whole;
- A director must recognise that the primary responsibility is to Stanwell's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the company;
- A director must not make improper use of information acquired as a director;
- A director must not make improper advantage of the position of director;
- A director must not allow personal interests, or the interest of any associated person, to conflict with the interests of Stanwell;
- A director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of Stanwell and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law;
- A director should not engage in conduct likely to bring discredit upon Stanwell; and
- A director has an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of **this Code** and the **Board Handbook**.

¹ Taken from the Australian Institute of Company Directors (AICD)

5.2.2 Expectations of Directors in Board Process

A director shall, in good faith, behave in a manner that is consistent with generally accepted procedures for the conduct of meetings at all meetings of the Board.

Directors are expected to be forthright in Board meetings and have a duty to question, request information, raise any issue, and fully canvas all aspects of any issue confronting Stanwell, and cast their vote on any resolution according to their own decision.

Outside the Boardroom, however, directors will support the letter and spirit of Board decisions in discussions with all stakeholders including any members, interest groups, customers, staff, political groups and other parties.

Directors will keep confidential all Board discussions and deliberations. Similarly, all confidential information received by a director in the course of the exercise of the directors' duties remains the property of Stanwell. It is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law.

5.2.3 Conflict of Interest and Related Party Transactions

As outlined in Rule 6.4 of Stanwell's Constitution, directors must disclose to the Board actual or potential conflicts of interest that may exist between the director and any other parties in carrying out the activities of the Company.

Directors (including the Chairman) must indicate to the Board any actual or potential conflict of interest, in accordance with the Conflict of Interest Probity Protocol. Stanwell's Conflict of Interest Probity Protocol is attached to this Board Handbook as **Appendix D**, and forms part of the Board Handbook.

On appointment, directors also have the opportunity to declare any such interests on the form titled "*Consent to Act as Director and Declaration of Interests*", and directors may update this disclosure by notifying the Company Secretary in writing. Any amendments to disclosures will be tabled at the next Board meeting. All disclosures will be handled in accordance with Stanwell's **Privacy Policy and Privacy Manual**.

The same requirement will exist for related party transactions. Related party transactions include any financial transaction between a director and Stanwell and will be reported in writing to each Board meeting. These transactions exclude any routine payments under Stanwell's fee structure and service provision model.

The Company Secretary is responsible for maintaining the **Register of Related Party Transactions** and the **Register of Directors and Declaration of Interests**.

5.2.4 Emergency Contact Procedures

As there is the occasional need for urgent decisions, directors should leave with the Company Secretary any contact details, either for themselves or for a person who knows their location, to ensure that all directors can be contacted within 24 hours in cases of a flying minute or other critical business.

6. The Role of the Chairman

The Chairman's role is a key one within Stanwell. The Chairman is considered the "lead" director and utilises his/her experience, skills and leadership abilities to ensure the integrity of the Board process and the functioning of the Board.

The Shareholding Ministers are responsible for selecting the Chairman of Stanwell, and for nominating the term of the Chairman's appointment.

There are two main aspects to the Chairman's role. They are the Chairman's role within the boardroom, and the Chairman's role outside the boardroom.

6.1 *Inside the Boardroom*

Continuously monitoring the performance of individual directors and the Board by:

- Being clear on what the Board has to achieve, both in the long and short term;
- Providing guidance to other Board members about what is expected of them;
- Chairing Board meetings. If the Chairman is not present within 15 minutes after the time appointed for the holding of that meeting, a director chosen by a majority of directors present shall assume this role (Rule 10.4);
- Ensuring that the Board behaves in accordance with its code of conduct;
- Ensuring that Board meetings are effective in that:
 - The right matters are considered during the meeting (e.g. strategic and important issues)
 - Matters are considered carefully and thoroughly
 - The Board comes to clear decisions and resolutions are noted;
- Ensuring the decisions of the Board are implemented properly; and
- Ensuring the board considers suggestions, requests or policies made by the Auditor General or Shareholding Ministers.

6.2 *Outside the Boardroom*

- In conjunction with the Chief Executive Officer, undertaking appropriate public relations activities;
- Being the major point of contact between the Board and the Chief Executive Officer;
- Being kept fully informed of current events by the Chief Executive Officer on all matters which may be of interest to directors;
- Reviewing with the Chief Executive Officer and such other senior officers as the Chief Executive Officer recommends, progress on important initiatives and significant issues facing the Company;
- Providing mentoring for the Chief Executive Officer; and
- Initiating and overseeing the annual Chief Executive Officer evaluation process.

As with all directors, the Chairman is not entitled to vote or participate in the deliberations on any matter in which she or he has a personal interest unless there is compliance with the conflict of interest provisions.

7. The Board and Strategy

A fundamental component of the Board's role relates to its involvement in strategy development. Under the *GOC Act*, the Stanwell Board is required to prepare two major strategic planning documents, being the **Corporate Plan** and the **Statement of Corporate Intent**. The general content of these documents and the process for ministerial submission are outlined in the following section (Section 7.1). To develop the goals and strategies underlying these documents, the Stanwell Board has developed its own planning processes and policies.

7.1 *Strategy Formulation – Regulatory Framework*

7.1.1 The Corporate Plan

Part Seven of Chapter Three of the *GOC Act* specifies that each Company GOC must have a Corporate Plan (s. 94). In preparing the plan, the GOC must also comply with any ministerial guidelines on form or content (s. 96).

The following sections outline the legislated process for the preparation of the Corporate Plan:

- A draft Corporate Plan must be submitted to the Shareholding Ministers no later than two months before the start of each subsequent financial year (s. 97(1));
- The Board and the Shareholding Ministers must endeavour to reach agreement on the draft plan as soon as possible and in the case of a draft corporate plan for subsequent financial years, in any event no later than the start of the financial year. When it has been agreed to by the Shareholding Ministers, the draft plan then becomes the plan for the relevant financial year (s. 99);
- The Corporate Plan may be modified either by the Board with the agreement of the Shareholding Ministers (s. 101(1)) or by direct written notice from the Shareholding Ministers (s. 101(2)).

7.1.2 The Statement of Corporate Intent

Like the Corporate Plan, s. 102 of the GOC Act specifies that a GOC must have a Statement of Corporate Intent (SCI) for each financial year. The SCI operates as a performance agreement between the Stanwell Board and the Shareholding Ministers. The SCI must be consistent with the Corporate Plan (s.104).

Section 105 of the Act specifies that the SCI must include:

- (1) financial and non-financial performance targets; and
- (2) the GOC's community service obligations and its employment and industrial relations plan.

The process for preparation of the SCI is similar to that of the Corporate Plan:

- The Board is to submit a draft SCI to the Shareholding Ministers no later than two months before the start of each subsequent financial year (s. 107(1)(b));
- The Board and Shareholding Ministers are to reach agreement on the draft SCI before the start of the financial year (s. 107(2));
- The Ministers may request further consideration or revision of the draft SCI, and the Board must comply with this request as a matter of urgency (s. 108);
- The SCI can be modified by the Board with agreement of the Shareholding Ministers, or on written notice of the Ministers (s. 111).

The Board is required to report against the SCI to the Shareholding Ministers on both a quarterly (s. 119) and annual basis (s. 120). The Board is also required to prepare an Annual Report in accordance with the *Corporations Act*.

7.2 Strategy Formulation – Stanwell Policy

The Board will initiate the annual strategic planning process and work in conjunction with the Executive Management Team to formulate Stanwell's strategic direction and goals. The Board is responsible for approving Stanwell's strategic direction and overseeing the preparation of the Corporate Plan and the SCI. The drafting of these documents will be the responsibility of management, and they are required to be endorsed by the Board prior to submission to the Shareholding Ministers.

The normal strategic planning cycle is:

- The Board and the Executive Management Team discuss information requirements and the process for strategic planning;
- The Executive Management Team holds an initial strategic planning workshop;
- The Board holds a strategy workshop to review and discuss the strategy proposals prepared by the management team;

- Draft budgets and five year forecasts, as well as a draft SCI and Corporate Plan are presented to the Board. Revisions are made based on feedback from the Board, with the amended draft budgets re-submitted to the Board, and the amended draft plans submitted to the Shareholding Ministers;
- The Corporate Plan and SCI are finalised with endorsement from the Board and submitted to the Shareholding Ministers for execution;
- Quarterly Reports against the SCI are prepared by management and are tabled for endorsement by the Board.

