

Policy

Board Delegation of Authority



Amd Date 13/10/09

Policy Statement

- This Policy describes the Board's powers and authorities and how it delegates to other Stanwell bodies and the Chief Executive Officer (CEO).

Scope

- This Policy is limited to the powers and authorities that the Stanwell Board delegates to the CEO and describes the obligations of the Board or Board sub-committees.

This Policy is effective from 1 July 2011 and supersedes all previous Board delegation policies.

Objectives

This Policy sets out:

- the matters that are reserved by the Board for its decision; and
- the standing delegations by the Board of its powers and authority to other Stanwell bodies and to staff and contractors, including the CEO.

Policy Outline

Board powers and role

The Board of Directors of Stanwell is ultimately responsible to the shareholding Ministers for the good governance and successful operations of the Company. The Board is empowered to exercise all the powers of the Company, except as otherwise required by the Corporations Act (Cth), the Government-Owned Corporations Act (Qld), other relevant legislation, lawful directions issued to and requirements made of Stanwell under legislation, and the Company's Constitution. Accordingly, the delegations in this Policy must be read subject to those overarching requirements. Subject to those requirements, the Board may delegate such matters as it sees fit for the efficient and proper functioning of Stanwell – either on a standing delegations basis or an ad hoc basis.

Overview of delegation of authority mechanism

The Stanwell Board delegates financial authority as set out below to the CEO. The CEO in turn determines the level of delegated authority for Senior Executives and other employees of the company.

The Board must approve all changes to the CEO's delegated authority and the CEO must approve all changes to the level of delegated authority to Senior Executives and other employees of the company.

A delegation is attached to a position and not to an individual.

A delegation can be provided to a contractor working in an approved position.

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An individual who temporarily fills a more senior position will normally also assume the delegated financial authority of that senior position. Approval to assume the higher financial delegation must be given in writing or by email by their supervisor.

Where the Board exercises its authority to approve a transaction or group of transactions (i.e. a capital expenditure project or long term contract) for a specific value, there is no further requirement to seek Board approval for particular expenditure under that project or contract providing the approval limits have not been exceeded.

General approach to the Board's standing delegations

Any action taken under an authority delegated under this Policy can only be undertaken to the extent of the delegation.

Unless an appropriate delegation of Board power or authority by the Board exists, no person has any individual authority to commit the Company to obligations or to participate in the day-to-day management of the Company, including making any representations or agreements with suppliers, customers, employees or other parties or organisations.

Subject to lawful directions issued to and requirements made of Stanwell under legislation:

- the **matters in Appendix 1 are reserved for approval by the Board** and must be referred to the Board prior to implementation; and
- apart from these matters the Board delegates (on a standing basis) its powers and authority in accordance with the other sections of this Policy.

Standing delegations (and related limitations) in this Policy override any standing delegations (and related limitations) in other corporate policies to the extent of any inconsistency.

All amounts stated in this Policy are for GST-exclusive amounts.

Ad hoc delegations

In addition to the standing delegations in this Policy, the Board may delegate the exercise of its power and authority on a case by case basis for a particular purpose – including via specific Board resolutions and Powers of Attorney of specific or general application. Limits and /or restrictions in standing delegations that are referred to in this Policy may be overridden by more specific and / or particular case-by-case delegations by the Board from time to time. Reference should be made to the terms of these specific case-by-case delegations.

Matters reserved for Board Approval

The matters in **Appendix 1** are reserved exclusively for approval by the Board.

For clarification:

- Where an issue is apparently reserved for Board approval above and there is doubt as to the intent of the wording, the presumption is that Board approval is required and the Board, via the Chairman, should be consulted prior to any decision;

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- Any procedure that is promulgated and that complies with a related Board approved policy does not require Board approval; and
- References to expenditure thresholds are to be interpreted, where appropriate, to include not only direct outlays but also the potential risk of liability or financial exposure of Stanwell.

Delegation by Board to Board Committees

To facilitate the efficient operation of the Board, it may delegate aspects of its 'reserved' powers and authority to Committees formed by the Board. The powers and authority (if any) are set out in the relevant Committee's Charter or Terms of Reference, and these should be referred to as appropriate. In addition the Board may delegate authority to a Committee on ad hoc matters.

