



Statement of Corporate Intent 2017/18

9 January 2018

This document has been prepared by the directors and management of CS Energy Limited for the company's shareholding Ministers in accordance with the *Government Owned Corporations Act 1993 (Qld)*.

This document contains highly confidential material that relates to the business affairs of CS Energy Limited. Release of its content is subject to the provisions of the *Right to Information Act 2009 (Qld)*. Any unauthorised disclosure of material contained in this statement may diminish the commercial value of that information and may have an adverse effect on the business, commercial and financial affairs of CS Energy Limited.



Table of contents

Performance agreement.....	3
About CS Energy.....	4
Strategic objectives for 2017/18	6
Key performance indicators.....	7
Financial statements.....	9
Compliance with GOC Act.....	12
Appendix A: Employment and industrial relations plan	14
Appendix B: Sponsorship, advertising, donations, corporate entertainment.....	21
Appendix C: Glossary of terms and definitions.....	23

Performance agreement

This Statement of Corporate Intent (**SCI**) and all attachments are presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993 (GOC Act)*.

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the SCI represents a formal performance agreement between the Board of CS Energy Limited (**CS Energy**) and its shareholding Ministers with respect to the financial and non-financial performance targets specified for the financial year. The SCI also represents an acknowledgment of, and agreement to, major activities, objectives, undertakings, policies, investments and borrowings of CS Energy for 2017/18.

In accordance with Chapter 3, Part 8, section 104 of the GOC Act, this SCI is consistent with CS Energy's 2017/18 – 2021/22 Corporate Plan submitted to, and agreed to by, the company's shareholding Ministers.

In signing this document, CS Energy's Board undertakes to achieve the targets proposed in the SCI for 2017/18 and fulfil all of its obligations in accordance with the GOC Act and current Queensland Government policies, procedures and guidelines. Any major changes to the key assumptions and expected outcomes detailed in this SCI that come to the Board's attention during the year will be brought to the attention of the shareholding Ministers. Any modifications to this SCI will be dealt with in accordance with the GOC Act. This SCI is signed on behalf of all the directors in accordance with a unanimous decision of the Board of CS Energy.

In signing this document, the shareholding Ministers agree to uphold the principles of corporatisation as outlined in the GOC Act, and acknowledge the autonomy and accountability of the CS Energy Board and management to act commercially and always in the best interests of the company. The shareholding Ministers expect CS Energy's Board and management to fulfil all of their legislative obligations, including their fiduciary responsibilities under the *Corporations Act 2001 (Cth)*.

A handwritten signature in blue ink, appearing to read 'Jim Soorley'.

Jim Soorley
Chairman
CS Energy Limited

9 January 2018

A handwritten signature in blue ink, appearing to read 'Jackie Trad'.

The Honourable Jackie Trad, MP
Deputy Premier, Treasurer, Minister for Aboriginal
and Torres Strait Islander Partnerships

A large, stylized handwritten signature in blue ink, appearing to read 'Anthony Lynham'.

The Honourable Anthony Lynham, MP
Minister for Natural Resources, Mines and Energy

About CS Energy

CS Energy is a merchant electricity generator that was established in 1997 as a Queensland Government owned corporation under the GOC Act. Today, CS Energy has more than 400 employees, operates three power stations and has a trading portfolio of 4,035 megawatts (**MW**).

CS Energy's core business is the generation and sale of electricity in the National Electricity Market (**NEM**) under the *Electricity Act 1994* (Qld). CS Energy dispatches 35 percent of Queensland's electricity output and 10 percent of electricity supplied to the NEM.

Portfolio

CS Energy's diverse asset portfolio comprises coal-fired and hydroelectric power stations, electricity trading rights and coal assets.

CS Energy owns and operates the Callide B, Kogan Creek and Wivenhoe power stations and has a 50 percent interest in the Callide C Power Station. CS Energy provides operations and maintenance (**O&M**) services to the joint venture owners of the Callide C Power Station.

CS Energy is a party to the Gladstone Interconnection and Power Pooling Agreement (**IPPA**), which entitles CS Energy to trade the output of the Gladstone Power Station in excess of the requirements of the Boyne Island aluminium smelter.

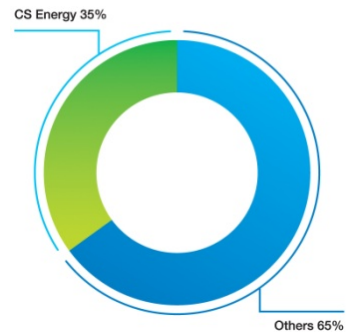
CS Energy's coal assets are the Kogan Creek Mine, which supplies thermal, black coal to the Kogan Creek Power Station, and the undeveloped Glen Wilga and Haystack Road coal resources near Chinchilla.

Operating companies

The main operating companies within CS Energy are:

- CS Energy Ltd;
- Callide Energy Pty Ltd;
- Aberdare Collieries Pty Ltd (Kogan Creek Mine);
- CS Energy Kogan Creek Pty Ltd;
- CS Kogan (Australia) Pty Ltd;

2016 Contribution to supplying electricity in Queensland



Power generation

- 1 Callide Power Station (1,510 MW)*
- 2 Kogan Creek Power Station (750 MW)
- 3 Wivenhoe Power Station (500 MW)
- 4 Trading rights
Gladstone Power Station (1,680 MW)

5 Coal assets

- Kogan Creek Mine (MDL 335 – 400 Mt)
- Glen Wilga (MDL 382 – undeveloped)
- Haystack Road (MDL 383 – undeveloped)

*1,510 MW = 700 MW Callide B Power Station + 810 MW Callide C Power Station. CS Energy owns the Callide C Power Station in a 50 percent joint venture with IG Power (Callide) Limited.

- Kogan Creek Power Station Pty Ltd; and
- CS Energy Oxyfuel Pty Ltd.

Purpose

Delivering energy today, powering your tomorrow.