8. Contacts and Advisory Role

8.1 *Chief Executive Officer Advisory Role*

It is recognised that a key directorial duty is providing a sounding board for Chief Executive Officer ideas and challenges. Recognising that the Chief Executive Officer-Board relationship is critical to effective corporate governance, directors of Stanwell should provide frank and honest advice to the Chief Executive Officer. It is expected that the Chairman will play a key part of this role and will maintain regular contact with the Chief Executive Officer.

All advice should be constructive in nature and provided in a positive manner. Where appropriate, directors should recommend possible alternative advisers if they do not feel adequately trained to assist.

8.2 *Protocol for Interaction with Internal and External Parties*

Due to Stanwell's prominence in the Australian electricity industry, there will be times when directors will be approached for public comment by both internal (e.g. staff members) and external (e.g. media, government) groups or individuals. On such occasions the director(s) should comply with the following policy:

1. Refrain from disclosing any significant information, documents or other forms of data to the person/group without the prior consent of the Chairman or the Board;
2. Refrain from performing any activities on behalf of the person/group who approached the director without the prior consent of the Chairman or the Board; and
3. Report the person/group who contacted the director, the reason (explicit or inferred) for the contact and a summary of any other relevant information as soon as possible to the Chairman or the Chief Executive Officer and (if appropriate) the Board.

9. Monitoring

Another essential function of the Board is to monitor the performance of the organisation in implementing its strategy and overall operational performance. To do this, the Board must monitor both the financial and non-financial elements of Stanwell's performance. The Board will work with management to develop and agree a range of Key Performance Indicators (KPI) to monitor Stanwell's performance. These will be monitored through the management reports provided at monthly Board meetings, and by overseeing the preparation of Stanwell's Quarterly Reports.

10. Compliance

The Board is charged with overseeing, reviewing and ensuring the integrity and effectiveness of Stanwell's compliance systems. It has established the **Audit and Risk Management Committee** to undertake the detailed review of the company's compliance procedures on its behalf. However, aspects of the compliance process may be delegated by the Board to the Chief Executive Officer, Chief Financial Officer, Company Secretary or management committees. Specifically, the Chief Executive Officer is responsible for the development and implementation of Stanwell's compliance system. The Chief Executive Officer will work with relevant managers and committees to ensure all areas of compliance are covered by Stanwell.

11. Risk Management

The Board is responsible for overseeing, reviewing and ensuring the effectiveness and integrity of Stanwell's risk management systems. To fulfil this responsibility, the Board has established the Audit and Risk Management Committee. This Committee is charged with overseeing Stanwell's risk management systems on behalf of the Board. The specific responsibilities of this Committee include setting Stanwell's risk management philosophies and risk tolerance levels, approving risk management policies and processes, and overseeing the framework of risk management plans. Refer to **Appendix B** for the full Audit and Risk Management Committee Charter.

The CEO is charged with developing and implementing the risk systems subject to the Board's oversight and ensuring that Stanwell's level of business risk is consistent with the Board's risk acceptance level.

Additionally, the Audit and Risk Management Committee will provide regular reports on major risk management activities and issues to the Board.

As part of its strategic planning activities, the Board shall review all major strategies for their impact on the risk facing Stanwell and shall institute appropriate actions. Similarly, Stanwell shall review all aspects of its operations for changes to the risk profile on an annual basis. This annual review shall include an assessment of insurance policies and will be overseen by the Audit and Risk Management Committee.

12. Chief Executive Officer Evaluation

The Chief Executive Officer is the key employee of the Company in general and of the Board in particular. As such, a special relationship exists between the Chief Executive Officer and the Board. This relationship is represented at Stanwell by the iterative nature of the Chief Executive Officer evaluation process. The Board utilises "in-camera" sessions at each Board meeting to discuss the Chief Executive Officer's performance on a regular basis. Feedback is provided to the Chief Executive Officer by the Chairman, with actions developed and agreed between them to address any issues raised.

In addition, a formal Chief Executive Officer evaluation process is conducted on an annual basis and instigated and coordinated by the Chairman. The process is based upon the goals established for the Chief Executive Officer by the Board and employs both quantitative and qualitative measures. The evaluation is subject to full Board deliberation, with actions recommended by the Board communicated to the Chief Executive Officer through the Chairman.

13. Directors' Remuneration

13.1 *Director fees*

By serving on the board of Stanwell, the directors assume significant responsibility. Consistent with Rule 7.1 of the Stanwell Constitution, directors must be paid for the services they provide to the company. The actual amount of director fees is determined by the Shareholding Ministers.

13.2 *Director expenses*

In addition to their fees, where directors properly incur expense in attending or returning from Board, committee or general meetings, or otherwise in the execution of their duties, these expenses must be reimbursed to the directors (Rule 7.3 of Stanwell's Constitution). Directors must notify the Company Secretary of any such expenses incurred and provide supporting receipts. The Company Secretary will then seek approval of the reimbursement from the Chairman (or in the case of the Chairman, seek approval from the Chairman of the Audit and Risk Management Committee) and upon approval, ensure that the directors are reimbursed for this expenditure.

Examples of expenses properly incurred during the execution of their duties as directors of Stanwell include (but are not limited to) all travelling, accommodation and other expenses properly incurred by directors in attending and returning from meetings of the directors or any committee of the directors or any general meeting or otherwise in the execution of their duties as directors of Stanwell.

13.3 *Chairman expenses*

In the case of the Chairman, where expenses are incurred in the execution of his or her duty as Chairman of Stanwell, those expenses will be reimbursed. Chairman expenses include (but are not limited to) the use of a mobile phone which will be used by the Chairman exclusively for Stanwell business. The Chairman will review his Stanwell mobile telephone account each month and authorise it for payment having excluded charges, if any, inadvertently incurred which should not be a Stanwell expense.

13.4 *Telephone*

Stanwell will arrange for a free-call telephone line for directors to use to attend both Board and committee telephone conference links. This number will be confirmed prior to the individual meeting.

14. Officers' Indemnity and Insurance

14.1 *Director Protection – Regulatory Framework*

Company directors may be exposed to both legal liability and personal risk in the fulfilment of their duties. This personal exposure can affect the decision making processes of the Board, as directors may seek to minimise their own risk at the expense of company benefit. As a result, two legal instruments, The Corporations Act, and Stanwell's Constitution, contain specific provisions to protect Stanwell's directors against these risks and to ensure the ongoing effectiveness of the Board's decision making process.

14.1.1 The Corporations Act 2001 (Cth)

Under s. 180(2) of this Act, a director who makes a business judgment is taken to have met the duty of care and diligence if they:

- (a) make the judgment in good faith for a proper purpose; and
- (b) do not have a material personal interest in the judgment; and
- (c) inform themselves about the subject matter to a reasonable extent; and
- (d) rationally believe the judgment is in the best interests of the corporation.

The director's belief that the judgment is in the best interests of the corporation is a rational one unless the belief is one that no reasonable person in their position would hold.

In the event of legal proceedings, s. 198F(1) states that a director may inspect the books of a company (except its financial records) at all reasonable times. The limit to this access is that the legal proceedings must be one in which:

- (a) the director is a party; or
- (b) the director proposes in good faith to bring; or
- (c) the director has reason to believe will be brought against them.

This access is available to all directors for a period of seven years after he or she ceases to be a director (s. 198F(2)). Section 198F(3) states that the director may take copies of the materials they are inspecting, and s. 198F(4) states that a company cannot refuse a director access under these provisions.

Financial records are specifically excluded from s. 198F because s. 290 gives a current director, but not a former director, a right of access to the company's financial records at all reasonable times. Under s. 290(2) the Court, on application from a director, may authorise a person to inspect the financial records on the director's behalf and any person authorised to inspect the records may make copies of the records unless otherwise ordered by the Court (s. 290(3)).

Under s. 199B, corporations are permitted to pay an insurance premium to protect directors and officers from liabilities (other than for legal costs), except where there is a wilful breach of a duty in relation to the company, or where there is a contravention of ss. 182 or 183 (these sections deal with the misuse of position or information).

