

Amended Statement of Corporate Intent 2012/2013

For Parliamentary tabling

28 September 2012

Prepared by the Directors and Management
of CS Energy Ltd (ABN 54 078 848 745)
for shareholding Ministers

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1 CS Energy Outlook 2012/2013

1.1 Introduction

CS Energy Limited (CS Energy) is a Queensland Government Owned Corporation established under the *Government Owned Corporations Act 1993* (Qld) (GOC Act).

The Statement of Corporate Intent represents the formal performance agreement between the Board of CS Energy and its shareholding Ministers with respect to the financial and non-financial performance targets for the financial year. It also represents an acknowledgment of, and agreement to, major activities, objectives, undertakings, policies, investments and borrowings of CS Energy.

In their letter to CS Energy dated 6 September 2012 (shareholders' expectations letter), the shareholding Ministers requested that the Board approved 2012/2013 Statement of Corporate Intent (May 2012 SCI) and 2012/2013 – 2016/2017 Corporate Plan (May 2012 CP) be revised to reflect their expectations around the future direction and performance of CS Energy, and that the Employment and Industrial Relations Plan be amended to reflect the new Government Wages Policy.

The financial information in this Amended 2012/2013 Statement of Corporate Intent (Amended SCI) reflects the shareholder performance expectations, along with updated market demand outlook and expected plant performance.

1.2 Response to shareholders' expectations letter

Consistent with the shareholders' expectations letter, CS Energy is focussed on achieving cost and performance efficiencies from the existing asset base. Overhead costs are a significant focus, with a planned reduction of corporate office staff from 180 to 120 already well progressed and expected to be completed by 31 December 2012. Other non-labour operational costs at corporate office and sites are also being reduced; capital expenditure has been reduced to focus only on essential and committed work and projects.

A key priority will be ensuring forecast revenue for 2012/2013 is achieved through a strategy that seeks to optimise portfolio bidding while continuing to pursue diversified channels to market for wholesale and retail counterparties and channel partners.

Long term plant reliability will continue to be addressed through the Four Pillars Reliability Framework. This will be supplemented with a shorter term focus on risk assessment around unplanned outages, operations responsiveness to ensure rapid return to service, and organisational alignment to improve preventative maintenance compliance, reduce human error and provide clear accountability.

CS Energy has extensive coal assets, with a significant proportion surplus to electricity generation needs, and is developing an appropriate strategy to maximise the value of its coal portfolio and progress options to monetise the value of surplus coal assets.

1.3 Key Performance Objectives

CS Energy's focus is to drive sustainable operating performance by delivering:

- Positive EBIT in 2012/2013 and future years; and
-

The following strategies will enable CS Energy to meet these objectives:

Cost Reduction/Cash Flow Improvements

- Carry out essential operational and capital expenditure only;
- Reduce corporate office staffing levels; and
- Eliminate corporate entertainment, hospitality, consultancies and corporate office contractors where possible.

Revenue

- Achieve existing revenue forecasts; and
- Commence monetising surplus coal assets.

Plant Reliability

- Achieve plant reliability targets in the short and long term; and
-

Debt Management

- No further debt draw downs;
- Commence a debt reduction program; and
- Minimise interest costs.

Key performance objectives and key initiatives for 2012/2013 are summarised below.

Operational Objectives	Key Initiatives & Performance Measures 2012/2013
Reduce operational expenditure along with a debt reduction strategy.	<ul style="list-style-type: none"> • Continue the critical review of operating and capital expenditure. • Implement a debt reduction strategy subject to discussion and agreement with Queensland Treasury Corporation.
Consider opportunities to improve revenue outcomes and ensure forecast revenue is achieved.	<ul style="list-style-type: none"> • Continue to diversify channels to market, increasing commercial and industrial sales volume. • Meet reliability targets. • Optimise the operation of the portfolio to achieve forecast gross margin.
Review forward estimates and identify ongoing cost controls to achieve positive EBIT and EBITDA.	<ul style="list-style-type: none"> • Prioritise capital and only proceed with critical expenditure. • Adhere to the investment and capital approval thresholds set by shareholders. • Eliminate all non-essential and non-committed entertainment, hospitality, consultancies and corporate office contractors.
Provide a detailed plan to monetise surplus coal assets in the coming year.	<ul style="list-style-type: none"> • Coal commercialisation strategy developed and approved by Board by 31 December 2012 and progressively implemented.
Reduce the organisation size while ensuring management's capability to deliver.	<ul style="list-style-type: none"> • Reduce corporate office full time equivalent employees by a minimum of 60 (from 180.5 to 120.5) by 31 December 2012. • Simplify systems and processes to achieve further efficiency gains.
Adopt Employment and Industrial Relations practices consistent with the new GOC Wages Policy.	<ul style="list-style-type: none"> • Amend the Employment and Industrial Relations Plan to reflect the new GOC Wages Policy, and ensure compliance.

