

CS ENERGY PROCEDURE FOR
HOSPITALITY
CS-HR-14

Responsible Officer: General Manager Corporate Services

Approved: Board

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1. Purpose

To document the role of hospitality within CS Energy and to provide guidance to employees as to what is considered reasonable in either providing or receiving hospitality.

2. Scope

This procedure applies to all CS Energy employees.

3. General

It is recognised that in certain circumstances it will be necessary for CS Energy employees to incur expenditure on hospitality and official functions. All expenditures must, however, be kept within reasonable limits and be fully documented and substantiated. All expenditure must be justifiable in terms of benefit to the Corporation.

In general, expenditure on hospitality and official functions (i.e. entertainment) is permitted where it facilitates the conduct of business through persons who are able to provide either advice or service, or who's vocational or business interests are of value.

As a general guideline expenditure on corporate hospitality should conform to the expenditure amounts set out in Appendix 1 on both a per capita basis and in aggregate amounts.

Reciprocal hospitality is permitted provided it conforms with this policy.

3.1 Hospitality Approval

It is generally the responsibility of General Managers, Project Managers, and Power Station Managers to approve expenditure on hospitality and official functions (other than minor expenditure items in the normal course of business) in accordance with this procedure. Officer approval level is set out in Appendix 1.

Expenditure associated with hospitality and official functions requires approval within delegated financial limits set out in Appendix 1. Where practical, employees are required to obtain prior approval from their Manager for entertainment expenses. In circumstances where this is neither possible nor practical, endorsement should be sought as soon as is reasonable and practicable after the event.

The delegated approving officer must be able to identify the benefit of the expenditure to CS Energy and consequently its shareholders.

Expenses should be paid for by the normal SAP process or by use of a Corporate Credit card. Where this is not practical, employees should either arrange to pay for the expense with personal funds and seek reimbursement, or in appropriate circumstances seek a cash advance.

Standard approval and reconciliation processes apply to corporate credit card use, cash advances and reimbursements, including the requirement to obtain Tax Invoices.

3.2 Approved forms of hospitality

Approval may be given to incur hospitality expenses for the following purposes:

- Entertaining members of the public or industry (e.g. dining at a restaurant or office function) in circumstances where there is an involvement with business initiatives or projects.
- Provisions of tea or coffee, morning tea, breakfast, lunch, dinner or similar refreshments for official visitors.
- Attendance at an official function for which a charge is made.
- Working lunches for departmental employees for the purpose of discussing work related matters during the meal, or where there are advantages in continuing a full day meeting through the normal meal break. The meal should be of a light nature at the work or meeting location and would not normally include the provision of alcohol. Alcohol should not be consumed where there is an intention to return to work following the meal.
- It is expected that employees in receipt of travelling allowances in lieu of board and accommodation will not receive hospitality from other departmental employees or claim their own meals as part of a hospitality expense claim.
- Functions resulting from an approved corporate marketing or sponsorship program.
- Lunches provided for in-service courses. Whilst these are an approved form of official hospitality, the substantiation requirements still apply.
- Occasional expressions of appreciation to employees for outstanding efforts. It is expected that such expenses will be reasonable and prudent.
- Please note that alcohol is not to be consumed on generation sites under any circumstances.

3.3 Areas of uncertainty

In a situation where there is doubt about the validity of incurring particular expenditure, e.g. where it is not immediately clear that an activity or function relates to official duties, employees are required to refer the matter to a General Manager for determination.

Examples of expenditure NOT usually considered appropriate include:

- Cost of providing dinners at an employee's residence (unless specifically approved by a General Manager as official hospitality).
- Other incidental expenses related to home entertainment, travel and accommodation such as personal grooming, laundry, dry cleaning and floral presentations.

The above list of items is included as a guide only and is not intended to be comprehensive.

3.4 Internal Hospitality

Internal hospitality is an activity attended solely by CS Energy employees. This activity may involve the provision of meals and refreshments to employees.

Where doubt exists as to the necessity of providing these outlays, the employee should refer to his/her manager or General Manager as required.