Indemnities for legal costs are dealt with separately under s. 199A(3). Companies may not indemnify directors against legal costs if they are incurred in defending or resisting criminal proceedings, or in defending proceedings brought by ASIC, or by a liquidator. However, a company may indemnify an officer or auditor for legal costs when he or she successfully defends criminal or civil proceedings, or when he or she successfully applies for relief from the Courts under s. 1318.

14.1.2 The Stanwell Constitution

The Constitution contains specific provisions for director protection at Stanwell. In particular, Rule 8.1 states that every person who is or has been an officer of Stanwell is indemnified against a liability for costs and expenses incurred as a result of defending any proceeding which the judgment is given in favour of the person, or the person is acquitted, or in connection with any application related to these proceedings in which the Court grants relief to the person under law. Under Rule 8.1, Stanwell also indemnifies directors against liabilities to third parties, except if the liability arises from conduct that involves a lack of good faith.

Stanwell's Constitution (Rule 8.2) also allows for the company to pay insurance premiums for directors to cover:

- Liabilities for costs and expenses incurred by a director defending proceedings arising out of the person's conduct as a director, whether civil or criminal and whatever their outcome; and
- Any other liability incurred as a director of Stanwell, except where it arises from conduct that involves wilful breach of duty or contravention of the law.

Regarding access to information, the Stanwell Directors and Officers Deed grants directors' access to any Board Papers held in the Stanwell offices, both during the term of the director's appointment and for a period of seven years after termination of appointment. However, this access is to be granted only in accordance with the terms contained within the Deed.

14.2 Director Protection – Stanwell Policy

As a general rule, a director of Stanwell has two key areas of protection - the right to information and the ability to insure against specific risks of being a director. Therefore, as a matter of policy, the following measures of board member protection will apply.

14.2.1 Information Seeking Protocol

Directors will adhere to the following protocol when seeking information:

1. Approach the Chief Executive Officer to request the required data;

2. If the data is not forthcoming, approach the Chairman;
3. If the information is still not forthcoming, write a letter to all board members and the Chief Executive Officer detailing the information that is required, purpose of the information, and who the director intends to approach in order to obtain the information; and
4. As a last resort, employ the provisions of the *Corporations Act*.

14.2.2 Access to Board Papers and Legal Advice

Directors of Stanwell may choose to have the Company Secretary hold a complete set of Board Papers on their behalf, or nominate to keep their own personal copies of Board Papers. The directors who have opted to have them held on their behalf at the Brisbane office are entitled to access the papers for the period when they were a director on request, for a period up to seven years after they ceased to be a director. This access will be granted in accordance with the Directors and Officers Deed.

The Board has the authority to conduct or direct any investigation required to fulfil its requirements and has the ability to retain, at Stanwell's expense, such legal, accounting or other advice from consultants or experts as it reasonably considers necessary from time to time in the performance of their duties.

Each Director, acting reasonably in the course of his or her duties, is entitled to seek independent professional advice at Stanwell's expense, subject to prior approval of the Chairman.

Additionally, all documentation containing or seeking legal advice will clearly state that the legal advice is sought both in relation to the Company and to the directors in their personal capacity.

14.2.3 Insurance

The company has a **Directors and Officers Liability Policy**, a copy of which can be obtained from the Company Secretary. The Company Secretary will provide directors with the details of any changes to this policy over time. The Company Secretary will also maintain each director's D&O insurance for seven years from the date at which they ceased to be a director.

To maintain this insurance, the Insurer requires that Board members regularly complete a claims declaration, providing the Insurer with information as to whether the directors have recently:

- Received any legal documents alleging a wrongful act in their capacity as a director;
- Received advice of a possible action to be taken against them alleging a wrongful act in their capacity as a director; and/or
- Become aware of a circumstance or incident which may lead to an action being taken against any director, officer or employee of Stanwell.

15. Chief Executive Officer and Senior Executives

The Chief Executive Officer of Stanwell is appointed by the Board with the prior written approval of the Shareholding Ministers (*GOC Act*, s. 92).

The Chief Executive Officer is responsible for the ongoing management of Stanwell in accordance with the strategy, policies and programs determined and approved by the Board. As such, the Company shall be managed to achieve the goals agreed and endorsed by the Board.

The Chief Executive Officer's responsibilities will include, but are not limited to:

15.1 Providing Leadership to the Company

- Providing strong leadership to, and effective management of, the Company in order to:
 - Ensure a safe workplace for all personnel;
 - Ensure employees comply with their ethical and legal obligations in relation to their work;
 - Encourage cooperation and teamwork;
 - Build and maintain staff morale at a high level; and
 - Build and maintain a strong sense of staff identify with a sense of allegiance to the Company.
- Working with the Board to build an appropriate organisational culture and values.

15.2 Establishing the Executive Management Team

- Recommending to the Board (to recommend to the Governor in Council) the appointment of the Executive Management Team and the terms and conditions of their appointment.

15.3 Strategic Planning

- Proposing to the Board the annual process for strategic planning, including the development of the Corporate Plan and Statement of Corporate Intent;
- Developing with the Board a consensus for Stanwell's vision and strategic direction;
- Constructing, with Stanwell's management team, programs to implement this vision;
- Interacting with the Board in order to develop and agree short, medium and long term goals for the Company; and
- Preparing the major operating plans for the company, including the **Corporate Plan, Statement of Corporate Intent** and the **Employment and Industrial Relations Plan**.

15.4 Board and Public Relations

- Keeping the Board informed, at an appropriate level, of all the activities of the Company; and
- In conjunction with the Chairman, undertaking (or nominating someone to undertake) public relations activities.

15.5 Day to Day Management of the Company

- Carrying out the day-to-day management of the Company within the authority delegated by the Board; and
- Forming other committees and working parties from time to time to assist in the orderly conduct and operation of the Company.

The Chief Executive Officer is formally delegated by the Board to authorise all expenditures within Board approved delegations as approved in the budget. A complete list of delegations to the Chief Executive Officer and senior management appears in the Stanwell **Financial Delegation of Authority Policy**.

16. Board Meetings

16.1 The Stanwell Constitution

Under Stanwell's Constitution, directors may at any time convene a meeting of the directors (Rule 10.1). Additionally, the directors are responsible for regulating their meetings as they decide (Rule 10.7). According to Rule 10.3, directors' meetings can be held using any mode, including telephone or closed circuit television, provided that each of the directors can hear each other.

The number of directors necessary to constitute a quorum is half the number of directors. If that number is not a whole number, then it is the next highest whole number (Rule 10.5). Questions arising at meetings are decided by a majority of votes (Rule 10.6), with the Chairman holding a second or casting vote (Rule 10.6).

With regard to minutes of meetings, the Constitution follows the Corporations Act, stating that these must be entered into minute books within one month after the relevant meeting is held. They must also be signed by the Chairman.

16.2 The Importance of Board Meetings

Board meetings are a fundamental component of governance processes. Each Board meeting is critical as it is the main opportunity for directors to:

- Obtain and exchange information with the Executive Management Team;
- Obtain and exchange information with each other; and
- Make decisions.

16.3 Meeting Frequency

Unless otherwise agreed, the Board will meet approximately eleven times per year and Committees generally on a quarterly basis. Where Board and Committee meetings are scheduled for the same month, where possible, Committee meetings will precede the Board meeting on the same day.

However, a Board meeting can be convened under the Stanwell Constitution when any director so requests (Rule 10.1). In such situations, a reasonable period of notice is required to be given to the Company Secretary. The reasonableness of the notice period will be determined by the urgency or immediacy of the reason underlying the meeting request.

In order to provide an even distribution of work over each financial year, the Board will adopt a twelve-month Board Calendar. Included will be all scheduled Board and committee meetings as well as major corporate and Board activities to be carried out in the month in question.

While it is envisaged that the Board meetings at Stanwell will be physical meetings, Stanwell's Constitution (Rule 10.3) allows for meetings to be convened by phone or videoconference as long as each of the directors participating in the meeting are able to hear each of the other participating directors. Where possible, directors are encouraged to participate in Board meetings when travelling, either through phone or video link.

16.4 Location of Board Meetings

Board meetings are usually held in Brisbane in the Stanwell Offices at Waterfront Place. However, as business dictates, meetings may be held in other operational areas.