1.4 Key Performance Outcomes

Financial Performance Metrics

Quarter 2012/2013				Financial Targets	2010/11 Actual ¹	2011/12 Budget	2011/12 Actual	2012/13 Budget
Sept	Dec	Mar	Jun					
8.7	11.6	51.2	24.4	EBITDA (\$M) ³	(650.3)	114.7	72.8	95.9
(13.4)	(12.0)	27.6	0.6	EBIT (\$M)	(799.1)	29.8	(13.4)	2.8
(19.3)	(18.0)	10.2	(8.4)	NPAT (\$M)	(614.6)	(15.3)	(51.5)	(35.5)
				Gross Margin (\$M) ³				
(34.1)	(32.2)	(4.8)	(23.0)	Economic profit (\$M)	(654.2)	(72.4)	(113.9)	(94.1)
(3.4)	(2.9)	6.8	0.1	Return on operating assets (%)	(38.1)	1.8	(0.8)	0.2
(3.0)	(2.6)	6.0	0.1	Return on total assets (%)	(36.8)	1.8	(0.7)	0.2
(21.1)	(20.7)	11.8	(9.7)	Return on equity (%)	(100.5)	(3.7)	(16.1)	(9.9)
69.8	70.4	69.8	70.0	Debt/debt + equity (%)	75.8	47.2	68.7	70.0
0.6	0.8	3.9	1.9	Interest Cover (EBITDA / Net Interest)	(7.6)	2.2	1.2	1.8
54.0	30.2	14.3	14.6	Capital expenditure (\$M)	151.4	189.7	121.9	113.1
				Operations, maintenance, water and services costs (\$M)				
				O&M cost excl fuel and carbon (\$/MWhso) ²				
				Fuel cost (\$/MWhso) ²				
				Carbon cost (\$/MWhso) ²				

