



BOARD

CHARTER

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1. Corporate Governance Policy and Structure

CS Energy is a Government Owned Corporation (GOC) established in July 1997, pursuant to the provisions of the Queensland Government Owned Corporations Act 1993 (GOC Act). CS Energy is incorporated as a public company registered under and subject to the Corporations Law. The Company has two shareholders who are Ministers of the Queensland Government and who hold shares on behalf of the State of Queensland.

CS Energy's Corporate Governance Charter reflects the objectives of good corporate governance as established in AS/NZ3806 and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations including:

- To enhance organisational performance;
- To increase investor confidence in the integrity and efficiency of capital markets and also enhance the competitiveness of the economy; and
- The requirements of Corporations law, the GOC Act and Regulations and the ASX Principles of Good Corporate Governance and Best Practice Recommendations¹.

Directors are responsible under the Corporations Act² for:

- Acting in the exercise of due care and diligence (section 180);
- Acting in good faith in what the Directors believe to be in the best interests of the corporation and for a proper purpose (section 181(1)); and
- Refraining from misusing their position or improperly using information to gain an advantage for themselves (sections 182 and 183).

Directors are specifically responsible under the GOC Act for:

- The Company's commercial policy and management;
- Ensuring that, as far as possible, the Company achieves and acts in accordance with its Statement of Corporate Intent (SCI) and carries out the objectives set out in the SCI;
- Accounting to the Company's shareholders for its performance as required by the GOC Act and other applicable laws; and
- Ensuring that the Company performs its functions in a proper, effective and efficient manner.

CS Energy's corporate governance policies and practices are the responsibility of the company's Board of Directors. The Board Charter sets out the manner in which individual Directors and the Board discharge their responsibilities.

2. Board Accountabilities and Functions

2.1 Role of the Board

The CS Energy Board consists of eight, independent, non-executive Directors appointed by the Governor in Council of the State of Queensland.

The Board's primary accountabilities are as follows:

¹ Required under ASX Listing Rule 4.10

² Directors duties under the common law are repeated in the Corporations Act 2001 (Cth), Chapter 2D

2.1.1 Establish Strategic Direction

The Board is responsible for determining the short to long-term strategic direction of the Company and for monitoring progress in accordance with that direction.

Management is responsible for formulating and implementing proposals, and managing business activities within the strategic parameters and performance objectives set by the Board.

2.1.2 Evaluate and approve investment proposals

The Board approves major capital investment proposals and highlights divergence from the established strategic direction.

2.1.3 Monitor Corporate Performance

The Board oversees control and accountability processes and systems by monitoring performance against approved Statement of Corporate Intent (SCI), Corporate Plan and budgets, including analysis of operating results to evaluate progress against the SCI and Corporate Plan.

Shareholder reporting and regulatory compliance is also assessed, to ensure ethical behaviour and compliance with laws and regulations, accounting and auditing standards, and the organisation's governing documents.

2.1.4 Appointment of Chief Executive

The Board is responsible for selecting, monitoring, evaluating and compensating the Chief Executive. The Board is also responsible for managing management succession.

2.1.5 Maintain Appropriate Risk Management Processes

CS Energy maintains an appropriate risk management methodology to identify and manage undesirable or unexpected outcomes, specifically through the Board's Risk Committee.

The Board is responsible for the risk management process, which is designed to ensure compliance with policies, procedures and legal obligations. The Board Risk Committee meets regularly (quarterly as a minimum) to evaluate risk management issues throughout the organisation.

The Board maintains a risk identification and management program and a compliance system to identify and manage exposure to risk in all aspects of the organisation. In accordance with these programs, the Chief Executive and senior managers are required to identify and quantify risks within their areas of responsibility. Risk plans are then compiled and monitored independently.

Financial risks associated with exposures to electricity prices, interest rates and foreign currencies are managed by the Board, using approved principles and policies³. These policies include pre-determined limits for hedging transactions, restrict speculative transactions, and require senior management approval of hedging instruments. The policies specify who can authorise transactions and recognise the need for appropriate segregation of duties.