CS Energy employees are entitled to reasonable meals whilst participating in business related entertainment. The cost of meals must be appropriate based on the circumstances surrounding the occasion.

Where alcoholic beverages are consumed with a meal the cost of beverages should not exceed the cost of food or three standard drinks per meal. Alcohol should not be consumed where there is an intention to return to work.

3.5 External Hospitality

The number of employees attending official functions should be restricted to a minimum and should comprise only those employees who will be able to advance the goals of CS Energy through their attendance.

Generally, the number of employees attending should represent a balanced proportion relative to the number of external guests.

Partners of staff would not normally be invited to attend Corporate Hospitality events. Circumstances where this principle may not apply would include:

- Reciprocal hospitality where partners were invited to the initial event;
- Corporately organised events where invitees will attend with partners and where partner presence enhances the activity and/or is relevant to the protocol; and
- Special circumstances where prior approval has been obtained at the General Manager Level or above.

As a general principle, CS Energy employees should not entertain other CS Energy employees. There may, however, be circumstances where it would be reasonable for such costs to be met. These might include such occurrences as:

- Lunch for a Senior Manager who is visiting another CS Energy site.
- A senior officer hosting a function attended by senior employees together with representatives from a range of organisations which are associated with the Corporation.
- An internal function held for the launch or marketing of significant projects or activities.
- Hospitality of employees as an expression of appreciation for outstanding efforts.
- Company arranged or sponsored events e.g. annual client functions or annual employee functions.

Officers approving this type of expenditure should ensure that such occurrences can be justified as reasonable having regard to the particular circumstances and overall benefit to the Corporation. Costs should be contained within reasonable limits

CS Energy employees and their guests are entitled to consume moderate quantities of alcohol whilst travelling for business. This is on the condition that there is no intention of returning to work for a period of eight hours. "Moderate quantities" should not exceed three standard drinks per meal. The cost of beverages should not exceed the cost of food.

4. Actions

4.1 Role of Hospitality in Corporate Business

Hospitality will be confined to clearly defined activities, which link to/with Corporate business. To this end, hospitality that is either organised by CS Energy employees or attended by CS Energy employees on behalf of the corporation, shall comply with the following guidelines;

Hospitality organised by CS Energy employees for external parties shall:

- Be approved by a manager prior to CS Energy being committed to incurring costs.
- Only be approved where it is clearly related to Corporate business.
- Be conducted in accordance with the status of the individual/corporation being entertained.
- Not be for the intentional and deliberate purpose of initiating or progressing personal relationships with others and subsequently obtaining commercial or professional advantage,
- Be supported by records and tax invoices (particularly in respect of payments whether by cheque, credit card or petty cash), which enable the Corporation's taxation obligations to be complied with.

Hospitality attended by CS Energy employees shall:

- Be attended provided that it is of significant or lasting real value in conformance with industry/country norms, and the benefit involved is advised to the employee's manager.
- Be accepted on the basis that the invitation will be acknowledged and the intent of the inviting organisation be confirmed.

4.2 Record Keeping

CS Energy requires all employees to document all occasions on which they were either approached to attend hospitality, or requested to arrange hospitality on behalf of the Corporation. This record is to include the name of the employee they were approached

by, the names of other parties involved, the nature of the occasion, and the hospitality subsequently attended/arranged. This documentation may take the form of a written annotation on the corporate credit card statement or SAP purchase order text provided the supporting documentation is attached. Where the hospitality is provided at the expense of the other party a written explanation including the above information must be provided to the relevant General Manager or Site Manager.

Employees shall be responsible for ensuring that payment for hospitality is booked as such, by clearly labelling the expenditure using Ledger account 566300 or 566350, including a basic description of the hospitality, persons attending, travel involved, and number of non-CS employees is recorded with the source documentation. These details are essential and must be included so that payment for the hospitality is recorded and processed with the correct booking code and Fringe Benefits Tax obligations are met.

Further information regarding what constitutes hospitality for taxation purposes is available from the finance department.

Expenditure against the above ledger accounts is to be regularly monitored and reported upon.