Vision

Our vision is that, by 2030:

- CS Energy will be a major Australian energy player renowned for its safe, reliable and affordable range of energy solutions.
- The CS Energy brand will be known as an ethical and commercially astute business that consistently delivers exceptional financial, environmental, and community outcomes.
- We will retain a best-in-class portfolio of generation assets that deliver flexible, reliable, low-cost energy in an evolving market.
- We will provide 50 percent of Queensland's baseload generation capacity, however at least 30 percent of our earnings will be derived from innovative products and services, independent of our physical assets.
- We will operate in national markets, and our experience in transitioning to a clean energy world will make our expertise globally sought after.
- Our constructive, high-performance culture will be widely recognised and attract the best talent to our business.
- Our people will be empowered to create and deliver solutions that drive long-term value for all stakeholders.

Values

Our values and a constructive, high performance culture will enable us to address our current and future challenges, and support our purpose. These values guide everything we do.

- Be safe
- Create value
- Take accountability
- Act with integrity





Strategic objectives for 2017/18

In late 2012, CS Energy developed a strategy to build and transform the company into a safe, profitable and sustainable business that delivers value to the people of Queensland – the company’s shareholders.

Since that time, the various boards and management teams have been able to turn the performance of the company around. In particular, CS Energy has addressed several legacy issues that have hindered the company from reaching its full potential. In fact, as a result of this program, in 2016/17 CS Energy returned its first dividend to shareholders in seven years.

In 2017/18, CS Energy will build upon the good work undertaken in recent years and implement a renewed strategy to deliver outcomes in accordance with our purpose and vision. This will be underpinned by the strategic pillars and goals, which are detailed in **Table 1** below.

Table 1: CS Energy’s strategic overview

Our Strategic Goals	Our Strategic Pillars		
	Essential Capabilities	Core Business	Future Business
	Our Objectives		
 <p>Drive relentlessly towards an injury free workplace.</p>	<ul style="list-style-type: none"> We believe that all injuries and incidents are preventable We each play our part in achieving a safe workplace 	<ul style="list-style-type: none"> We understand and manage our people and plant safety risks and learn from incidents We always put safety before production 	<ul style="list-style-type: none"> We place safety outcomes at the forefront of new processes, technologies, businesses, partnerships and systems
 <p>Be a major provider of reliable energy to Australian households and businesses.</p>	<ul style="list-style-type: none"> We operate our assets at the right cost for the targeted level of performance We proactively manage our environmental responsibilities 	<ul style="list-style-type: none"> We manage our assets to maximise returns in a changing market We proactively manage our channels to market 	<ul style="list-style-type: none"> We develop new revenue streams and reach new customers through partnerships, innovative products and clean energy solutions
 <p>Engage our people and our stakeholders in the success of our business.</p>	<ul style="list-style-type: none"> Our leaders role model and clearly communicate our values, culture and strategy We each live the values and positively contribute to our constructive, high performance culture We understand and take accountability for our role in achieving our strategy 	<ul style="list-style-type: none"> Our diverse and inclusive workplace attracts, develops and retains the best talent We are empowered to create solutions that drive long-term value for all stakeholders 	<ul style="list-style-type: none"> We invest in the development of our people as new revenue streams gain momentum We work proactively with our people to manage the workforce as assets retire
 <p>Deliver value and stable cash returns for our shareholder.</p>	<ul style="list-style-type: none"> We apply rigorous decision making to maximise value Our planning and execution capabilities enable us to deliver on our potential and promises Our systems, information and processes enable us to make safe and commercial decisions 	<ul style="list-style-type: none"> We are an asset-backed energy trader leveraging our current portfolio and accessing wider opportunities We identify and optimise opportunities and risks through robust, insightful market intelligence Our balance sheet continues to strengthen as we reduce our debt 	<ul style="list-style-type: none"> We invest to maximise long-term value, taking into account a range of potential future market scenarios We identify and deliver innovative and valuable solutions

Shareholder mandate

CS Energy’s short and long-term strategic objectives are informed by the Shareholder Mandate (**Mandate**), which was issued to CS Energy by the Queensland Government in late July 2016. The

Mandate provides an overview of the Queensland Government's performance expectations of CS Energy as well as outlines areas of potential growth and development for the business.

In accordance with the Mandate, CS Energy will seek to maximise value for the company's shareholders through the efficient and effective management of its portfolio of electricity generation assets so that it can deliver 'stable and appropriate cash returns' to the Queensland Government.

Key performance indicators

In accordance with Section 119(3) of the GOC Act and the Mandate, CS Energy plans to meet the following financial and non-financial targets for 2016/17.

CATEGORY	MEASURE	2017/18 TARGET
Safety	Total Case Recordable Frequency Rate (TCRFR)	< 3.00
Environmental	Significant Environmental Incidents (SEI)	0
Financial	Return on Gross Fixed Assets (%) (ROGFA)	16.9
Financial	Free Cash Flow Yield (%) (FCFY)	13.2
Thermal plant	Equivalent Availability Capacity Factor Demand (%) (EACFD)	85.6
Pumped-hydroelectric plant	Start Reliability (%) (SR)	98.0

Safety

CS Energy takes its safety obligations very seriously. CS Energy believes that all injuries are preventable and is committed to drive relentlessly towards an injury free workplace. Our efforts are focused on improving on our current performance to achieve predictable and sustainable health and safety outcomes.

CS Energy has developed its Health and Safety Strategy that has four focus areas: Injury Prevention; Culture and Leadership; Health and Wellbeing; and Simple Systems. Work programs for the coming year are being developed in accordance with this strategy.

In 2017/18 CS Energy has set its TCRFR target at less than three. TCRFR is a rolling 12-month average that measures the number of lost time injuries and medical treatment injuries per million hours worked.

Environment

CS Energy manages its business to ensure that it meets all environmental obligations and seeks to maintain its social license in the communities in which it operates. CS Energy closely monitors the inputs and outputs of the electricity generation process at all of its sites to ensure compliance with all relevant Queensland and Commonwealth government environmental legislation.

In 2017/18 CS Energy has set its **SEIs** target at zero. An SEI is an incident that has a significant impact on the environment or results in enforcement action by a regulator. The Environmental Management System (**EMS**) in place at each site is certified to International Standard ISO 14001, and provides the basis for environmental risk management across the business.

Finance

Over the past few years, CS Energy has been able to address several legacy matters and turn the financial performance of the company around. In 2015/16, CS Energy's underlying Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) was \$193.3 million – which was an increase of \$38.6 million on the company's performance in 2014/15.