16.5 Meeting Time

The start and finish times of Board and Committee meetings may vary, and are determined to suit the agenda of each individual meeting, the availability of key participants, and the location in which the meeting is taking place.

16.6 Conduct of Meeting

The Chairman will determine the degree of formality required at each meeting while maintaining the decorum of such meetings. As such, the Chairman will:

- Ensure that all members are heard;
- Retain sufficient control to ensure that the authority of the chair is recognised. This may require a degree of formality to be introduced if this is necessary to advance the discussion;
- Take care that the decisions are properly understood and well recorded; and
- Ensure that the decisions and debate are completed with a formal resolution recording the conclusions reached.

Questions arising at Board meetings are to be decided by a majority of votes of directors who are present and voting (Rule 10.6). However, if votes are tied, the Chairman has a second or casting vote.

In order for a decision of the Board to be valid, a quorum of directors must be present. Under Stanwell's Constitution (Rule 10.5), a quorum represents half the number of appointed directors. If that number is not a whole number, then the quorum constitutes the next highest whole number.

16.7 *Attendees*

Prior to the official business of the meeting, the non-executive directors may choose to meet "in camera" with no management representatives present. If the Board so decides, this session may be followed by informal discussions between the non-executive directors and the Chief Executive Officer.

During the formal sessions of the Board meeting, attendees will comprise all Board members, the Chief Executive Officer, the available members of the Executive Management Team and the Company Secretary. Additionally, the Chairman or a majority of directors may request the attendance at any meeting of the Board any other person who, in their opinion, may be able to assist the Board in any matter under consideration.

17. Board Meeting Agenda

17.1 *Agenda Content*

The Board meeting agenda is important because it shapes the information flow and subsequent discussion.

An agenda will be prepared for each Board and Committee meeting. In general, it may contain some or all of the following topics:

- Non-Executive Directors' Session;
- Non-Executive Directors' and CEO Session;
- Key Strategic Initiatives;
- Formalities (including Confirmation of Minutes; Actions Arising; Declaration of Interests; Corporate Governance Timetable; Ratification of Circular Resolutions (if any); and Matters of Interest and Press Clippings);
- Reports (including the Monthly Performance Report);
- Matters for Noting and Approval;
- Matters for Endorsement (if required) (including the Statement of Corporate Intent; Corporate Plan and Quarterly Reports); and
- Committee Reports (if required).

17.2 *Agenda Preparation*

The Chief Executive Officer is responsible for preparing the Board meeting agenda. However, any director may request items to be added to the agenda for upcoming meetings. The agenda is circulated to all directors with the Board Papers prior to the meeting.

18. Board Papers

At Stanwell, an individual paper presented to the Board is known as a **Board Memorandum**. In combination, these constitute a set of **Board Papers**. The Chief Executive Officer together with the Company Secretary is responsible for the preparation and circulation of Board Papers. A Board Paper

review meeting is held by the Executive Management Team approximately two weeks prior to the Board Meeting for the purpose of reviewing and finalising the papers.

The Stanwell Board Papers will be circulated to directors prior to the Board meeting. The aim is to have the papers to directors five days prior to the meeting, however this timeframe may be condensed if unexpected circumstances arise. The Board has the right to defer the consideration of an issue until there is further time to consider it.

The Company Secretary will maintain a complete set of Board Papers at Stanwell's Brisbane office. These papers are maintained both for the Company as a whole and the directors individually

19. Secretary

The Company Secretary of Stanwell is charged with facilitating the Company's corporate governance processes. In so doing, the Company Secretary holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively.

At Stanwell, one or more Secretaries may be appointed. Under Rule 13.1 of Stanwell's Constitution, the directors are responsible for the appointment and termination of the Company Secretary, and also determine the terms and conditions of the appointment, including remuneration (Rule 13.2).

The Company Secretary may carry out any act or deed required by the Constitution or legislation to be carried out by the secretary of a company. More specifically, the tasks of the Company Secretary include, but are not limited to:

19.1 *Meetings and Minutes*

- Subject to provisions for shorter notice of a Board meeting as per the Constitution, notifying the directors in writing in advance of a meeting of the Board;
- Ensuring that the agenda and board papers are prepared and forwarded to directors prior to the Board meeting;
- Maintain a framework for an effective management information system for the dissemination and follow-up of Board decisions (Actions Arising);
- Recording, maintaining and distributing the minutes of all Board and Board sub-committee meetings as required; and
- Maintaining a complete set of board papers at Stanwell's Brisbane office.

19.2 *Legal Compliance*

- Ensuring all requirements of ASIC are fully met; and
- Providing counsel on corporate governance principles and director liability.

19.3 *Governance Administration*

- Maintaining the Register of Directors and Declaration of Interests and the Register of Related Party Transactions;
- Maintaining, updating and ensuring that all directors have an up-to-date copy of this Board Handbook;
- Maintaining the complete list of the delegations of authority;
- Reporting at each Board meeting the documents executed under a power of attorney, documents executed in accordance with s. 127 of the *Corporations Act*, and reporting on the use of the seal register; and
- Any other services the Chairman or Chief Executive Officer may require.

20. Board Minutes

Minutes will contain a brief reference to relevant Board Memorandums tabled plus the official resolution adopted by directors. All decisions will be recorded in the minutes by means of a formal resolution.

During the Board meeting, the Chairman will manage the discussions around the recommended resolution. Where the Board agrees with this recommended resolution the exact wording will be recorded in the minutes as a formal resolution. Where the wording of the recommended resolution was altered during the discussions, the Company Secretary will draft the amended version into the minutes for review and approval by all directors.

Where a recommended resolution is not adopted then a summary of the reasons for the alternative course of action must be noted in the minutes. Similarly, other significant points raised about a recommended resolution which was carried by directors but not covered in the papers are to be noted.

Minutes will be prepared in draft form by the Company Secretary and provided to the Chairman for review within a reasonable time after the Board meeting. Once the draft minutes have been approved by the Chairman, the Company Secretary will circulate the draft minutes to all directors. The draft minutes will also be circulated in the papers for the subsequent board meeting. Any changes recommended by any director to the draft minutes previously circulated will be highlighted in the board papers of the following meeting. However, once the minutes have been adopted by the Board they cannot be amended.

Where appropriate, an extract or elaboration of the minutes will be circulated for the purposes of communicating decisions within the organisation.

21. Committees

The Stanwell Board currently has three committees, being:

- a Human Resource and Workplace Health and Safety Committee (HRWH&SC),
- an Audit and Risk Management Committee (ARMC); and
- a Project Advisory Group (PAG).

In each case, the Committee has no executive powers with regard to its findings and recommendations. These executive powers remain with the Board.

The Chairman of the Board will be a Committee member of each Committee.

The Chairman of each Committee will be appointed annually by the Board and, under normal circumstances, will be a sitting director. The Committee Chairman will deliver reports to the Board when requested.

There will be at least two Board members sitting on each Committee and any director may attend any meeting of any Committee. Members of the Executive Management Team will attend Committee meetings where appropriate. The Company Secretary will provide support to each Committee and take minutes at Committee meetings.

It is expected that each Committee will have a **Terms of Reference** which has been approved by the Board. Nevertheless, the Board has the ability to alter the roles of each Committee as it sees fit. A synopsis of the Terms of Reference for each Committee follows, with a complete version located in Appendices A, B and C.

21.1 *Human Resources Workplace Health and Safety Committee*

The primary objectives of this Committee are to assist the Board:

- in fulfilling its obligations and responsibilities relating to the provision of a safe workplace;
- in providing strategic direction for employee management, planning and development; and

- monitor Management performance in establishing and maintaining an effective system of internal controls.

Specific duties and responsibilities of the Committee are as follows:

- oversight of the adequacy and effectiveness of Stanwell's workplace health and safety policies, procedures and practices;
- review of the management of Stanwell's workplace health and safety associated risks and exposures;
- monitor the adequacy and effectiveness of Stanwell's compliance with health and safety legislation and regulations by employees and contractors;
- review Stanwell's Enterprise Bargaining Strategy;
- review Stanwell's superannuation strategy (and associated superannuation issues);
- oversight of industrial relations issues (including practical Committee Member liaison with Union Delegates and employees generally);
- review Stanwell's employee management, planning and development (including recruitment, training, remuneration, learning and development);
- monitor Stanwell's organisational health and safety culture and development;
- monitor the adequacy and effectiveness of Stanwell's Equal Employment Opportunity and anti-discrimination policies;
- review Stanwell's succession planning; and
- review Stanwell's **Corporate Code of Conduct**.