1. Reflects the CS Energy portfolio pre-1 July 2011.

2. Unit cost \$/MWh is based on sent-out generation excluding the Gladstone Boyne Smelter load.

3. Excluding fair value and year-end adjustments.

Non-Financial Performance Metrics

Quarter 2012/2013				Non-Financial Targets	2010/11 Actual ¹	2011/12 Budget	2011/12 Actual	2012/13 Budget
Sept	Dec	Mar	Jun					
Production								
				Energy sent out (GWh sent out)				
				Callide B	2,923		3,606	
				Callide C	2,363		2,352	
				Gladstone	N/A		6,942	
				Kogan Creek	5,029		4,265	
				Wivenhoe ²	N/A		(27)	
4,399	4,420	4,627	4,295	CS Energy sent out	15,636	18,442	17,138	17,741
Availability (%)								
72.8	86.9	86.9	86.9	Callide B	76.3	91.1	75.4	83.3
88.2	64.3	89.3	89.3	Callide C	82.5	84.1	84.7	82.7
88.6	88.6	88.6	88.6	Kogan Creek	88.0	80.4	76.6	88.6
97.7	72.7	97.7	64.7	Wivenhoe ²	N/A	91.2	99.6	83.2
85.8	80.6	90.2	83.2	CS Energy weighted average	85.6	86.5	82.8	84.9
Reliability (%)								
86.9	86.9	86.9	86.9	Callide B	84.9	95.8	83.3	86.9
89.3	89.3	89.3	89.3	Callide C	88.0	90.0	88.5	89.3
88.6	88.6	88.6	88.6	Kogan Creek	89.5	92.0	90.4	88.6
97.7	97.7	97.7	97.7	Wivenhoe ²	N/A	100.0	99.6	97.7
90.2	90.2	90.2	90.2	CS Energy weighted average	88.6	92.9	89.7	90.2
Capacity factor (%)								
				Callide B				
				Callide C				
				Gladstone				
				Kogan Creek				
				Wivenhoe ²				
Planned outage factor (%)								
14.1	0	0	0	Callide B	10.7	5.8	7.3	3.6
1.1	25.0	0	0	Callide C	3.7	4.0	3.3	6.6
0.0	0	0	0	Kogan Creek	1.0	10.1	13.3	0
0.0	25.0	0	33.0	Wivenhoe ²	N/A	8.2	0.0	14.5
4.4	9.6	0	7.0	CS Energy weighted average	4.1	4.2	6.4	5.3
Unplanned outage factor (%)								
13.1	13.1	13.1	13.1	Callide B	13.0	6.2	16.7	13.1
10.7	10.7	10.7	10.7	Callide C	13.8	12.0	11.5	10.7
11.4	11.4	11.4	11.4	Kogan Creek	11.0	9.5	9.6	11.4
2.3	2.3	2.3	2.3	Wivenhoe ²	N/A	0.6	0.4	2.3
9.8	9.8	9.8	9.8	CS Energy weighted average	10.3	9.6	10.3	9.8
People								
7%	7%	7%	7%	Staff turnover (annualised) ⁸	8.4%	14%	10.1%	7%
97%	97%	97%	97%	Employee Availability	96.6%	97%	97.2%	97%
491	488	470	466	Net FTE staff numbers ³	638	528	491	466
Environment								
0	0	0	0	EP Act Enforcement Action ⁴	0	0	0	0
All sites	All sites	All sites	All sites	Certification to ISO 14001	All sites	All sites	All sites	All sites
825	829	828	829	Greenhouse gas intensity (kgCO ₂ e/MWh generated) ⁶	819 ⁵	833	872	886
892	892	892	892	Callide B	932	892	923	940
850	850	850	850	Callide C	894	850	896	902
768	768	768	768	Kogan Creek	810	768	818	835
0	0	0	0	Wivenhoe	N/A	0	0	0
2,992	3,006	3,147	2,923	Greenhouse emissions (ktCO ₂ e) ⁶	14,880 ⁵	10,931	9,741	12,068
0	0	0	0	Renewable energy production (GWh)	31	0	0	0
Safety								
<4	<3.5	<2.5	<2	Lost time injury frequency rate (LTIFR) ⁷	2.4	<2	4.3	<2

See over for Footnotes

Footnotes

1. Reflects the CS Energy portfolio pre-1 July 2011.
2. The forced outage factor of Wivenhoe Power Station is based upon the equivalent forced outage factor for pumped storage in the NERC standard derived from a sample of 115 similar stations. Generation shown on a net basis including pumping energy.
3. Does not include contractors or externally employed apprentices and trainees. Reflects numbers at 30 June 2012.
4. The number of enforcement actions taken against the Corporation or its officers under the *Environmental Protection Act 1994* including penalty infringement notices, environmental protection orders, restraint orders or convictions of offences.
5. Calculations based on the National Greenhouse Energy Reporting System (NGERS). For 2010/2011, no abatement was allowed under the NGERS rules for combustion of landfill gas at Swanbank B Power Station (for historical data).
6. Calculated on CS Energy share of generation from Callide C Power Station.
7. LTIFR is a rolling 12 month figure.
8. Excludes redundancies.

In addition to the Non Finance Performance Metrics in the table above, CS Energy has a major focus on conducting its business safely.

The safety of our employees and contractors working across our sites is our top priority. Zero harm is the only acceptable outcome and improving safety performance remains a key focus across the Company.

The priorities for 2012/2013 include:

- Further embedding safety behaviours and actions by a continued focus on leading safety indicators, such as toolbox talks and safety observations;
- Enhancing the safety leadership program across CS Energy through the Health and Safety Taskforce; and
- Focusing on improved management of critical risks such as manual handling.

1.5 Strategies to Achieve Key Performance Objectives

As set out in Section 1.1, this Amended Statement of Corporate Intent (SCI) includes a revenue forecast that was completed in July 2012 and incorporates revised demand forecasts from the Australian Energy Market Operator (AEMO) that results in lower forecast revenue than was in the May 2012 SCI.