CS Energy is forecasting a significant increase in underlying EBITDA over the five-year forecast period, driven by efficiencies created within the business and improved market conditions. In 2016/17 underlying EBITDA is forecast to be \$398.5 million, which is an increase of \$205 million on the company's performance in 2015/16. This reflects the ongoing positive benefits flowing from the previous years of reform as well as an underlying improvement in market conditions.

The continued strong performance enables CS Energy to commence debt repayments in FY18. In addition, dividend payments in excess of \$660m are projected to be returned to its shareholders over the five-year forecast period.

Over the next financial year CS Energy will continue to manage the company's financial position and maintain its strategy to transform CS Energy into a safe, profitable and sustainable business that delivers value and stable cash returns for our shareholders.

In accordance with the Mandate, CS Energy will monitor its financial performance through two measures that focus on investment and cash returns to shareholders:

- ROGFA = Underlying EBITDAIF / Gross Fixed Assets + Net Working Capital, and
- FCFY = Free Cash Flow (excluding Variation Margin) / Gross Fixed Assets + Net Working Capital.

Plant performance

The performance of CS Energy's power stations is critical to the success of business. In 2016/17, CS Energy's generation assets are expected to send out 12,576 gigawatt hours (**GWh**) of energy, with all sites exceeding forecast generation. This performance is underpinned by increased generation at Callide B and C power stations due to increased coal supply volumes and the high availability from Kogan Creek following the completion of the major overhaul and HP turbine replacement in June 2016.

The CS Energy asset portfolio includes baseload thermal and peaking hydroelectric pumped storage plant. This combination, and the availability of sufficient fuel, allows CS Energy to dispatch its thermal plant in a high capacity baseload mode.

CS Energy will continue to measure its plant performance by focusing on the availability and capacity of its thermal plant and the reliability of the hydroelectric plant that supports the portfolio contract position. The primary asset performance metrics for the thermal and hydroelectric plant are EACFD and SR respectively. An explanation of these metrics is shown below:

$EACFD = 100 - (EFOF + EMOF + EPOF + SD) \%$ Where:

EACFD = Equivalent Availability Capacity Factor Demand

EFOF = Equivalent Forced Outage Factor

EMOF = Equivalent Maintenance Outage Factor

EPOF = Equivalent Planned Outage Factor

SD = Seasonal De-ratings

SR = Number of starting successes / (Number of starting success + Number of starting failures) %

Financial statements

Statement of Income Group (Consolidated)

Sep	Qtr Dec	2017/18 Mar	Jun		2015/16 Actual	2016/17 Budget	2016/17 Est. Act	2017/18 Budget
\$M	\$M	\$M	\$M		\$M	\$M	\$M	\$M
190.2	211.8	258.0	203.3	Sales of electricity	638.8	598.3	770.8	863.3
83.6	112.0	146.9	108.5	Underlying EBITDA	193.3	224.6	398.5	451.0
4.7	4.7	4.7	4.7	Gladstone onerous contract unwind	18.5	12.9	19.7	18.8
(1.1)	(1.1)	(1.1)	(1.1)	Rehabilitation provision	(5.2)	(4.9)	(5.2)	(4.4)
0.0	0.0	0.0	0.0	Oxyfuel Project	(0.6)	(0.1)	(0.1)	0.0
0.0	0.0	0.0	0.0	Other accounting adjustments	(61.3)	0.0	242.4	0.0
87.2	115.6	150.5	112.1	EBITDA (excluding Mark to Market)	144.6	232.6	655.4	465.4
(35.9)	(37.2)	(37.2)	(37.3)	Depreciation and amortisation	(102.9)	(129.7)	(127.0)	(147.6)
51.3	78.5	113.3	74.8	Earnings Before Interest and Tax (excluding Mark to Market)	41.6	102.9	528.4	317.9
71.2	41.1	37.5	32.0	Mark to Market	(8.3)	2.9	(248.2)	181.8
(12.4)	(12.3)	(11.3)	(31.8)	Interest expense (net)	(61.5)	(55.5)	(58.0)	(67.8)
(33.0)	(32.2)	(41.9)	(22.5)	Income tax (expense)/benefit	5.1	(15.0)	(68.2)	(129.5)
77.0	75.1	97.7	52.5	Profit/(Loss) After Tax	(23.0)	35.3	154.1	302.3

Transactions with owners as owners

	2015/16 Actual	2016/17 Budget	2016/17 Est. Act	2017/18 Budget
Distributions	\$M	\$M	\$M	\$M
Equity injections	0	0	0	0
Equity withdrawals	0	0	0	0
Dividends provided	13.8	19.4	115.4	129.5
Current TEPs expense	0	0	0	0



Statement of Financial Position Group (Consolidated)