Delegation by Board to the Chair of the Board

The Board delegates the following powers and authority to the Chair:

- approval of the personal expenses (including travel, accommodation and professional development) incurred by individual Directors and the CEO in accordance with applicable Board and corporate policies;
- act as the key Board liaison with the CEO and the Company Secretary between Board meetings;
- approve agendas for Board meetings;
- spokesperson for, and representative of, the Board;
- co-spokesperson for the Company (together with the CEO) and in the absence of the CEO and acting CEO, act as spokesperson of the Company; and
- review and signature of responses to correspondence addressed to the Board or Chair (in consultation with Directors as the Chair sees fit).

The Board delegates to the Company Secretary the approval of the personal expenses (including travel, accommodation and professional development) incurred by the Board Chair in accordance with applicable Board and corporate policies.

Delegation by Board to the CEO

General delegation to CEO

Except for:

- matters reserved for Board approval (see Appendix1);
- delegations to others by the Board;
- other policies of the Board which may have application to the authority and powers of the CEO from time to time;
- specific delegations by the Board from time to time;

and subject to:

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- relevant legislation;
- Stanwell's Constitution; and
- compliance with other Board-approved policies that may have application;

the **Board delegates to the CEO** its power and authority to manage and supervise **management of the day-to-day operations** and activities of the Company.

The Board recognises that the CEO cannot personally perform or closely supervise all the activities and functions involved in the conduct of the Company's activities. Therefore, the **Board authorises the CEO to sub-delegate** his / her powers and authority to staff as he / she considers prudent. The CEO may, provided the sub-delegations are appropriate, sub-delegate his / her powers and authority without the need for further Board approval, but will retain accountability in respect of the exercise of any such sub-delegated powers and authority. The CEO must ensure that the Company's internal systems of control adequately manage and monitor the implementation and operation of this Policy, including any sub-delegations by the CEO to Stanwell staff.

Within the levels of delegation outlined in this Policy, the CEO and other employees will remain responsible for achievement of outcomes, goals and/or targets as included in their position descriptions, and where applicable, incentive targets.

Matters requiring urgent action

Where a matter requires urgent action in order to meet regulatory requirements or to preserve Stanwell's position or standing in any respect and it is not reasonably possible to call a Board (or, if relevant, Committee) meeting within any necessary timeframe, the CEO will consult with the Chair on the matter. Notwithstanding the matters reserved for Board approval (**Appendix 1**):

- subject to the Chair's agreement, the CEO may make the decision and report the matter to the next Board meeting; and
- where the Chair is not available to be contacted in the necessary timeframe the CEO may make the decision but must inform the Chair as soon as is possible and report the matter to the next Board meeting.

Responsibilities

The Board

The Stanwell Board delegates certain powers and authorities to the CEO.

Chief Executive Officer

The CEO delegates authority to employees within the Company.

Chief Financial Officer

The Chief Financial Officer (CFO) ensures that delegation of authority is performed in accordance with this Policy. Compliance will be determined through the performance of an audit function.

Financial Delegates

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Financial Delegates are employees (or approved contractors) of Stanwell who must execute authorisations in full compliance with corporate policies and only execute them for expenditure that they have control over or is within their line management responsibility. Financial delegates must ensure that they fully understand the nature and implications of all expenditure to be authorised.

Communication Plan

At a minimum, this Policy is incorporated into the employee and contractor induction process. Any subsequent updates are communicated via email to the entire Corporation.

Review

This Policy will be reviewed by the Board annually.

Links and References

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Appendix 1: Reserved for Approval by the Board

Board approval is required for the following matters:

MATTER	LIMITATION or EXCEPTIONS (if any)
1. Corporate Strategy	
<u>Vision:</u> Corporate vision, mission, and corporate purpose (and similar) statements	
<u>Corporate Key Performance Indicators:</u> <ul style="list-style-type: none"> • Organisation-wide corporate and operational objectives, strategies and measures and related key performance indicators (financial and non-financial) • Achievement (or otherwise) of measures and Key Performance Indicators 	
<u>Corporate Planning:</u> <ul style="list-style-type: none"> • Annual strategic / corporate planning process • Corporate Plan and Statement of Corporate Intent 	
<u>Social investment:</u> Frameworks or policy relating to social investment	
2. Governance	
<u>Corporate governance:</u>	