21.2 *Audit and Risk Management Committee*

The Audit and Risk Management Committee is responsible for overseeing Stanwell's accounting and reporting practices and maintaining the company's business risk management procedures.

Specific duties and responsibilities of the Committee include:

- Evaluating the company's risk exposure and monitoring the implementation of internal controls to contain the risks;
- Evaluating the adequacy of the company's accounting, IT and operational procedures and control systems;
- Appraising the quality and cost of both internal and external audits;
- Overseeing the implementation of corporate policies;
- Monitoring the standard of corporate conduct;
- Reviewing the company's compliance procedures;
- Reviewing key reports and financial statements;
- Property and business interruption insurance and liability insurance policies; and
- Corporate **Code of Conduct** and compliance procedures.

21.3 *Project Advisory Group*

The primary objectives of the Group are to assist the Board of directors in fulfilling its duties in relation to developing Stanwell by assisting with the strategic development process and reviewing Stanwell's strategic plan and to provide guidance on strategy, issues or business development opportunities to management in a collaborative forum. Specific responsibilities of the Group include:

- monitoring particular strategies against the approved strategic plan;

- reviewing internal processes for identification, analysing and selecting projects, which have the properties to meet approved strategies;
- reviewing and overseeing the progress of business development projects within the project delivery phase (up to project completion) and providing strategic advice on the direction of those projects; and
- reviewing resources needed to ensure that Management can deliver development rationales in a timely manner.

22. Board Evaluation

As a matter of principle, the Board is committed to the ongoing development of the Board as a whole. However, it is recognised that in considering improvements to its governance structures, the Stanwell Board has no practical influence over its composition. Nevertheless, each year the Board will conduct a review of its performance and the performance of each Committee. The objective of this review is to ensure the Stanwell Board is maintaining best practice corporate governance standards. Such a review can be:

- Qualitative, quantitative or a mixture of both;
- Formal or informal;
- Concentrated on reviewing the Board as a whole or directors individually;
- Self-administered, administered by the Chairman/other directors or administered by an independent expert; or
- Focused internally on the directors or involve the wider body of corporate stakeholders including, but not limited to, customers, suppliers, employees and the community.

The Chairman will action this evaluation and obtain any assistance required. It is envisaged that relevant findings will be incorporated into this Board Handbook.

A key outcome of the evaluation process should be for the Board to set a series of goals to guide their activity over the coming year.

23. Director Engagement

To maintain a high standard of probity, the following guideline has been established. Stanwell may not engage, for the supply of services or goods:

- a director; or
- a company or firm that a director has a direct financial or controlling interest in; or
- a related party (as defined by the *Corporations Act*) of the director where the director has a direct financial or controlling interest in that related party.

This restriction will stay in place for the duration of the tenure of the directorship with Stanwell.

This policy does not apply where WorkCover or where an insurance company appoints a company or a firm to act for or on behalf of Stanwell.

There may be times when this guideline does not service the business interests of Stanwell. In these circumstances, approval must be gained from the Chief Executive Officer.

The Board will provide a written report to the Shareholding Minister(s) of the results of the evaluation process.

24. Director Development

In order to achieve continuing improvement in board performance, all directors are encouraged to undergo continual professional development. Specifically, where skills gaps are identified, directors will be provided with the resources and training to address them.

Directors are also encouraged to undertake self-development where appropriate. It is recommended that governance and ethics training is undertaken by directors on an annual basis.

A budget for director development activities is included in the annual budget. Directors who wish to undertake a development activity at company expense should approach the Chairman.

25. Director Induction

25.1 *New Directors*

New directors will undergo a full induction into their role on the Stanwell Board. Information conveyed to the new director will include:

- Details of the roles and responsibilities of a Stanwell director and the Board;
- Background information on Stanwell Corporation Limited;
- the matters which are delegated to management;
- Details of all relevant legal requirements including:
 - *Corporations Act*;
 - *Government Owned Corporations Act*; and
 - Other major statutory bodies.
- A copy of the Directors' Induction Manual;
- A copy of this Board Handbook;
- A copy of the Stanwell Constitution
- A copy of Stanwell organisational charts;
- A copy of the current Corporate Plan and Statement of Corporate Intent;
- Annual Reports; and
- Current professional development opportunities for Directors.

Communication Plan

Any amendments to the Board Handbook will be communicated to the Directors by the Company Secretary. The Company Secretary will provide printed copies of the Board Handbook to each of the Directors after any amendments are approved.

Review and Audit

Board and Committee Review

As detailed in section 22 above, each year the Board will conduct a review of its performance and the performance of each Committee. The objective of this review is to ensure the Stanwell Board is maintaining best practice corporate governance standards.

Review of Board Handbook

While it is acknowledged that good governance is an important component of a successful company, it is also recognised that it is contingent upon the context in which it is practiced. Therefore, corporate governance needs to be an evergreen process, and as a result this Board Handbook is a living document.

The Board Handbook will need to be regularly reviewed and updated to reflect changes in the legal framework within which Stanwell operates, and amendments and developments in Board policies and procedures.

It is the responsibility of the Company Secretary to ensure that the Board is consulted regarding any changes and updates, that the Handbook is kept current and is reviewed and amended on a yearly basis, and that all Board members are provided with the latest versions of the Handbook.

Payroll Audit and Alternative Governance Framework Audit

The Board will arrange for its internal auditors to conduct audits of Stanwell's Payroll and executive remuneration (an alternative governance framework audit) on an annual basis.

The relevant reports will be returned through to the relevant Audit and Risk Management Committee meetings and Human Resources and Workplace Health and Safety Committee meetings.

Links and References

Appendices

~~Appendix A – Human Resource and Workplace Health & Safety Committee Charter~~ *On 1 July 2011 this charter was superseded by a new People & Safety Committee Charter – Available on Stanwell's website.*

~~Appendix B – Audit & Risk Management Committee Charter~~ *On 1 July 2011 this charter was superseded by a new Audit & Risk Management Committee Charter – Available on Stanwell's website.*

~~Appendix C – Project Advisory Group Charter~~ *On 1 July 2011 this charter ceased to exist*

Appendix D – Probity Protocols

[Return To Top](#)

~~Appendix A: Human Resource and Workplace Health & Safety Committee Charter~~

On 1 July 2011 this charter was superseded by a new People & Safety Committee Charter – Available on Stanwell’s website.

~~The Board of Stanwell Corporation Limited (‘Stanwell’) has established a committee of directors to be known as the Human Resources Workplace Health and Safety Committee (‘Committee’) with its objectives, composition, term of office and duties and responsibilities detailed below.~~

Objectives

~~The primary objectives of the Committee are to assist the Board:~~

- ~~▪ in fulfilling its obligations and responsibilities relating to the provision of a safe workplace;~~
- ~~▪ in providing strategic direction for employee management, planning and development; and~~
- ~~▪ monitor Management performance in establishing and maintaining an effective system of internal controls.~~

Composition

~~The Committee shall be appointed by the Board of directors. The Committee is to be comprised of at least two non-executive directors, one of whom shall be appointed by the Chairman of the Board to be the Chairman of the Committee.~~

~~The Chairman of the Committee is to be someone other than the Chairman of the Board. The Chairman of the Board may be a Committee member.~~

~~Each Committee member shall be independent of the senior management of Stanwell and free from any other relationships which might in the opinion of the Board be construed as an actual, potential or perceived conflict of interest. Committee members are to have sufficient knowledge and understanding of human resources and workplace health and safety issues to allow them to discharge their duties as Committee members.~~

~~The Committee shall have no executive powers with regard to its findings and recommendations. All executive powers are to remain with the Board.~~

~~Representatives of Management may attend all or part of the each Committee meeting on the invitation of the Chairman of the Committee.~~

~~The Chairman of the Committee may call a specific Committee meeting if requested to do so by the Board or any director of the Board.~~

~~Any other director may attend Committee meetings but will have no voting rights at the Committee Meeting.~~

Term of Membership

~~The Board shall determine, at its discretion, a member’s term of membership of the Committee. Vacancies on or absences from the Committee shall be approved by the Board as required.~~