Sep	Quarter Dec	2017/18 Mar	Jun		2015/16 Actual	2016/17 Budget	2016/17 Est. Act	2017/18 Budget
\$M	\$M	\$M	\$M		\$M	\$M	\$M	\$M
				Current Assets				
137.7	137.5	290.0	193.3	Cash	47.5	30.4	13.9	193.3
86.3	95.1	116.7	82.6	Receivables	124.1	66.7	74.7	82.6
179.9	118.8	79.1	42.7	Variation Margin	0.0	0.0	262.6	42.7
20.0	9.7	0.0	0.0	Derivative financial instruments	87.5	0.3	32.2	0.0
97.4	97.4	97.4	97.4	Inventories	21.7	80.6	97.4	97.4
521.3	458.6	583.2	415.9	Total current assets	280.8	177.9	480.8	415.9
				Non-current assets				
17.4	17.4	16.1	10.2	Derivative financial instruments	3.2	4.7	17.4	10.2
1,544.6	1,532.0	1,506.7	1,502.0	Property, plant & equipment	1,379.0	1,278.2	1,556.0	1,502.0
150.3	97.6	37.4	40.4	Deferred tax asset	315.3	279.8	207.8	40.4
19.4	19.4	19.4	19.4	Retirement benefit assets	19.4	19.8	19.4	19.4
1,731.6	1,666.3	1,579.5	1,572.0	Total non-current assets	1,716.9	1,582.5	1,800.5	1,572.0
2,252.9	2,124.9	2,162.7	1,988.0	Total assets	1,997.7	1,760.4	2,281.3	1,988.0
				Current liabilities				
101.9	89.7	100.3	106.7	Payables	140.3	66.5	96.0	106.7
198.9	79.0	0.0	0.0	Derivative financial instruments	54.8	0.3	363.7	0.0
0.0	0.0	0.0	0.0	Current Tax	0.0	0.0	0.0	0.0
36.8	36.8	36.8	24.8	Provisions	151.8	36.5	36.8	24.8
115.4	0.0	0.0	129.5	Dividends	0.0	19.4	115.4	129.5
453.0	205.5	137.1	261.0	Total current liabilities	346.9	122.7	611.9	261.0
				Non-current liabilities				
0.0	0.0	0.0	0.0	Payables	2.2	0.0	0.0	0.0
218.3	218.3	187.7	103.0	Derivative financial instruments	30.4	4.2	218.3	103.0
812.1	812.1	812.1	594.3	Borrowings	812.1	746.1	812.1	594.3
312.7	309.1	305.6	314.0	Provisions	330.5	266.1	316.2	314.0
95.1	95.1	95.1	134.6	Deferred tax liability	178.9	194.4	95.1	134.6
0.0	0.0	0.0	0.0	Other liabilities	0.0	5.7	0.0	0.0
1,438.1	1,434.5	1,400.4	1,146.0	Total non-current liabilities	1,354.1	1,216.6	1,441.7	1,146.0
1,891.1	1,640.0	1,537.5	1,407.0	Total liabilities	1,700.9	1,339.2	2,053.6	1,407.0
361.8	484.8	625.2	581.0	Net assets	296.7	421.1	227.7	581.0
				Shareholders' equity				
1,114.4	1,114.4	1,114.4	1,114.4	Share capital	1,114.4	1,114.4	1,114.4	1,114.4
(138.4)	(90.5)	(47.7)	(15.0)	Hedging reserve	(87.8)	(0.1)	(195.5)	(15.0)
(614.2)	(539.1)	(441.4)	(518.5)	Retained earnings	(729.9)	(693.2)	(691.2)	(518.5)
361.8	484.8	625.2	581.0	Total shareholders' equity	296.7	421.1	227.7	581.0

Statement of Cash Flows Group (Consolidated)

Sep	Qtr Dec	2017/18 Mar	Jun		2015/16 Actual	2016/17 Budget	2016/17 Est. Act	2017/18 Budget
\$M	\$M	\$M	\$M		\$M	\$M	\$M	\$M
				Cash Flows from Operating Activities				
310.0	308.8	327.1	322.6	Receipts from Customers	666.5	684.8	710.0	1,268.5
(151.0)	(149.3)	(152.5)	(148.6)	Payments to Suppliers and Employees	(472.4)	(471.0)	(587.1)	(601.4)
(14.2)	(12.4)	(12.3)	(11.3)	Net Borrowing Costs Paid	(61.9)	(57.6)	(57.8)	(50.2)
0.0	0.0	0.0	0.0	Tax Equivalent Payments	0.0	0.0	0.0	0.0
144.8	147.0	162.3	162.7	Net Cash Provided by Operating Activities	132.2	156.2	65.1	616.8
				Cash Flows from Investing Activities				
(21.0)	(31.7)	(9.8)	(19.8)	Payments for Property, Plant & Equipment	(113.6)	(77.9)	(84.9)	(82.4)
(21.0)	(31.7)	(9.8)	(19.8)	Net cash provided by/(used in) investing activities	(113.6)	(77.9)	(84.9)	(82.4)
				Cash Flows from Financing Activities				
0.0	0.0	0.0	(239.7)	Proceeds / (repayments) from borrowings	0.0	(66.0)	0.0	(239.7)
0.0	(115.4)	0.0	0.0	Dividends Paid	0.0	0.0	(13.8)	(115.4)
0.0	(115.4)	0.0	(239.7)	Net Cash Provided by/(Used in) Financing Activities	0.0	(66.0)	(13.8)	(355.2)
123.8	(0.2)	152.5	(96.8)	Net Increase/(Decrease) in Cash Held	18.6	12.3	(33.6)	179.3
13.9	137.7	137.5	290.0	Cash at the Beginning of the Financial Year	28.9	18.1	47.5	13.9
137.7	137.5	290.0	193.3	Cash at the End of the Financial Year	47.5	30.4	13.9	193.3

Capital expenditure (including overhauls)

Project	2017/18 Budget \$M	Status
Callide B Power Station	16.5	In progress
Callide C Power Station	11.2	In progress
Kogan Creek Power Station	16.5	In progress
Wivenhoe Power Station	1.8	In progress
Corporate	6.2	In progress
Capital excluding overhauls	52.2	
Overhauls – Callide B Power Station	9.0	In progress
Overhauls – Callide C Power Station	18.4	In progress
Overhauls – Kogan Creek Power Station	3.5	In progress
Overhauls – Wivenhoe Power Station	10.5	In progress
Total overhaul expenditure	41.5	
Total Capital Including Overhauls	93.6	

Compliance with GOC Act

As part of its performance agreement with shareholding Ministers, the Board provides the following additional undertakings.

Prudential financial information

The Board will ensure CS Energy takes full responsibility to ensure that prudent financial practices are applied both within the corporation and within its subsidiaries (whether fully controlled or otherwise). Without limiting the obligations imposed on the Board and the Chief Executive by the GOC Act and, where applicable, the *Corporations Act 2001*, this includes a commitment to:

- Abide by the *Code of Practice for Government Owned Corporations' Financial Arrangements* (Code of Practice), as issued by the Queensland Government; and
- Establish, maintain and implement appropriate financial risk management practices and policies and as specified in the Code of Practice.

Capital structure

The Board will prudently manage the financing of the CS Energy group. As an integral part of the financing of the Company, overall debt will be managed with Queensland Treasury Corporation (**QTC**) to ensure that CS Energy maintains the appropriate credit rating or other rating as determined by shareholding Ministers.

Weighted average cost of capital

The Board will ensure that CS Energy reviews its weighted average cost of capital (**WACC**) on an annual basis.