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MATTER	LIMITATION or EXCEPTIONS (if any)
<ul style="list-style-type: none"> Governance frameworks or policies, including Board and Board committee charters and this Delegation of Authority Policy Change to the constitution of the Company or any subsidiary or controlled entity Incorporation, acquisition, disposal or winding up of any subsidiary company or controlled entity Use of the Common Seal Appointment of an attorney-in-fact pursuant to a Power of Attorney or otherwise 	<p><i>Notes:</i></p> <ul style="list-style-type: none"> Shareholding Ministers must approve the establishment of Board committees and subsidiaries Refer to Queensland Government's Key Shareholder Requirements for Government Owned Corporation (GOC) subsidiaries' constitutions
<p><u>Appointments:</u></p> <ul style="list-style-type: none"> Appointment of Directors and / or officers to a subsidiary, controlled entity or alliance / joint venture board; and remuneration of those personnel in those roles The nomination of a Director, CEO or direct report to the CEO to represent the Company on an external body 	
<p><u>Internal Audit:</u></p> <p>Internal audit charters, the appointment or removal of internal auditors, and internal audit strategies and plans</p>	
<p>3. Financial</p>	
<p><u>Frameworks or policies:</u></p> <ul style="list-style-type: none"> Energy marketing and trading 	<p><i>Notes:</i></p> <ul style="list-style-type: none"> Queensland Government's Code of Practice for GOC's Financial Arrangements

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MATTER	LIMITATION or EXCEPTIONS (if any)
<ul style="list-style-type: none"> Financial Risk Management (<i>Note: Queensland Government's GOC-Cost of Capital Principles</i>) Director and /or staff travel – domestic and overseas Accounting and the application of discretionary accounting standards Asset revaluation, write-off and disposal Corporate entertainment and hospitality 	<p>requires that Board-approved financial management policies be submitted to shareholding Ministers for review and that non or limited recourse funding arrangements be approved by the Treasurer</p> <ul style="list-style-type: none"> Queensland Government's Air Travel Policy requires GOC's to have Board-approved policies for air travel which are to be submitted to shareholding Ministers for approval. The Chair and Director travel must be approved by the portfolio Minister. Also note the reporting requirements to Government. Queensland Government's GOC Corporate Entertainment and Hospitality Guidelines require this to be a Board-approved policy.
<p><u>Financial planning and budgeting:</u></p> <ul style="list-style-type: none"> Five year financial plans, including annual operating and capital budgets Capital restructures, including reductions of capital Key terms of any loan, or other finance facility or finance lease Any equity or debenture issue terms Intra-Group funding arrangements 	<ul style="list-style-type: none"> A budget allocation in an approved annual budget does not necessarily constitute expenditure approval and all expenditure must be authorised in accordance with this Policy
<p><u>Dividends:</u> Declaration of any dividend</p>	
<p><u>Major Projects:</u></p> <ul style="list-style-type: none"> Any major project, including overhauls, business development and IT projects, ('major project' means a project involving in aggregate, whether in one or a 	<ul style="list-style-type: none"> If the project is within an annual budget, only those projects in excess of \$10 million require Board approval. If out of budget, only those projects in excess

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MATTER	LIMITATION or EXCEPTIONS (if any)
<p>series of related transactions, a total of more than the expenditure in the next column; it excludes any asset overhaul that is within an approved annual budget).</p> <ul style="list-style-type: none"> Any major project expenditure or commitment in excess of the then-current Board approved major project budget 	<p>of \$1 million require Board approval. Expenditure outside an approved annual budget must be reported to the next Board meeting.</p> <ul style="list-style-type: none"> No exceptions. (By way of clarification, if the major project budget is not exceeded in aggregate and other approval thresholds in this Policy are not exceeded, expenditure budgeted in one area or expense element can be used for actual expenditure in other areas or expense elements; this does not mean that the major project capital budget can be used to fund any project operational expenditure or vice versa) <p><i>Note: Queensland Government's Investment Guidelines require projects and contract notification to shareholding Ministers (SHM) in Quarterly Reports at \$20m and approval by SHM at \$75m; any interstate investments require SHM approval, regardless of the investment level.</i></p>
<p><u>Operational commitments or approvals:</u></p> <ul style="list-style-type: none"> Any operational commitment or approval (in aggregate, whether in one or a series of related transactions), excluding: Any non-major project related acquisition or disposal of an asset whether tangible or intangible, including exploration and mining tenures (in aggregate, whether in one or a series of related transactions) (Written down value) 	<p>If the commitment or approval is out of budget, only those in excess of \$3 million require Board approval.</p> <p>Aggregate expenditure more than \$3 million outside an approved annual budget must be reported to the next Board meeting.</p> <p>(By way of clarification, with respect to operational commitments or approvals if the annual operating budget is not exceeded in aggregate if operational expenditure budgeted in one operational area or expense element can be used for actual expenditure in other operational areas or expense elements; this does not mean an</p>