The Amended SCI incorporates operational and capital expenditure reductions to meet the Key Performance Objectives set out in Section 1.3 regarding:

- Cost Reduction / Improved Cash Flow
- Revenue
- Plant Reliability; and
- Debt Management.

Further detail on each of the above is set out below.

1.6 Cost Reductions / Improved Cash Flow

The cost reductions drive improvement in cash flows. The cash flow improvement is set out in the following table.

CS Energy will generate an additional savings in operating and capital expenditures over the two year period 2012/2013 and 2013/2014, and sustained over the period covered by the Corporate Plan.

The shareholding Ministers' target allows for the inclusion of corporate office labour savings already included in the May 2012 SCI and excludes non-routine expenses (such as redundancy costs) required to achieve these savings. This equates to a reduction of 60 Full Time Equivalents (FTEs) from the corporate office by 31 December 2012.

Summary of Cash Flow Savings (excludes Non Cash expenses)	2012/2013 (\$'000)	2013/2014 (\$'000)	Total (\$'000)
Site Costs			
Corporate Costs			
Net Interest Expense			
Operating Expenditure Cash Flow Savings			
Capital Expenditure Cash Flow Savings			
Total Cash Flow Savings			
Labour Savings Target already included in the July 2012 Five Year Forecast			
Cash Flow Savings including Labour Reductions			

1.7 Revenue

On 29 June 2012, AEMO provided a significant revision to the demand forecasts previously released to the market. The revenue and gross margin forecast included in this SCI reflects this forecast, including the continuation of very low underlying demand growth and a delay in LNG start-up by 18 months from the previous AEMO demand forecast.

A diversified strategy to achieve the 2012/2013 revenue target has been developed.

1.8 Reliability

The reliability of the portfolio must improve and unit production costs must reduce. Improved availability and reliability will enable greater opportunities to increase revenue.

CS Energy has established the Four Pillars Reliability Framework which is focused on driving improvement in plant performance and reliability by:

1. Improving asset management to achieve optimal efficiency of operation over the plant life;
2. Finding solutions to unexpected plant issues including:
 - Root cause analysis for major plant incidents to ensure full identification and closeout of actions; and
 - Comprehensive plant risk management system for driving optimised maintenance and capital expenditure;
3. Driving performance through an operational excellence program and reliability taskforce; and
4. Improving accountability for performance through optimising the organisational structure and increased individual accountability in a performance based culture.

The implementation of the Project Management Office in recent months has also improved the rigour around capital and operating projects which will lead to an improvement in project delivery and achievement of business case outcomes.

In addition to the longer term focus of the Four Pillars Reliability Framework, a complementary shorter term program has been initiated in order to improve portfolio availability and ensure that the 2012/2013 revenue forecasts are achieved. The success of this program will be measured by

achieving the corporate plant availability target and a reduction in the length of unplanned outages for the balance of 2012/2013.

This short term program is focused on the improved integration and commercial focus of the Safety, Reliability and Environment, Production and Markets teams. This integration will be achieved through an increased and consistent focus on risk management and the probability that risks will materialise. Integration across the teams will ultimately seek to balance engineering and commercial needs and focus the organisation on the achievement of availability and revenue targets.

There are three elements to this short term program:

1. Risk Assessment of Unplanned Outages - Known and Emergent Risks

Whilst the Four Pillars Reliability Framework is focused over the medium to longer term, the shorter term focus of the Production and Safety, Reliability and Environment Teams is on ensuring that a comprehensive assessment of the probability and consequences of plant risks and unplanned outages at each of the sites is reviewed. This assessment of risk probability and consequence will assist in prioritising and reshaping the production team's short term maintenance program.

Other specific actions to minimise the occurrence of unplanned outages and trips going forward include:

Action	Timing	Accountability	Outcome
Complete the program of re-tuning the Callide Power Station Units C3 and C4.	December 2012	Executive General Manager, Production	Improved Callide C Power Station boiler combustion to stay on line after clinker falls (that create excess pressure disturbance)
Complete Kogan Creek Power Station boiler fouling clean and other priority reliability work.	September 2012	Executive General Manager, Production	No forced outages caused by clinker build up over Quarter 1 in 2013.
Ensure recently installed Kogan Creek Power Station boiler internal camera is actively utilised by the plant operators to manage signs of clinker build up.	On going	Executive General Manager, Production	Delay clinker clearing outage until after Quarter 1 in 2013.
Complete combustion tuning of boiler to minimise fouling at Kogan Creek Power Station.	November 2012	Executive General Manager, Production	Achieve zero trips from ongoing clinker falls.
Reliability Taskforce will concentrate on conducting detailed review of work backlogs.	December 2012	Executive General Manager, Production	Prioritise work orders to focus on reliability.
Reliability Taskforce will implement a summer reliability campaign.	October 2012	Executive General Manager, Production	Avoid human related trips by targeting engagement and purpose of staff and contractors over the critical summer period.