Dividend policy and payment

While the dividend process is governed by the *Government Owned Corporations Act 1993* and the *Corporations Act 2001* (Cth), the Board will also ensure that CS Energy's dividend policy takes into account the return its shareholders expect on their investments.

CS Energy's policy is to recommend and pay a dividend of 80 percent (or the percentage otherwise agreed with shareholding Ministers) of CS Energy's adjusted consolidated profit subject to the requirements of Section 254T of the *Corporations Act 2001*.

Corporate Governance guidelines for Government Owned Corporations

CS Energy has adopted all the recommendations in the *Corporate Governance Guidelines for Government Owned Corporations* (Corporate Governance Guidelines).

Risk management

The CS Energy Board has ultimate responsibility for ensuring the impacts of all potential internal and external risks of the Company are managed. The Company's risk identification and management process is monitored by the Audit and Risk Committee, which is a subcommittee of the Board and which reports to the Board on a regular basis.

The risk management framework is designed to ensure that all potential financial, operational and other risks are regularly identified, assessed, monitored and reported to the Audit and Risk Committee and the CS Energy Board, as appropriate, along with risk mitigation and management plans that ensure risks are managed within the Board's risk appetite. In particular, potential security risks have been considered and identified and a framework to respond to security threats has been developed. The CS Energy Board will continually monitor security risks and update the Company's response framework as necessary.

Risk management plans have been incorporated in CS Energy's budgetary and strategic planning processes.

Compliance with government policies

The Board will ensure that the CS Energy Group complies with the relevant government policies and guidelines, in particular, the approval, notification, reporting and other requirements of those policies and guidelines.

Employment and Industrial Relations Plan

An Employment and Industrial Relations (**E&IR**) Plan meeting the requirements of Section 149 of the GOC Act is included as **Appendix A**. The remuneration arrangements for the Directors, the Chief Executive and all Senior Executives of CS Energy are detailed in the E&IR Plan.

Sponsorship, advertising, corporate entertainment, and donations

Consistent with the shareholders expectations, the *Corporate Entertainment and Hospitality Guidelines 2008* and CS Energy's Corporate Entertainment and Hospitality Policy, sponsorships, advertising, entertainment and donations are detailed in **Appendix B**.

Community Service Obligations (CSOs)

CS Energy has no Community Service Obligations as defined by section 112 of the GOC Act.

Appendix A: Employment and industrial relations plan

CS Energy's employment and industrial relations plan (**Plan**) has been developed to support the company in driving business improvement safely, efficiently and responsibly, to maximise value today and create opportunities for the future.

Fundamental to the Plan is CS Energy's commitment to building a high-performance, constructive workplace culture. It is achieving this change by consistently communicating its leadership expectations, grounded in behaviours which are reflective of this culture.

The Plan provides for an aligned approach to employee relations across the company based on a constructive, high-performance culture that leverages value from collective bargaining at each site.

This approach balances shareholder objectives, employee participation and the organisation's commitments to:

- safety, driven by genuine care and concern for people and the environment;
- accepting accountability and acting with integrity; and
- creating and sustaining value for our owners through operational excellence, being productive, and exercising sound commercial judgement.

CS Energy employees and enterprise agreements

Consistent with the *Government Owned Corporations - Wages and Industrial Relations Policy 2015*, (**IR Policy**) almost all CS Energy employees are covered by collective agreements (Chief and Senior Executives and a number of site management roles are excluded). The *Fair Work Act 2009 (Cth)* (FW Act) applies to CS Energy employees and the agreement-making process takes place in accordance with this legislation, including good faith bargaining requirements.

The company is presently party to four enterprise agreements, each negotiated at site level with relevant union representatives and voted on by employees. A total of 449 employees are covered by enterprise agreements. The unions party to our agreements are the Construction, Forestry, Mining and Energy Union (CFMEU); Electrical Trades Union Branch (ETU) of the Communications, Electrical and Plumbing Union (CEPU); The Services Union (TSU); the Australian Manufacturing Workers Union (AMWU); Australian Institute of Marine and Power Engineers (AIMPE) (Wivenhoe site only); and Professionals Australia, (Association of Professional Engineers, Scientists and Managers Australia). Further details of the agreements are set out in the following table:

	Scope	Reference	Expiry
CS Energy Ltd Corporate Office Enterprise Agreement 2016 Covers 127 employees	Employees of CS Energy Ltd at Corporate Office	AG2016/7379	26 February 2020
Callide Power Station Enterprise Agreement 2015 Covers 220 employees	Employees of CS Energy Ltd at Callide Power Station	AG2015/7679	28 February 2018
CS Energy Ltd Wivenhoe Power Station Enterprise Agreement 2016 Covers 11 employees	Employees of CS Energy at Wivenhoe Power Station	AG2016/3579	29 July 2018

	Scope	Reference	Expiry
Kogan Creek Power Station Enterprise Agreement 2014 Covers 91 employees	Employees employed in the classifications within the Agreement	AG2014/1760	31 March 2017

Each enterprise agreement is tailored to the different technologies, characteristics of the specific site and workforce.

Negotiations for the CS Energy Corporate Office agreement commenced in August 2015. The agreement was formally approved by the Fair Work Commission on 20 February 2017 with an effective date of 27 February 2017. The new Corporate Office agreement will nominally expire on 26 February 2020.

Negotiations for the CS Energy Wivenhoe agreement commenced in December 2015. The agreement was formally approved by the Fair Work Commission on 3 August 2016 with an effective date of 10 August 2016. The new Wivenhoe agreement will nominally expire on 29 July 2018.

CS Energy commenced negotiations for the Kogan Creek agreement, which nominally expires on 31 March 2017, on 21 December 2016 in accordance with the GOC Wages Policy and any other policies as advised by shareholding Ministers.

Preparations for the Callide agreement, which nominally expires on 28 February 2018 have recently commenced. Negotiations must commence 6 months prior to the nominal expiry date, that is, by 28 August 2017.

Remuneration arrangements

Chief and senior executives

Remuneration details for the Chief and Senior Executives for 2016/17 are provided in the following table. These arrangements are reviewed annually in accordance with company procedure and Government policy. Performance payments are capped at 15 percent of Total Fixed Remuneration (TFR) for the Chief and Senior Executives.