Meetings

~~Meetings shall be held in accordance with the Board calendar and as and when required by the Committee.~~

~~Stanwell’s Company Secretary shall be responsible, in conjunction with the Chairman of the Committee, for preparing the Meeting Agenda and circulating the Agenda and Committee Memorandums to the Chairman of the Committee and members of the Committee and Management.~~

~~The Company Secretary shall be responsible for keeping the Minutes of the Meeting of the Committee and circulating the minutes of each meeting to the Board. The Company Secretary is not a member of the Committee.~~

~~The Chairman of the Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting. A quorum shall consist of two Committee members.~~

~~The Committee shall hold at least four meetings per annum and such additional meetings as the Chairman of the Committee shall decide in order to fulfil its duties. The Committee shall hold meetings at such times considered appropriate to fulfil its role and responsibilities.~~

Access

~~The Committee shall have the authority to seek any information it requires from any officer or employee of the Company (or its subsidiaries). The Committee (through the Chairman of the Committee) is authorised to consult independent experts for advice as it reasonably considers necessary to execute its duties and responsibilities.~~

Performance Evaluation

~~The Board shall review membership of the Committee and its performance and effectiveness on an ongoing basis.~~

Committee Duties and Responsibilities

~~The Committee shall consider any matters relating to the employee relations, workplace health and safety and remuneration practices of Stanwell that it deems to be desirable. In addition, the Committee shall examine any other matters referred to it by the Board.~~

~~The Committee will regularly update the Board about Committee activities and make recommendations to the Board where appropriate.~~

~~Specific duties and responsibilities of the Committee are as follows:~~

- ~~▪ oversight of the adequacy and effectiveness of Stanwell's workplace health and safety policies, procedures and practices;~~
- ~~▪ review of the management of Stanwell's workplace health and safety associated risks and exposures;~~
- ~~▪ monitor the adequacy and effectiveness of Stanwell's compliance with health and safety legislation and regulations by employees and contractors and review audit outcomes of that compliance as required;~~
- ~~▪ review Stanwell's Enterprise Bargaining Strategy;~~
- ~~▪ review Stanwell's superannuation strategy (and associated superannuation issues);~~
- ~~▪ oversight of industrial relations issues (including practical Committee Member liaison with Union Delegates and employees generally);~~
- ~~▪ review Stanwell's employee management, planning and development (including recruitment, training, remuneration, learning and development);~~
- ~~▪ monitor Stanwell's organisational health and safety culture and development;~~
- ~~▪ monitor the adequacy and effectiveness of Stanwell's Equal Employment Opportunity and anti-discrimination policies;~~
- ~~▪ review Stanwell's succession planning; and~~
- ~~▪ review **Stanwell's Corporate Code of Conduct.**~~

Review of the Committee Charter

~~The Committee shall review its Charter at the Board's annual performance evaluation to ensure that the Committee Charter is in keeping with current best practice and the actual operations of the Committee and Board requirements.~~

~~Appendix B: Audit & Risk Management Committee Charter~~

On 1 July 2011 this charter was superseded by a new Audit & Risk Management Committee Charter – Available on Stanwell’s website.

~~The Board of Stanwell Corporation Limited (‘Stanwell’) has established a committee of directors to be known as the Audit and Risk Management Committee (‘Committee’) with its objectives, composition, term of office and duties and responsibilities detailed below.~~

Objectives

~~The Audit objective of the Committee is to assist the Board in fulfilling its responsibilities relating to the accounting and reporting practices and operating activities of the Company. In addition, the Committee will:~~

- ~~▪ make recommendations to the Board in relation to the adequacy and integrity of Stanwell’s accounting, administrative and internal controls and financial risk management;~~
- ~~▪ assist the Board in fulfilling their oversight responsibilities by reviewing and reporting to the Board matters relating to Stanwell’s financial risk management including those associated with electricity trading, credit, liquidity, interest rate, exchange rate and commodity risks;~~
- ~~▪ maintain, by scheduling regular meetings, open lines of communications amongst members of the Board, the internal auditors and the external auditors to exchange information and views, as well as confirm their respective authority and responsibilities;~~
- ~~▪ oversee and appraise the quality and cost of audits conducted both by Stanwell’s internal auditors and external auditors; and~~
- ~~▪ serve as an independent party to review the financial information presented by Management to Stanwell’s shareholders and the general public.~~

~~The Risk Management objective of the Committee is to assist the Board in fulfilling its duties in relation to applicable law to introduce and maintain a **Business Risk Management** process which identifies, measures and provides the framework for the cost-effective control of those risks which have the potential to threaten assets, earnings or the essential products of Stanwell.~~

~~In addition, the Committee will assist the Board in establishing and maintaining processes to:~~

- ~~▪ oversight compliance with all applicable laws, regulations and company policies; and~~
- ~~▪ monitor management performance in establishing and maintaining an effective system of internal controls, business and financial risk management systems and the safeguarding of assets.~~

~~The Committee will:~~

- ~~▪ through the Board, clearly communicate Stanwell’s risk management philosophy, policies and strategies to Management, employees and stakeholders;~~
- ~~▪ oversee the establishment, maintenance, operation and demonstration of an appropriate framework of business procedures and controls to ensure that corporate policies are implemented and followed; and~~
- ~~▪ maintain a ‘risk aware’ culture which reflects Stanwell’s risk policies and philosophies.~~

Composition

~~The Committee shall be appointed by the Board of directors.~~

~~The Committee is to be comprised of at least two non-executive directors, one of whom shall be appointed by the Chairman of the Board to be the Chairman of the Committee.~~

~~The Chairman of the Committee is to be someone other than the Chairman of the Board. The Chairman of the Board may be a Committee member.~~

~~Each Committee member shall be independent of the senior management of Stanwell and free from any other relationships which might in the opinion of the Board be construed as an actual, potential or perceived conflict of interest. Committee members are to have sufficient knowledge and understanding to allow them to discharge their duties as Committee members.~~

~~The Committee shall have no executive powers with regard to its findings and recommendations. All executive powers are to remain with the Board.~~

~~Representatives of the internal auditor, external auditor and Management may attend all or part of each Committee meeting on the invitation of the Chairman of the Committee. When accepting this invitation to attend, the external auditors agree to take whatever action they deem necessary to preserve their independence.~~

~~At least once a year, the Committee will hold discussions with representatives of the internal auditor and external auditor without the presence of Management.~~

~~The Chairman of the Committee may call a specific Committee meeting if requested to do so by the Board or any director of the Board.~~

~~Any other director may attend Committee Meetings but will have no voting rights at the Committee Meeting.~~

Term of Membership

~~The Board shall determine, at its discretion, a member's term of membership of the Committee. Vacancies on or absences from the Committee shall be approved by the Board as required.~~

External Auditor

~~Under the Queensland Government Owned Corporations Act (1993), the external auditor of Stanwell is the Queensland Auditor General.~~

~~The Queensland Auditor General is required by section 76(1) of the Government Owned Corporations (Application of FA and A Act Provisions) Regulation 1997 to conduct external, independent audits in a manner considered appropriate, having regard to the character of the relevant internal control systems and recognised standards and practices.~~

~~The Auditor General also has the capacity to conduct audits of performance management systems to assess whether stated objectives are being achieved economically, efficiently and effectively. Interim audit reports and year end audit reports are to be tabled at Committee meetings as completed.~~

Meetings

~~Meetings shall be held in accordance with the Board calendar and as and when required by the Committee.~~

~~Stanwell's Company Secretary shall be responsible, in conjunction with the Chairman of the Committee, for preparing the Meeting Agenda and circulating the Agenda and Committee Memorandums to the Chairman of the Committee and members of the Committee, Management, the internal auditor and the external auditor.~~

~~The Company Secretary shall be responsible for keeping the minutes of the Meeting of the Committee, and circulating the minutes of each Meeting to the Board. The Company Secretary is not a member of the Committee.~~

~~The Chairman of the Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting.~~

~~A quorum shall consist of two Committee members.~~

~~The Committee shall hold at least four meetings per annum and such additional meetings as the Chairman of the Committee shall decide in order to fulfil its duties. The Committee shall hold meetings at such times considered appropriate to fulfil its role and responsibilities.~~

Access

The Committee shall have the authority to seek any information it requires from any officer or employee of the Company (or its subsidiaries). The Committee (through the Chairman of the Committee) is authorised to consult independent experts for advice as it reasonably considers necessary to execute its duties and responsibilities.