Action	Timing	Accountability	Outcome
Implement new service agreements for upcoming overhauls, maintenance and forced outages.	November 2012	Executive General Manager, Production	Drive competitive tension into delivering more cost effective works.

2. Operations Responsiveness

This aspect of the program recognises that unplanned outages will occur and that the priority is to return to service as quickly as possible. CS Energy is focused on reducing the length of unplanned outages and is taking immediate steps to improve its operational responsiveness and resource mobilisation. In addition, CS Energy is committed to reducing planned overhauls to as short a window as possible.

Specific actions to minimise the duration of unplanned outages going forward include:

Action	Timing	Accountability	Outcome
Plan for future Kogan Creek Power Station boiler cleans to be completed within five days (currently ten day outages).	October 2012	Executive General Manager, Production	Achieve a five day improvement in forced outage time for any future Kogan Creek Power Station's boiler rear pass blockage clearing.
Callide Power Station's Unit B induced draft (ID) fan blade replacement planning (scheduled outside overhauls) to be completed in less than the one month turnaround originally planned for.	October 2012	Executive General Manager, Production	ID fan replacement will be required in future. Early planning to achieve reduced outage time.
Application of crisis capability to unplanned outages.	December 2012	Executive General Manager, Production	Reduction in the length of any unplanned outages over the balance of 2012/2013.

3. Organisation Alignment

This aspect of the program is a shorter cycle version of the Operational Excellence program that is designed to improve preventative maintenance compliance and eliminate human error in the cause of unplanned trips and outages. This program includes the completion of the Callide management restructure, which will provide clear management accountability for short term reliability.

Intervention strategies going forward are:

Action	Timing	Accountability	Outcome
Boost Callide Power Station's site management capability with a Senior Site Manager seconded from InterGen Europe for up to two years to supplement the CS Energy management team.	November 2012 (following three month trial period)	Executive General Manager, Production	Operational Excellence projects are delivered with a focus of reliability and cost reduction.
Deploy Operational Excellence Program in conjunction with InterGen.	June 2013	Executive General Manager, Production	Address reliability issues with a commercial focus.
Recruitment of a highly experienced Coal Fired Plant Maintenance Superintendent for Callide C Power Station.	October 2012	Executive General Manager, Production	Bring in best practice operating leadership to focus on reliability issues commercially.
Implement an in-house supervisory skills program.	October 2012 (Start program)	Executive General Manager, People, Systems and Risks	Improvement of line management alignment to corporate objectives through personal goal setting and performance management and an increased emphasis on up skilling Supervisors.
Review of the work management system.	June 2012 with "quick wins" by December 2012	Executive General Manager, Production	Streamline allocation of tasks and ensure effective performance of preventative maintenance activities.
Provide increased technical support from corporate engineering during overhauls.	Ongoing	Executive General Manager, Safety, Reliability and Environment	To ensure work is performed to the best technical reliability standards and time frames possible.

1.9 Identify ongoing cost controls to achieve positive EBIT and EBITDA

1. Finalising a review of capital expenditure to ensure that only essential capital is expended in the short and medium term.

A focus on capital expenditure and overhauls, and removal of non-essential projects.

The Kogan Creek Solar Boost Project is committed, and while there is a change in cash flows over the period, this is related to project timing and the net impact is nil over that period.

2. Corporate entertainment, hospitality, consultancies and corporate office contractors will be eliminated where possible.

All of these items have been reduced or eliminated as set out in the Attachment 3. Only paid or committed sponsorships and Chinchilla Community Benefits Trust obligations will continue.