The base salaries shown below are those applicable as at 30 April 2017.

CEO / Senior executives	Base salary ¹	Employer Superannuation contributions ²	Motor Vehicle ³	Car park ⁴	Total fixed remuneration ⁵	Other non-personal benefits	Performance payment made 2015/16 ⁶
Chief Executive Officer Martin Moore	\$ 757,112	\$ 19,308	Nil	Nil	\$776,420	Nil	\$ 76,515
Executive General Manager Energy Markets (Acting) David Warman	\$ 355,450	\$ 25,000	Nil	Nil	\$ 380,450	Nil	\$ 44,952
Executive General Manager Operations David Down	\$ 440,100	\$ 25,000	Nil	Nil	\$ 465,100	Nil	Nil

CEO / Senior executives	Base salary ¹	Employer Superannuation contributions ²	Motor Vehicle ³	Car park ⁴	Total fixed remuneration ⁵	Other non-personal benefits	Performance payment made 2015/16 ⁶
CFO Darren Busine	\$ 385,000	\$ 25,000	Nil	Nil	\$ 410,000	Nil	Nil
Executive General Counsel and Company Secretary Joanne Keen	\$ 370,000	\$ 25,000	Nil	Nil	\$ 395,000	Nil	Nil
Executive General Manager People & Safety Andrew Varvari	\$ 392,770	\$ 25,000	Nil	Nil	\$ 417,700		\$ 51,881 (for CFO & Executive General Counsel & Company Secretary)

1. Includes salary sacrifice items.
2. Employer contributions to superannuation (other than by salary sacrifice).
3. Any motor vehicle is provided in accordance with the Queensland Government's SES Policy.
4. A car park is provided and a nominal allowance is paid and then deducted as a salary sacrifice amount.
5. Total Fixed Remuneration sum of base salary and employer superannuation contributions.
6. Performance payments includes 9.5% superannuation component

Executive performance incentive payments are capped at 15 percent of TFR comprising of Enterprise and Individual Performance Incentives (**IPIs**). Executive IPIs are stretch targets outlined in the SCI that have been agreed with shareholding Ministers. IPIs are set annually in Individual Achievement Plans and are formally reviewed mid-yearly and at year end. The IPIs describe expectations that require the individual to demonstrate a level of performance above and beyond business as usual resulting in the achievement of CS Energy objectives.

Employment conditions

General conditions of employment are provided in the various enterprise agreements made under the (FW Act) and CS Energy human resources policies and procedures. Rates of pay, including productivity payments, are included in enterprise agreements and all purpose allowances, where applicable (for example, power house allowance, disability allowances, etc) are incorporated in all-up rates within those industrial instruments. The *Electrical Power Industry Award 2010* is the modern award applying to the power generation industry and enterprise arrangements leave CS Energy employees better-off-overall when compared to this award. Employment conditions are also governed by the GOC Act and Regulations, the *Electricity Act 1994 (Qld)* the FW Act and *Fair Work Regulation 2006 (Cth)*

As required by the FW Act, each enterprise agreement contains a flexibility provision, allowing the company and employees to put in place individual arrangements provided that the employee is not disadvantaged compared to the collective agreement. These flexibility arrangements include Alternative Individual Agreements (**AIA**s) and are offered where roles require special skills or employment flexibility, to ensure that CS Energy can attract and retain quality employees to compete effectively in the electricity market. An employee is free to move from AIA arrangements back to enterprise agreement conditions simply by giving notice of the change to CS Energy in accordance with the timeframe contained within the relevant agreement.

As at 30 June 2016, 58 percent of employees are engaged directly on enterprise agreement terms and conditions, 40 percent work under an AIA as provided by their site's enterprise agreement and two percent of employees are engaged on common law contracts including the Chief and Senior Executives and a number of site management positions.

Type of employment and workforce planning

Workforce planning

CS Energy is committed to investing in the development of its employees to build a capable, adaptable and diverse workforce now and for the future. Our Strategic Workforce Plan details our methodology, challenges and implications, current workforce demographics, and our plan to address workforce requirements to meet our short and long term strategic objectives.

Types of employment

Employment category	31 Mar 17 Actual	30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21
Permanent full time ¹	389	402	400	399	399
Permanent part time (FTE)	13.06	14.9	14.2	14	14
Other contract	24.30	40	36	22	20
Senior Executive contract	5	6	6	6	6
Apprentices (in house)	10	10	10	10	10
Trainees (in house)	4	4	4	4	4
Casual employees (FTE)	1.7	1.7	1.7	1.7	1.7
Total directly employed workforce²	447.06	478.6	471.9	456.7	454.7
Apprentices (Group)	10	13	13	13	13
Trainees (Group)	3	5	5	5	5
Contractor employees (trade/technical)	20	20	20	20	20
Contractor employees (professional / administrative / clerical)	10	10	10	10	10
Labour hire (trade/technical - FTE)	See note below	n/a	n/a	n/a	n/a
Labour hire (professional / administrative / clerical)	See note below	n/a	n/a	n/a	n/a
s457 Temporary Visa ³	0	0	0	0	0
Total workforce	490.06	526.6	519.9	504.7	502.7

1. Includes temporary employees including Graduates and S457 visas.
2. Total directly employed workforce figures correspond to the Workforce Plan.
3. Included in Permanent Full Time figure.

CS Energy has used contractors and labour hire from time to time for a variety of reasons, including the need to address short-term, *ad hoc* labour requirements or to deliver a short-term, high-intensity projects.

Workplace health and safety

CS Energy complies with all relevant health and safety legislation, including the *Work Health and Safety Act 2011 (Qld)* and related standards, *Electrical Safety Act 2002 (Qld)*, codes of practice, Australian standards and industry guidelines.