The Internal Auditor and the External Auditor have the right to have unfettered access to the Committee through the Chairman of the Committee and/or the Chairman of the Board (if necessary).

Performance Evaluation

The Board shall review membership of the Committee and its performance and effectiveness on an ongoing basis.

Committee Duties and Responsibilities

The Committee shall consider any matters relating to the operations and activities of Stanwell's risk, governance and control environment and the role of internal audit and external audit that it deems to be desirable. In addition, the Committee shall examine any other matters referred to it by the Board.

Specific duties and responsibilities of the Committee are as follows:

Compliance and Audit – Control and Policies

- Determine whether Management has appropriately considered legal, financial and compliance risks as a part of Stanwell's risk assessment and Management arrangements;
- Review the effectiveness of the **Legal Compliance System** for monitoring Stanwell's compliance with relevant laws, regulations and associated government policies and that appropriate actions have been taken to address any compliance breaches. The oversight will include being notified of non-compliances with requirements relating to Stanwell's financial risk management (including unauthorised trading), the remedial actions taken and evaluation whether associated risks have been appropriately mitigated as a result;
- Act as a forum for communication between the Board, Management, internal audit and external audit;
- Establish processes to evaluate the Stanwell's exposure to corporate risk (including financial) and fraud and monitor the development and ensure the implementation of internal controls to contain such risks and frauds;
- Evaluate the adequacy and effectiveness of Stanwell's accounting, administrative, information technology and operating policies through active communication with Management, the internal auditor and the external auditor;
- Evaluate the adequacy and integrity of Stanwell's accounting control system and its information technology and operational controls and procedures, by reviewing reports from internal auditors, external auditors and other experts and monitor Management's responses and actions to correct any noted deficiencies;
- Monitor the standard of corporate conduct in areas such as arm's length dealings and likely conflicts of interest;
- Review the policies and procedures for ensuring that Stanwell complies with various forms of federal, state and local government legislation; and
- Take an active interest in ethical considerations regarding Stanwell's policies and practices.

Financial Reporting

Review, provide input and feedback to the Board on:

- all significant accounting policy changes;
- the content of the Annual Report; and
- Stanwell's annual financial statements, including the external auditor's report.

Risk Management Process

The Committee will review:

- ~~methods of identifying broad areas of risk and set parameters or guidelines for business risk review;~~
- ~~the potential effect of identified risks on the business;~~
- ~~methods of controlling identified risks taking care to correctly balance risk and control;~~
- ~~the disaster recovery contingency planning process;~~
- ~~the risk profiles and related risk tolerance levels / limits (including those related to electricity trading and financial risk management);~~
- ~~risk management plans for, and methods of financing, identified exposures;~~
- ~~the adequacy of policies related to Stanwell's financial risk management (including the managing of risks associated with electricity trading, credit, liquidity, interest rates, foreign exchange rates and commodities); and~~
- ~~activities of the **Trading Risk Management Committee, Trading Compliance Committee and the Financial Risk Management Committee.**~~

Other matters

The Committee will:

- ~~review any regulatory reports presented to Stanwell and ensure Management responds to them; and~~
- ~~identify and direct any special projects or investigations deemed necessary.~~

Review of the Committee Charter

The Committee shall review its Charter at the Board's annual performance evaluation to ensure that the Committee Charter is in keeping with current best practice and the actual operations of the Committee and Board requirements.

~~Appendix C: Project Advisory Group Charter~~

~~On 1 July 2011 the Project Advisory Group Charter ceased to exist~~

~~The Board of Stanwell Corporation Limited has established a committee of directors to be known as the Project Advisory Group (the 'Group') with the objectives, composition, duties and responsibilities detailed below.~~

~~Objectives~~

~~The primary objectives of the Group are to:~~

- ~~▪ assist the Board of directors in fulfilling its duties in relation to developing Stanwell by assisting with the strategic development process and reviewing Stanwell's strategic plan;~~
- ~~▪ provide guidance on strategy, issues or business development opportunities to Management in a collaborative forum; and~~
- ~~▪ oversee business development projects including those within the project delivery phase (up to project completion).~~

~~Composition~~

~~The Group shall be appointed by the Board of directors.~~

~~The Group is to be comprised of at least two non-executive directors and the Board may appoint the Chairman of the Group. The Chairman of the Board may be a Group member.~~

~~Each Group member shall be independent of the senior management of Stanwell and free from any other relationships which might in the opinion of the Board be construed as an actual, potential or perceived conflict of interest. Group members are to have sufficient knowledge and understanding to allow them to discharge their duties as Group members.~~

~~The Group shall have no executive powers with regard to its findings and recommendations. All executive powers are to remain with the Board.~~

~~The Chairman of the Group may call a specific Group meeting if requested to do so by the Board or any director of the Board.~~

~~Any other director may attend Group Meetings but will have no voting rights at the Group Meeting. The Chairman of the Group may invite Management to attend each Meeting.~~

~~Term of Membership~~

~~The Board shall determine, at its discretion, a member's term of membership of the Group. Vacancies or absences from the Group shall be approved by the Board as required.~~

~~Meetings~~

~~Meetings shall be held in accordance with the Board calendar and as and when required by the Group.~~

~~Stanwell's Company Secretary shall be responsible, in conjunction with the Chairman of the Group, for preparing the Meeting Agenda and circulating the Agenda and Group Memorandums to the Chairman of the Group and members of the Group and Management.~~

~~The Company Secretary shall be responsible for keeping the minutes of the Meeting of the Group and circulating the minutes of each Meeting to the Board. The Company Secretary is not a member of the Group.~~

~~The Chairman of the Group shall report the findings and recommendations of the Group to the Board after each Group meeting.~~

~~A quorum shall consist of two Group members.~~

~~The Group shall hold at least four meetings per annum and such additional meetings as the Chairman of the Group shall decide in order to fulfil its duties. The Group shall hold meetings at such times considered appropriate to fulfil its role and responsibilities.~~

Access

~~The Group shall have the authority to seek any information it requires from any officer or employee of the Company (or its subsidiaries). The Group (through the Chairman of the Group) is authorised to consult independent experts for advice as it reasonably considers necessary to execute its duties and responsibilities.~~

Performance Evaluation

~~The Board shall review membership of the Group and its performance and effectiveness on an ongoing basis.~~

Duties and Responsibilities

~~The Group shall consider any matters relating to the further strategic development activities of the Company that it deems desirable.~~

~~In addition, the Group shall examine any other matters referred to it by the Board of directors or the Audit and Risk Management Group.~~

~~Specific responsibilities of the Group include:~~

- ~~▪ monitoring particular strategies against the approved strategic plan;~~
- ~~▪ reviewing internal processes for identification, analysing and selecting projects, which have the properties to meet approved strategies;~~
- ~~▪ reviewing and overseeing the progress of business development projects within the project delivery phase (up to project completion) and providing strategic advice on the direction of those projects; and~~
- ~~▪ reviewing resources needed to ensure that Management can deliver development rationales in a timely manner.~~

~~The Chairman of the Group shall report findings and recommendations of the Group to the Board of directors after each Group meeting.~~

~~The Group shall have no executive powers with regard to its findings and recommendations. These executive powers remain with the Board.~~

Review of the Charter

~~The Group shall review its Charter at the Board's annual performance evaluation to ensure that the Group Charter is in keeping with current best practice and the actual operations of the Group and Board requirements.~~

Appendix D: Conflict of Interest Probity Protocol

STRICTLY PRIVATE AND CONFIDENTIAL

STANWELL CORPORATION LIMITED CONFLICT OF INTEREST PROBITY PROTOCOL APPLYING TO ALL DIRECTORS

1. BACKGROUND

- 1.1. The Board of Directors of Stanwell Corporation Limited (Stanwell) has defined a need to establish a Conflict of Interest Probity Protocol in recognition of circumstances in which a director may have a potential, perceived or actual conflict of interest.
- 1.2. The guiding principles of the Protocol in conflict situations are:
 - to protect the interests of Stanwell;
 - to protect the reputation of Stanwell and its directors; and
 - to ensure that the processes adopted are clear and transparent within Stanwell and they create an appropriate audit trail for later verification and answering of external queries, should that be necessary.