The *Generosity* Corporate Giving Program has been reviewed and it is proposed that the matching scheme is suspended from 1 October 2012. This is discretionary expenditure and no binding commitments have been made to the six charities. Employee donations can continue unaffected.

With respect to corporate entertainment, budgets have been reset to limit activity to the bare minimum. Contributions to site and corporate Christmas functions and funding for the annual corporate client function have been eliminated.

We have previously undertaken a review of consultancies and corporate office contractors, and these have been reduced or eliminated where possible.

1.10 Commit to a debt reduction program

CS Energy has forecast a payment to the redraw facility by December 2012 and Principal payments from 1 July 2013 based on a 20 year debt repayment term.

While the suggested debt repayment plan is still to be confirmed with Queensland Treasury Corporation, this will be progressed as a priority.

1.11 Callide Coal Supply

1.12 Coal Monetisation

CS Energy has extensive coal assets and a proportion of these reserves are surplus to electricity generation needs. CS Energy is developing an appropriate strategy to maximise the value of its coal portfolio and progress options to monetise the value of surplus coal assets.

CS Energy is implementing immediate actions to increase the market value of the assets, provide the earliest possible revenue opportunities, and maximise the value of the assets in the market. This involves updating the resource estimates, exploring opportunities for immediate and longer term access to infrastructure and the evaluation of the potential to develop product sales.

1.13 Employment and Industrial Relations practices consistent with the new GOC Wages Policy

The People and Safety Committee has oversight of the Employment and Industrial Relations strategy under development by the Executive Management Team and People and Culture Team. The new GOC Wages Policy removes many of the constraints in the policy of the former government and these will go some way to addressing the inefficiencies faced in dealing with employment related matters at the power stations.

Given the recent approval of all CS Energy Enterprise Agreements based on the former government policy, the new policy cannot be put into immediate effect. However the implementation of the new policy by other GOC entities as renegotiation and expiry of agreements occurs will provide important guidance and leverage for CS Energy as we move towards our own renegotiations which will be built into the strategies being developed.

1.14 Reporting

The Monthly Performance Report will be the tool for communicating achievements to the Board and shareholders on a regular basis, supported by the Quarterly Report required under the GOC Act.

2 Additional Matters

2.1 Key Assumptions

CS Energy's undertaking to achieve its performance outcomes is predicated upon the following key assumptions:

Key Assumptions	2010/11 Actual ³	2011/12 Budget	2011/12 Actual	2012/13 Budget
Economic indices				
CPI (average 10 years) ¹	3.8	2.5	0.9	0.0
Wages growth (%)	EBA	EBA	EBA	EBA
Long term interest rate (%) ²	8.3	8.3	8.0	7.9
Dividend payout ratio (%)	80	80	80	80
Carbon price (\$/tCO ₂ e)	N/A	N/A	N/A	23.00
Revenue⁴				
Pool and contract revenue (\$/MWhso)				
Net on-grid contract revenue (\$M)				
Total operating revenue (\$M)				
Volume of contracts (MW)				
Peak				
Off peak				
Average strike price for contracts (\$/MWh)				
Peak				
Off peak				
Other revenue				
GEC price (\$/certificate)				
GEC volume sold ('000s certificates)				
National Electricity Market				
Time-weighted average pool price (\$/MWh)	30.97		29.07	
Volume-weighted average pool price (\$/MWh)				
Energy				
Total energy produced (GWh)				
Total energy sent out (GWh)	15,636	18,442	17,138	17,741
Contract volume sold (GWh) ⁵				

1. Reflects mid-point of Commonwealth Government target band.

2. Reflects advice from Queensland Treasury Corporation.

3. Reflects CS Energy portfolio pre-1 July 2011.

4. The significant increase in revenue between 2011/12 and 2012/13 largely reflects higher pool prices due to carbon price impacts.