5. Substantiation Requirements

On submitting claims for payment of expenditure or seeking approval on credit card statements in respect of hospitality and official functions (including personal claims and direct invoices) the following details must be provided:

- The total number of participants.
 - The names of participants and the organisation represented (see note below).
 - The number and names of Corporation employees, including employees of Queensland Statutory Authorities as well as associates of those employees (i.e. usually family members). Where large numbers of participants are involved e.g. training courses, lists of names can be attached or referred to.
 - Description of official purpose or reasonable association of the expense with a departmental program or activity.
 - Each claim to reconcile an advance or for reimbursement of monies expended should be accompanied by relevant documentation, such as:
 - tax invoices
 - sale dockets
 - receipts
- These documents are to be attached to the invoice, claim or statement.

6. Fringe Benefits Tax

Fringe Benefits tax is payable by the Corporation where expenditure is incurred in the provision of entertainment to its employees. Penalty tax may apply if an employee fails to declare entertainment expenditure correctly.

Entertainment is taken to mean the provision of any of the following items:

- Food
- Beverages
- Recreation including amusement, sport or similar leisure activities as well as those provided on a vehicle, vessel or aircraft e.g. joy flights, sightseeing tours, harbour cruises.

- Accommodation or travel where to any extent they are provided in connection with entertainment in the form of food, drink or recreation.

The provision of entertainment to employees by CS Energy is likely to fall within two broad categories. These are:

- The provision of entertainment to employees and/or non-employees at lunches, meetings seminars and conferences,
- The provision of entertainment while employees are travelling in Australia or overseas.

Fringe Benefits Tax will increase the effective cost of the benefit by a factor of approximately 2. Where practical FBT will be charged to the cost centre, which bore the entertainment. Managers should ensure this cost is within the approved budget.

7. Reporting in the Statement of Corporate Intent

Annual budgeted expenditure for corporate entertainment and hospitality shall be documented within the Statement of Corporate Intent. Details shall include total expenditure and any individual commitments over \$5,000. Any significant changes to corporate entertainment and hospitality commitments and actual expenditure incurred shall be reported in quarterly reports.

Details in the quarterly reports on individual commitments over \$5,000 must also include the benefits accruing from them.

8. Definitions

None.

9. Reference Documentation

None

10. Attachments

None

Guidelines for Hospitality Expenditure

Hospitality Expenditure is authorised under the Authorities and Delegation Policy.

The following provides guidance as to reasonable limits within delegated authority for corporate hospitality.

General:

Expenditure on corporate hospitality should be consistent with the level and nature of entertainment, and sustenance that participants would partake of in their private lives. Where there is a mix of participants, the level of hospitality should target a reasonable level for the overall standing of invitees.

Where there are participants of significant importance to the business or who hold an office warranting particular deference (e.g. heads of state or executives of large corporations) a higher level of hospitality may be warranted. In such circumstances it is expected that events falling into this category would cater for a relatively small groups. Such events require approval at the executive level or above.

Dining out:

Dining costs should be gauged on the basis of the cost of a three-course meal in a restaurant of reasonable quality for the location in which the event occurs. Based on 2008 price levels, \$80 per head would be considered reasonable for a Brisbane Central Business district meal.

The following approval levels apply for functions:

The per person cost should be consistent with the \$80 referenced above and where total cost limits are exceeded approval should be exercised at the next level above.

Functions of up to six invitees – Officer level approval – total cost \$480

Functions of 6-12 invitees – Supervisors – total cost \$1,000

Local Functions if up to 50 invitees – Power Station Managers – total cost \$4,000

Corporate Functions of up to 50 invitees – General Managers – total cost \$4,000

Functions of more than 50 invitees – Chief Executive Officer.

The Annual CS Energy Client Function:

Per capita cost \$150

Maximum expenditure \$30k

Attendance at sporting or cultural events:

The cost of entry and for sporting or cultural events will vary considerably based on the nature of the event. Where the attendance is by way of a corporate box the cost of the box hire is averaged over the box capacity to determine the reasonableness limit. The reasonable limit for sporting and cultural events is \$150 per head. General Managers, Project Managers, and Power Station Managers to approve expenditure.