Inclusion and Diversity (I&D)

Our *Inclusion and Diversity (I&D) Policy (I&D Policy)* outlines CS Energy's commitment to creating a workplace culture that builds respect, fosters inclusiveness, promotes diversity and embraces the unique skills and qualities of all our employees. CS Energy's Board approved I&D targets are aimed at increasing female and ATSI participation and are closely aligned to the targets agreed by the Queensland Governments Leadership Board of Directors-General. Our Policy and targets are supported by our annual I&D plan, which comprises of various initiatives to be rolled out in FY18 including our Graduate Development Program and Employee Value Proposition which are both critical to our ability to attract and retain diverse talent to ensure we have the right people to run and grow I&D is supported by our robust Equal Employment Opportunity (**EEO**) and recruitment and selection principles.

EEO and recruitment and selection

CS Energy aims to provide a workplace that is free from unlawful discrimination, sexual harassment, bullying, victimisation and vilification. All employees have access to the CS Energy *Procedure for Equal Employment Opportunity and Appropriate Workplace Behaviour* and the *Fair Treatment and Grievance Resolution System Procedure*.

The *Recruitment and Selection Procedure* provides direction for all CS Energy recruitment and selection activities to be based on using fair, open and transparent processes to select the best person for the job within an efficient and effective process. These documents are available on the intranet or in hard copy from the Human Resources team. Our recruitment practices are aligned with our I&D Policy objectives and have recently been enhanced resulting in a number of benefits including an uplift in supervisor capability (through education on effective recruitment processes), improved data capture and monitoring systems and new and innovative ways of attracting candidates into our business.

Recently, seven new electrical and mechanical apprentices commenced at Callide Power Station including one female and two indigenous employees who were attracted through a targeted recruitment campaign. CS Energy has a proud history of hiring talent and offering career pathways through our apprenticeship and trainees programs and this will continue to be a focus in the coming years.

In accordance with Section 31 of the *Public Service Act 2008 (Qld)*, CS Energy reports EEO statistical data to the Public Service Commission on an annual basis. CS Energy submitted its last report in July 2016.

Joint Venture projects

CS Energy (through its wholly owned subsidiary, Callide Energy Pty Ltd) remains in joint venture with IG Power (Callide) Limited at Callide C Power Station. Operations and maintenance services for Callide C Power Station are provided by CS Energy under a contract to the joint venture entity. CS Energy employees and some contractors are undertaking work for the joint venture. Relevant CS Energy employees are covered by the Callide Power Station Certified Agreement 2015.

Management of the relationship between GOCs and unions

CS Energy as a matter of course consults with its employees and their union representatives regarding matters affecting employees. Enterprise agreements set out the parties' consultative obligations, particularly in respect of workplace change. More formal consultative forums include site consultative committees and the Peak Consultative Committee which comprises CS Energy senior management and senior union officials.

CS Energy recognises that the various unions we work with are key stakeholders in our business. As with all key stakeholders, CS Energy works to ensure that our interactions with unions are mutually beneficial - that is, will improve the working environment for CS Energy employees as well as support the company's long-term sustainability. CS Energy is working to improve and better harness the opportunities for unions (as well as employees generally) to provide feedback on a number of issues and will look to do this through the forums already in place as well as additional forums as appropriate.

Redundancy provisions

Consistent with the IR Policy's approach to employment security, CS Energy's collective agreements provide that redundancy could occur as a last resort, and prioritise redeployment, retraining and relocation in preference to retrenchment. Severance payments include three weeks pay for every year of service, to a maximum of 75 weeks, plus an early separation payment of 13 weeks, pro-rata long service leave and a re-training and outplacement support costing \$1,000 - \$2,000 per employee, depending on the site.

Employment security

Three of the four current CS Energy enterprise agreements do not contemplate involuntary redundancies. The Kogan Creek EA is the only agreement that recognises involuntary redundancy, in circumstances where all other employment options including redeployment, retraining and transfers have been exhausted. CS Energy applies the employment security policy of the Queensland Government.

Contracting out

CS Energy complies with Enterprise Agreements, the IR Policy and any applicable legislation on the use of contractors.

Superannuation

In accordance with *Superannuation Guarantee (Administration) Act 1992 (Cth)* CS Energy offers membership of and contributes to a number of approved superannuation funds, as requested by employees. Under CS Energy policy, the Energy Super Fund is the default fund for new defined contribution fund members.

The Energy Super Defined Benefit Fund which closed to new employees in 2002, has an employee contribution rate of five percent post tax or 5.88 percent pre-tax and an employer contribution rate of nil. This rate is reviewed every two years by the Fund Actuary. Presently, 18.4 percent of the CS Energy workforce remains in this plan.

The remainder of the workforce are members of a number of defined contribution funds, with 44.6 percent of the workforce in the Superannuation Guarantee Contribution (**SGC**) employer fund (currently 9.5 percent contribution) and the remaining 37 percent of the workforce are in the contributory defined

contribution fund where the employee contribution is five percent post tax or 5.88 percent pre-tax with CS Energy contributing 10 percent.

Union encouragement

CS Energy provides all new employees with a list of union representatives prior to their commencement with the company and makes payroll deductions of union dues available to employees. In addition, CS Energy regularly provides new starter details to unions. The company's enterprise agreements include provision for workplace union representatives to be released from normal duties on pay, so that they can provide support to union members during grievance and dispute settling procedures, including attendance at Fair Work Commission proceedings. Employee representatives are also provided with paid time off to participate in education activities relevant to their representative roles and may also be granted paid leave to participate in union conferences or management committee meetings where such attendance is a requirement of their office.

Consultation

Employees, unions and representatives of Queensland Treasury, the Department of Energy and Water Supply (**DEWS**) and the Office of Fair and Safe Work have been consulted in the preparation of this Plan. The consultation process has included provision of draft documents, face to face meetings and written feedback from these stakeholders.