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MATTER	LIMITATION or EXCEPTIONS (if any)
	<p>annual capital budget can be used to fund any operational expenditure or vice versa).</p> <p>The following approvals are delegated to the CEO:</p> <ol style="list-style-type: none"> 1. any monthly invoice from the mining services contractor submitted in compliance with the mining services agreement; 2. costs directly related to deriving electricity and coal export revenue, including contracted fuel purchases, long term pooling/tolling arrangements, transport costs associated with fuel purchases or associated regulatory charges; 3. spot fuel purchases up to \$10 million; 4. investments that comply with policy requirements, and statutory payments (such as taxation).
<p><u>Write-offs:</u></p> <ul style="list-style-type: none"> • Writing off total assets, total bad debts or total stock take adjustments • Writing off total physical cash losses 	<ul style="list-style-type: none"> • Requires Board approval only if, in each category, the aggregate write off is in excess of \$2 million in any one financial year • Requires Board approval only if the aggregate write offs are in excess of \$25,000 in any one financial year
<p><u>Asset revaluations</u></p>	<p>Requires Board approval only if in excess of \$5 million</p>

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Funding Arrangements - Bank Accounts and Loans etc by Stanwell:

The key terms of any loan, guarantee, indemnity or letter of comfort by the Company or any subsidiary or controlled entity.

The following functions are delegated to the CEO, who may delegate that responsibility in accordance with the Stanwell: Delegations Manual:

- Execution of documents for new Transactional Facilities or for extending or enlarging existing Transactional Facilities;
- Issuance of Long-term Debt including any rolling over of previously issued amounts;
- Operating either Funding Facilities or Transactional Facilities within the terms of the facility documentation; and
- Operation of existing bank accounts including approval of signatures for negotiable instruments.

The following are authorised to **open a bank account** on behalf of the Company or subsidiary:

- Any two Directors; or
- Any one Director and the Company Secretary.

Requires Board approval only if in excess of \$1 million (in aggregate, whether in one or a series of related transactions)

Long-term Debt may be issued from time-to time by QTC on behalf of Stanwell subject to the following parameters:

- Long-term Debt should be issued on an opportunistic basis, where the cost of funds is below long-term average borrowing rates;
- Long-term Debt would be held in a separate sub-account and not included in the liability benchmark;
- this debt would only be used to repay part of [Genco 2's] existing debt held in a Client Specific Pool;
- the total market value of Long-term Debt should not exceed 25 per cent of the total market value of Tarong Energy's debt at the time of issue, calculated as a percentage of the aggregate of debt in the Client Specific Pool and Long-term Debt ;
- the maturity of Long-term Debt cannot exceed the expected economic life of the non-current assets of Tarong Energy; and
- any Long-term debt issued must be approved by the CEO and CFO and reported to the Board.

4. Contracts

Alliance or joint ventures:

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The key terms of any major new alliance or joint venture or similar arrangement	
<p><u>Leases:</u> The key terms of any formal equipment lease (whether operating or finance) or lease of land or premises</p>	Requires Board approval only if in excess of \$5 million per annum
<p><u>Contracts:</u> The key terms of any formal contract or arrangement</p>	<p>Excludes any marketing and trading contracts, ISDA Master Agreements, emissions permits or similar environmental product transactions that comply with applicable policies.</p> <p>Requires Board approval only if the actual or potential expenditure, commitment or liability is in excess of \$20 million (in aggregate, whether in one or a series of related transactions) or involves acquisition of material rights or benefits (in aggregate, whether in one or a series of related transactions). ('Material' means having a financial impact of more than \$20 million in aggregate)</p> <p><i>Note: Queensland Government's Investment Guidelines major contract notification to SHM's in Quarterly Reports at \$20m and approval by SHM's at \$75m.</i></p>
<p><u>Community service obligations:</u> Community service obligation arrangements</p>	
<p>5. Encumbrances Creation (and the key terms) of any security or encumbrance over any asset of the</p>	

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Company or any subsidiary or controlled entity	
6. Offsite conferences Any corporate or staff offsite conference, retreat, or planning event	Requires Board approval only if the event is in excess of \$50,000 (in aggregate, whether in one or a series of related transactions)
7. External reporting <ul style="list-style-type: none"> • Annual Report theme and concepts • Annual Directors' Report and accompanying financial statements • Quarterly Reports to shareholding Ministers • Other statutory reports required to be approved by the Board 	