³ Refer Group Financial Policy and Market Risk Management Policy

The CS Energy management team has established the Market Risk Committee to oversee the day to day management of market, operational and all other risks. This Committee formally reports to the Board Risk Committee. The Committee is chaired by the Chief Executive and includes all General Managers. The Market Risk Committee is responsible for oversight of all risks and audit recommendations including development of remedial action plans which are subsequently documented in the electronic risk management system.

2.1.6 Code of Conduct

The Board is responsible for the CS Energy Code of Conduct, which outlines how CS Energy protects its knowledge and expertise and having due regard to trustworthiness, consistency, reliability and ethical behaviour.

2.1.7 Audit

CS Energy has adopted an integrated approach to audit, which requires the Board's Audit Committee to monitor the auditing of non-financial aspects operations, including environment, health and safety, plant operations, trading and business development activities.

Internal Audit is an independent function, which reviews, evaluates and reports on activities, operations, information and records as a service to the Board and Executive Management.

The objective of Internal Audit is to assist the Board and all levels of management to discharge their responsibilities in maintaining CS Energy as a well managed, efficient and effective generator of electricity, compliant with statutory obligations. This is achieved through preparation and issue of audit reports containing analysis, appraisals, recommendations, comments and general observations.

The Queensland Auditor General is required by section 40 of the Auditor-General Act to conduct external, independent audits of public sector entities in accordance with recognised standards and practices.

The Auditor-General also has the power 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 tabled at Audit Committee meetings as completed.

2.1.8 Stakeholder dialogue

The Board promotes processes for the development and maintenance of strong relationships with key stakeholders and opinion leaders through briefings and meetings to promote CS Energy as a "partner of choice". Value-adding information is shared where appropriate, subject to the need to protect commercial information and intellectual property.

2.2 Meetings and Committees of the Board

The CS Energy Board conducts minimum of ten meetings per year, and additional meetings as required to deal with specific issues. It is involved in additional planning sessions to consider and address strategic Company issues and includes, at a minimum, an annual business planning and strategic business directions meeting.

Three Board committees operate to oversee particular areas:

2.2.1 Risk Committee

The Risk Committee is responsible for oversight and governance control of corporate risk. This includes responsibility for ensuring adequacy of risk systems and compliance with risk policies, procedures and legal obligations.

Risk covers all areas of risk including strategic risk, operational risk, project risk, market risk legal risk and financial risk.

2.2.2 Audit Committee

In accordance with the Audit Committee Charter, three non-executive directors appointed by the full Board meet at least four times a year to advise the Board on the financial statements, non-financial performance, annual report, internal and external audit reports, risk management plans and the effectiveness of operational internal controls.

2.2.3 People and Safety Committee

In accordance with the People and Safety Committee Charter, three non-executive directors appointed by the full Board advise on safety management systems and initiatives, remuneration policies and employee and industrial relations practice. The Committee reviews and makes recommendations on remuneration packages and other terms of employment for the Chief Executive and senior management team, and company recruitment, retention and termination policies and procedures.

The Committee reviews executive remuneration and other terms of employment each year, against agreed targets based on relevant comparative information and independent expert advice, where appropriate. Appropriate disclosures are made as required under the Corporations Act and the GOC Act.

Director fees are set by Governor-in-Council. Directors may also receive superannuation as well as reimbursement for reasonable travelling, accommodation and other expenses incurred on the business of CS Energy.

2.3 Director Code of Conduct

CS Energy has elected to adopt the Director Code of Conduct from the Articles of Association of the Australian Institute of Company Directors, being that:

1. A Director must act honestly, in good faith and in the best interests of the company as a whole.
2. 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.
3. A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
4. A Director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the company.
5. A Director must not make improper use of information acquired as a Director.
6. A Director must not take improper advantage of the position of a Director.

7. A Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
8. A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.
9. Confidential information received by a Director in the course of the exercise of directorial duties remains the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or the person from whom the information is provided, or is required by law.
10. A Director should not engage in conduct likely to bring discredit upon the Company.
11. 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.