Appendix B: Sponsorship, advertising, donations, corporate entertainment

**Table 1: Sponsorship, Advertising, Corporate Entertainment, Donations and Other Activities
Details of individual expenditure items¹**

Activity	Description	2017/18 Budget (\$)
SPONSORSHIP		
Other (total) above \$5,000	Nil	0
Total over \$5,000		0
Other (total) below \$5,000	Small discretionary sponsorships from Brisbane and the Callide, Kogan Creek and Wivenhoe power stations to raise CS Energy's profile.	125,000
TOTAL Sponsorships		125,000
ADVERTISING²		
Total over \$5,000		0
Other (total) below \$5,000	Site-based, non-campaign advertising for Chinchilla Community Benefits Trust, grants programs, and advertising tenders.	10,000
TOTAL Advertising		10,000
CORPORATE ENTERTAINMENT		
Total over \$5,000		0
Other (total) below \$5,000	Business development activities to support electricity contracting activities.	0
TOTAL Corporate Entertainment		0
DONATIONS		
Chinchilla Community Benefits Trust	Trust established by original proponents of Kogan Creek Power Station and taken over by CS Energy on purchase. Contributes to community infrastructure projects.	25,000
Total over \$5,000		25,000
Other (total) below \$5,000	Discretionary donations to community events and activities at Brisbane, Callide, Kogan Creek and Wivenhoe.	20,000
TOTAL Donations		45,000
OTHER		
Total over \$5,000		0
Other (total) below \$5,000	None	0
TOTAL Other		0
TOTAL¹		0

1. All expenditure is GST exclusive.

2. Does not include recruitment advertising.

**Table 2: Corporate Entertainment
Details of Total Budgeted Expenditure under \$5,000¹**

Activity	2017/18 Budget (\$)
Corporate entertainment total	
• Staff functions	0
• New business	0
• Stakeholder and community engagement	0
TOTAL UNDER \$5,000¹	0

1. All expenditure is GST exclusive.
2. These figures are not cumulative.

Appendix C: Glossary of terms and definitions

AIA	Alternative Individual Agreement
Availability	A measure of a unit's actual capacity to generate compared to the maximum possible for a given period.
CO ₂ -e	Carbon dioxide equivalence, which is a standard measure used to compare the emissions from various greenhouse gases based on upon their global warming potential.
CS Energy owned generation (2,355 MW)	Kogan Creek Power Station (750 MW) Callide B Power Station (700 MW) Callide C (405 MW – excludes JV partner's share) Wivenhoe Power Station (500 MW)
CS Energy trading portfolio (4,035 MW)	Kogan Creek Power Station (750 MW) Callide B Power Station (700 MW) Callide C (405 MW – excludes JV partner's share) Wivenhoe Power Station (500 MW) Gladstone Power Station (1,680 MW)
DEHP	Department of Environment and Heritage Protection
DEWS	Department of Energy and Water Supply
EA	Enterprise Agreement
EACFD	Equivalent Availability Capacity Factor Demand
EBITDA	Earnings before interest expense, tax, depreciation and amortisation.
EBITDAIF	Earnings before interest expense, tax, depreciation, amortisation, impairment losses/loss reversals and net fair value gains/losses on financial instruments, excluding abnormal items.
EEO	Equal Employment Opportunity
EFOF	Equivalent Forced Outage Factor
E&IR Plan	Employment and Industrial Relations Plan
ELT	Executive Leadership Team
EMOF	Equivalent Maintenance Outage Factor
EMS	Environmental Management System
Energy sent out	The amount of electricity sent to the grid.

EPOF	Equivalent Planned Outage Factor
FCFY	Free cash flow yield. FCFY is calculated by: Free Cash Flow (excluding variation margin) / Gross Fixed Assets + Net Working Capital.
FTE	Full Time Equivalent
FWA	Fair Work Australia
GOC Act	Government Owned Corporations Act 1993 (Qld)
Gross fixed assets	Gross fixed assets is defined as the undepreciated value of property, plant and equipment still within useful life.
GW	Gigawatt (one GW = 1,000 megawatts)
GWh	Gigawatt hours (one GWh is equal to 1,000 megawatts (MW) of electricity used continuously for one hour)
IPI	Individual Performance Incentives
IPPA	Gladstone Interconnection and Power Pooling Agreement
IR Policy	Government Owned Corporations - Wages and Industrial Relations Policy 2015.
ISO 14001	An international standard for an Environmental Management System (EMS).
KPI	Key Performance Indicator
kgCO ₂ -e/MWhso	Greenhouse gas emission intensity per energy sent out. The amount of greenhouse gas emitted per unit of energy sent out (expressed in units of CO ₂ -e per unit of electricity sent out to the grid). Greenhouse gas emissions intensity is a way of measuring the efficiency of an electricity generator, by dividing total emissions by the amount of electricity produced.
LTI	Lost Time Injury. An LTI is an occurrence that results in time lost from work of one shift or more, not including the shift in which the injury occurred.
LTPPA	Long Term Power Purchasing Agreement
LTIFR	Lost Time Injury Frequency Rate. The number of LTIs per million hours worked by employees and contractors (calculated on a 12-month moving average).

Mandate	Shareholder Mandate. The Shareholder Mandate was issued to CS Energy by the Queensland Government in July 2016. The Mandate provides an overview of the Queensland Government's performance expectations of CS Energy as well outlines areas of potential growth and development for the business.
ML	Megalitre (one ML = one million litres)
MTI	Medical Treatment Injury
MW	Megawatt (one MW = one million watts)
MWh	Megawatt hours (one megawatt generated for one hour)
MWhso	Megawatt hours sent out
NEM	National Electricity Market
NPAT	Net Profit After Tax
O&M	Operations and maintenance services
Planned outage factor	A measure of a unit's lost capacity to generate due to planned outages (overhauls) for a given period.
QTC	Queensland Treasury Corporation
Reliability	A measure of a unit's actual capacity to generate compared to the maximum possible for a given period, excluding periods of planned outages (overhauls).
ROGFA	Return on Gross Fixed Assets. ROGFA is calculated by: $\frac{\text{Underlying EBITDAIF}}{\text{Gross Fixed Assets} + \text{Net Working Capital}}$
SCI	Statement of Corporate Intent
SD	Seasonal De-ratings
SEI	A Significant Environmental Incident is an incident that has a significant impact on the environment or which results in enforcement action by a regulator.
SR	Start Reliability. Start reliability is calculated by the Number of starting successes / (Number of starting success + Number of starting failures).
TFR	Total Fixed Remuneration



Underlying EBITDA	Underlying earnings before interest, tax depreciation and amortisation.
Underlying EBIT	Earnings before interest, tax, and significant items.
Unplanned outage factor	A measure of a unit's lost capacity to generate due to forced or maintenance outages or de-ratings.

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