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9. Risk management	
<u>Frameworks or policies:</u> <ul style="list-style-type: none"> • Risk management • Compliance • Energy trading (including counterparty credit) risk • Environment 	<p><i>(Note: Queensland Government's Code of Practice for GOC's Financial Arrangements requires that Board-approved compliance risk management policies be submitted to shareholding Ministers for review)</i></p>
<u>Business critical risks:</u>	
<u>Insurance:</u> <ul style="list-style-type: none"> • Insurance placement • Lodgment or settlement of any insurance claim 	<ul style="list-style-type: none"> • Requires Board approval only if in excess of \$5 million (in aggregate, whether in any one claim or a series of related claims)
10. Human Resources	
<u>Frameworks or policies:</u> <ul style="list-style-type: none"> • Values, ethics and / or code of conduct (employees and contractors) • Trading in securities • Fraud prevention • Workplace health and safety • Conflicts of interest (including secondary employment activities) of the CEO and the CEO's direct reports (except the CEO's personal assistant) 	<p><i>Notes:</i></p> <ul style="list-style-type: none"> • <i>Queensland Government's Code of Practice for GOC's Financial Arrangements requires that Board-approved fraud risk management policies be submitted to shareholding Ministers for review</i> • <i>the Queensland Government's Corporate Governance Guidelines for GOC's – Principle 8 - requires that remuneration Policy be endorsed by shareholding Ministers; Appendix A to the Guidelines states that GOC Board are accountable</i>

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	<p>for ensuring appropriate codes of conduct and policies for trading in securities are in place</p> <ul style="list-style-type: none"> the Queensland Government's Guidelines for the Development of Employment and Industrial Relations Plans in GOC's requires that Employee and Industrial Relations Plans be approved by shareholding Ministers as part of the SCI.
<p><u>Senior staff:</u></p> <ul style="list-style-type: none"> appointment and termination of the CEO and the Company Secretary; associated position descriptions, remuneration terms, KPI's, performance reviews and incentive payments in consultation with the CEO: <ul style="list-style-type: none"> appointment and termination of the CEO's direct reports (except the CEO's personal assistant); position descriptions, remuneration terms, Key Performance Indicators, performance reviews and incentive payments of those personnel succession plans for the CEO and CEO's direct reports (except the CEO's personal assistant) 	<p><i>Note: Queensland Government's Governance Arrangements for Chief and Senior Executives requires Board approved policies that address CEO and senior executive selection, remuneration, performance criteria and assessment.</i></p>
<p><u>Enterprise Bargaining Agreements:</u></p> <p>The key terms of any workplace agreement, enterprise bargaining agreement or similar industrial agreement with respect to non-contract staff (and any preliminary framework document relating to such an agreement)</p>	

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<p><u>Director consultancies:</u> Consultancy or other (non-Director) paid services provided by Directors of Stanwell to the Corporation</p>	
<p>11. Litigation Commencement, defence, or settlement of any proceedings or litigation other than those that occur in the ordinary course of business</p>	<p>Requires Board approval only if in excess of \$2 million (in aggregate, whether in any one claim or a series of related claims) or may otherwise, if adversely determined, have a significant reputational or a material impact on the operations or financial condition of the Company ('Material' means actual or potential expenditure or commitment in excess of \$2 million).</p> <p>The commencement, defence, or settlement of any proceedings or litigation not requiring Board approval must be reported to the next Board meeting.</p>
<p>12. Previous decisions made by the Board of Tarong Energy Corporation Limited Any approval, noting or delegation by the Board of Tarong Energy Corporation Limited regarding its or its subsidiaries' affairs prior to 1 July 2011 will continue in full force and effect and may continue to be relied upon and actioned to completion as if granted by the Stanwell Corporation Limited Board under this Policy or sub-delegations by the CEO to Stanwell Corporation delegates with corresponding responsibilities.</p>	

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12. Miscellaneous

Any matters not mentioned above that may have a material impact on, or incur a material liability or risk with respect to, the operations or financial condition of the Company ('Material' means \$10 million in aggregate, whether in one or a series of related transactions)

References to expenditure thresholds are to be interpreted, where appropriate, to include not only direct outlays but also the potential risk of liability or financial exposure of Stanwell.