2. DEFINITIONS

For the purpose of this Protocol:

- 2.1. A **conflict of interest** involves circumstances where a director has personal interests that could improperly influence the performance of his or her official duties and responsibilities as a director of Stanwell. A conflict of interest can be actual, perceived, or potential:
 - an actual conflict of interest involves a direct conflict between the director's current duties and responsibilities, and existing personal interests (for example where the director holds a major shareholding in a company which stands to benefit significantly from a decision by Stanwell);
 - a perceived conflict of interest exists where it appears that the director's personal interests do or could improperly influence the director's performance of his or her official duties and responsibilities. Such circumstances could compromise or appear to compromise the director's ability to make impartial business decisions (for example the director is in a position to influence Stanwell's decision to employ a family member);
 - a potential conflict of interest arises where the director's personal interests could conflict with the director's official duties and responsibilities (for example where a director sits on four company boards which all have the same interest as Stanwell).
- 2.2. A **benefit** means anything which provides a director with a direct or indirect personal interest. A benefit includes, but is not limited to, financial payments, gifts, the provision of goods, facilities or services, a directorship of another company, or the engagement of the director or a person who has a personal relationship with the director to provide services.
- 2.3. **Securities** means shares, units of shares, debentures, stocks, bonds, units in trusts and derivatives.

3. DIRECTORS' OBLIGATIONS

- 3.1. It is the individual responsibility of each director to be aware of situations which may give rise to a conflict of interest, and where they do arise, to deal with them ethically and in accordance with this protocol.
- 3.2. Each director is required to consider their position in relation to conflicts of interest on a continuous basis and to advise the Board of Directors and the Company Secretary in writing as soon as the director becomes aware of an actual, potential or perceived conflict of interest, including the nature and extent of the director's interest in the matter and its relation to the affairs of Stanwell.
- 3.3. To ensure that, as part of Stanwell's Corporate Governance framework, a director's declaration of conflicts of interest are kept current, all conflicts of interest are required to be declared at the commencement of each Board meeting.

4. SECURITIES AND INSIDER TRADING

- 4.1. Under the *Corporations Act*, insider trading is a serious offence and it applies to all directors. If a director possesses:
 - information that is not generally available to the public; and
 - that information would be reasonably likely to affect the price or value of Securities of any company including Stanwell, that information is known as "**inside information**".
- 4.2. If you gain inside information and then use it to deal in Securities or gain a personal benefit before it is generally available to the public, it could lead to you being prosecuted for insider trading. This includes trading through any member of your family or through a trust or company over which you have influence and control.

5. DISCLOSURE

- 5.1. At each Board meeting the Company Secretary will provide to the Board an extract of Stanwell's **Director and General Manager Declaration of Interest Register**.
- 5.2. Each director is required to review their circumstances and make full disclosure in writing to the Company Secretary about an actual, potential or perceived conflict of interest on the commencement of their directorship with Stanwell and as they arise. Each director is also required to make full disclosure in writing about every conflict of interest to the Company Secretary and Board of Directors at the commencement of a meeting of the directors. In making the disclosure, the director should state:
 - the nature and extent of the interest; and
 - whether the director was aware of the relationship of the interest to the affairs of Stanwell; and
 - whether the director followed Stanwell's policies and procedures in declaring the conflict of interest.
- 5.3. The Board of Directors (other than the interested director) will determine whether the interest is material and whether the director can participate in discussions and/or negotiations regarding any matter involving the disclosed conflict of interest. If the Board is satisfied that the conflict of interest should not disqualify the director from participating, the Board will pass a resolution to that effect.
- 5.4. The Board of Directors may also require the director to sign an undertaking regarding the ongoing dealing of the interest that was disclosed.
- 5.5. The Company Secretary must record every declaration of interest in the Director and General Manager Declaration of Interest Register and in the minutes of the meeting at which it is made.

6. DEFINED PROCEDURES

- 6.1. The Chief Executive Officer of Stanwell, when discussing strategic issues with directors, will identify Stanwell's interest in assessing an acquisition, Joint Venture or alliance opportunity (prospective opportunities).
- 6.2. Within 14 days of that discussion, the directors will advise the Chief Executive Officer if a conflict of interest either exists or is likely to exist. If there is a conflict of interest the director will advise the Chief Executive Officer, the Chairman of the Audit and Risk Management Committee and the Company Secretary of that fact in writing.
- 6.3. The Company Secretary maintains an individual directors' file within the **Company Register** which contains all correspondence and material relevant to directors appointments, other directorships and conflicts of interest. Correspondence relating to conflict of interest matters will be held on that file.
- 6.4. The Company Secretary is to ensure that within the **Stanwell Information Technology System** all work undertaken and material recorded on the prospective opportunities where a conflict of interest has been identified is not available to or accessible by the director.
- 6.5. On the compilation of Board Papers and in the existence of a conflict of interest, information relevant to the prospective opportunities is not to be included in Board Papers circulated prior to the meeting. That information is to be provided separately to directors, other than the relevant director, either prior to the meeting or at the meeting.
- 6.6. When the prospective opportunities agenda item arises at a Board Meeting the director will leave the meeting and not participate in any discussion on the matter.
- 6.7. Separate Minutes of the discussion of the prospective opportunities are to be prepared and are not to be available to the relevant director. If the Chairman has a conflict of interest these minutes are to be signed by the Chairman of the Audit and Risk Management Committee when accepted and are not to be available to the Chairman.
- 6.8. Where the director's personal interest is a directorship in another company, should circumstances change through the other company becoming interested in an opportunity in which Stanwell has an interest (not previously thought to be of interest) or its intention not to proceed with a previously identified acquisition opportunity, the relevant director will advise the Chief Executive Officer, the Chairman of the Audit and Risk Management Committee and the Company Secretary of this change in writing.

Where the other company intends to become involved in such an acquisition opportunity, the director will immediately follow the Protocols set out in this document.

Further, the relevant director will not discuss any aspect of Stanwell's interest in the acquisition opportunity with the Board of the other company or, its officers and staff.

In circumstances where the other company has ceased its involvement in a prospective acquisition, the relevant director will be free to participate in relation to Stanwell's interest in that matter.

7. APPOINTMENT OF A PROBITY ADVISER AND AUDITOR

- 7.1. Stanwell has appointed Peter Bruton of Argyle Corporate Advisers Pty Limited as Probity Adviser and Auditor, to carry out an audit function on the management of conflicts of interest as they occur from time to time.
- 7.2. It will be the responsibility of the Company Secretary to ensure that the Company Register contains all relevant material relating to individual conflict matters and is complete and available for audit.
- 7.3. The Company Secretary will arrange for an audit by the Probity Auditor, of each matter which is a conflict of interest on a quarterly basis (periodic), or as required (specific).

- 7.4. For periodic audits, the Probity Auditor will contact the Company Secretary in the last week of each quarter to establish (in the absence of contact during the period) if there are any current conflicts of interest. Where there have been new or ongoing conflicts of interest the Probity Auditor will undertake an audit to include:
- a review of the Company Register for conflict of interest matters;
 - a review of Board of Directors Meeting Minutes;
 - discussions with the Chairman, the Chairman of the Audit and Risk Management Committee, Chief Executive Officer and Company Secretary, as necessary;
 - a review of IT control systems to ensure their integrity and access controls.
- The Probity Auditor will provide an audit report within 14 days of the end of the quarter.
- 7.5. For specific audits the Probity Auditor will consider the disclosure and will provide an audit report within 7 days of the completion of the audit.
- 7.6. All audit reports will set out the work done during the audit process for each conflict matter, the resolutions of issues and an opinion on compliance with the defined procedures. The audit report will be provided to the Chairman of the Audit and Risk Management Committee copied to the Chief Executive Officer and Company Secretary.
- 7.7. The Probity Auditor will present an audit report to the Chairman of the Audit and Risk Management Committee who will table it with the Board of Directors if required.
- 7.8. The Chairman of the Audit and Risk Management Committee will forward a copy of each audit report to the Shareholding Ministers within 7 days of the presentation of the audit report to the Board of Directors if required.
- 7.9. The results of each audit will be recorded and maintained by the Company Secretary.