2.4 Internal and external advice protocols

An individual Director has the right to seek independent professional advice on particular matters before the Board, subject to approval from the Chairman, at CS Energy's expense.

An individual Director has the right to seek information from CS Energy employees, subject to approval from the Chairman.

2.5 Authorities & Delegations

The operation of authorities and delegations is an integral element of CS Energy's corporate governance and internal control processes.

The overarching delegation of authority framework is approved by the CS Energy Board. The Board specifically approves the authorities which will be delegated to the Chief Executive. The Chief Executive is able to delegate certain authorities to lower levels within the organisation, in accordance with the Authorities and Delegations Policy approved by the Board. Authorities and Delegations are based on position and responsibilities, are not personal to the incumbent, and are set out in Position Descriptions for each role.

The detail and specific financial delegations are set out in the CS Energy Authorities and Delegations Policy and are submitted to the Board at least every 1-2 years for approval.

If management seeks to act outside these delegations, it must be referred to the Board for approval prior to the authority being exercised. There is a structured breach reporting process in place for key risk areas such as Market Trading.

2.6 Reporting

CS Energy maintains reporting processes and systems to ensure Board accounts to the shareholding Ministers in a regular and timely manner.

2.6.1 Corporate Plan

CS Energy produces a Corporate Plan for submission to the shareholding Ministers annually. The Corporate Plan outlines key strategies and objectives for the next five years together with corresponding performance measures. The plan also outlines the industry and economic outlook, and considers the potential impact of these observations on the Company.

2.6.2 Statement of Corporate Intent (SCI)

CS Energy produces an annual SCI, outlining goals and objectives for the next financial year for approval by shareholding Ministers.

2.6.3 Quarterly Reports

The Quarterly Report is prepared for shareholding Ministers to inform of progress against agreed performance measures and targets as outlined in the SCI.

2.6.4 Annual Report

CS Energy's Annual Report meets statutory disclosure reporting requirements under the GOC Act, the Corporations Act, and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, providing commentary on the company's performance, key initiatives and future activities.

3. Key Board processes

3.1 Board papers

Directors receive a complete set of Board papers one week prior to the monthly Board meeting. All papers are subject to management review and Chief Executive approval prior to dissemination.

3.2 Meetings

Board meetings are held monthly, at least 10 times per year, unless otherwise directed by the Board. Board members have the opportunity to visit operating sites on a rotational basis in addition to formal board meetings, and use technology such as video conference where necessary. Board meetings are usually held at CS Energy's corporate office.

3.3 Minutes

Minutes are taken for each meeting and circulated in draft for comment by the Board members. Minutes are then distributed with the following meeting's Board papers for confirmation at the next meeting.

3.4 Calendar

The Company Secretary maintains a dynamic, comprehensive Board Calendar including key dates for all Board, Committee and major company events.

4. Director induction and development

4.1 Director induction

The induction program and a director induction manual are managed by the Company Secretary. The material covers:

- Director duties, rights and responsibilities;
- The governance process and the role of CS Energy's Board committees;
- The Company including financial, strategic, operational and risk management position; and
- The electricity industry.

4.2 Director development

It is recognised that directors need to have the opportunity to develop their capability, knowledge and skills to remain effective decision makers. Development has essentially four tiers:

- (i) Training funded by CS Energy in accordance with a pre-determined budget;
- (ii) Regular industry updates provided by Management verbally and via regular briefing notes;
- (iii) Targeted training on electricity market trading facilitated by the Market Trading team or external facilitators as appropriate; and
- (iv) Training undertaken externally by Directors through their professional affiliations.

4.3 Board evaluation

Internal Board processes are periodically reviewed against measurable and qualitative indicators. The Chairman determines the process for formal evaluation and improvement of Board process. In this regard, the Board is dedicated to the ongoing improvement of the organisation's corporate governance processes and will conduct periodic formal Board evaluation reviews.

The Chairman will meet periodically with shareholding Ministers to obtain feedback on perception of Board performance.