5. Excludes the Boyne Smelter load of the Gladstone Power Station Gladstone Power Station Interconnection and Power Pooling Agreement (GPS IPPA)

2.2 Financial Information

2.2.1 Group Profit and Loss, Balance Sheet and Cash Flow

Statement of Income Group (Consolidated)

Sep \$M	Quarter 2012/13 Dec \$M	Mar \$M	Jun \$M		2010/11 Actual \$M	2011/12 Budget \$M	2011/12 Actual \$M	2012/13 Budget \$M
156.2	154.6	205.1	170.8	Sales of Electricity	615.4	453.3	380.4	686.7
				Gross Margin				
				Mark to Market				
				Operations, Maintenance & Services				
				Gladstone IPPA Costs				
				Other Revenue/(Costs)				
10.0	12.9	52.5	25.7	Operating Profit/(Loss)	141.2	114.7	75.4	101.1
				Non-Routine Revenue/(Expenses)				
8.7	11.6	51.2	24.4	Earnings Before Interest Tax, Depreciation and Amortisation	(650.3)	114.7	72.8	95.9
(22.1)	(23.6)	(23.6)	(23.8)	Depreciation and Amortisation	(148.8)	(84.9)	(86.2)	(93.1)
(13.4)	(12.0)	27.6	0.6	Earnings Before Interest and Tax	(799.1)	29.8	(13.4)	2.8
(14.2)	(13.8)	(13.1)	(12.7)	Interest Expense (Net)	(85.9)	(51.9)	(61.5)	(53.8)
8.3	7.8	(4.3)	3.7	Income Tax (Expense)/Benefit	270.4	6.8	23.4	15.5
(19.3)	(18.0)	10.2	(8.4)	Profit/(Loss) After Tax	(614.6)	(15.3)	(51.5)	(35.5)
				Profit/(Loss) After Tax excluding Mark to Market				

Transactions with Owners as Owners

	2010/2011 Actual \$M	2011/2012 Budget \$M	2011/2012 Actual \$M	2012/2013 Budget \$M
Equity injections	0	500	300 ¹	0
Equity withdrawals	0	0	0	0
Dividends provided	0	0	0	0
Current TEPs expense/(benefit)	(270.4)	(6.8)	(23.4)	(15.5)

1. \$150 million received September 2011; \$150 million received January 2012.

Statement of Financial Position Group (Consolidated)

Sep	Quarter 2012/13				2010/11	2011/12	2011/12	2012/13
	Dec	Mar	Jun		Actual	Budget	Actual	Budget
\$M	\$M	\$M	\$M		\$M	\$M	\$M	\$M
				Current Assets				
177.6	182.5	260.1	123.2	Cash	31.9	32.3	245.6	123.2
112.4	116.4	127.0	108.8	Receivables	137.4	120.1	117.4	108.8
0.0	0.0	0.0	0.0	Investments	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Derivative Financial Instruments	73.4	0.0	42.0	0.0
54.1	53.7	53.2	53.5	Inventories	63.2	60.3	54.6	53.5
0.0	0.0	0.0	0.0	Other	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Assets Held For Distribution ¹	274.0	0.0	0.0	0.0
344.1	352.6	440.3	285.5	Total Current Assets	579.9	212.7	459.6	285.5
				Non-Current Assets				
0.0	0.0	0.0	0.0	Investments	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Receivables	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Derivative Financial Instruments	28.9	0.0	15.6	0.0
0.0	0.0	0.0	0.0	Exploration & Evaluation Costs	0.0	0.0	0.0	0.0
1,147.1	1,148.1	1,133.1	1,123.5	Property, Plant & Equipment				
88.4	93.8	99.1	99.3	- Assets in Service	971.2	1,179.0	1,103.9	1,123.5
204.0	211.9	211.9	223.8	- Work in Progress	89.2	78.6	100.1	99.3
0.0	0.0	0.0	0.0	Deferred Tax Asset	93.5	122.2	195.5	223.8
				Other	8.0	7.6	0.0	0.0
1,439.5	1,453.8	1,444.1	1,446.6	Total Non-Current Assets	1,190.8	1,387.4	1,415.1	1,446.6
1,783.6	1,806.4	1,884.4	1,732.1	Total Assets	1,770.8	1,600.1	1,874.7	1,732.1
				Current Liabilities				
10.5	10.5	10.9	10.8	Accrued Employee Benefits	8.7	9.0	10.5	10.8
135.4	204.3	276.0	136.7	Creditors and Deferred Revenue	76.3	45.5	153.3	136.7
(3.6)	(3.6)	(3.6)	2.5	Derivative Financial Instruments	78.7	7.2	55.7	2.5
0.0	0.0	0.0	0.0	Borrowings	0.0	0.0	0.0	0.0
45.7	45.7	45.7	34.1	Provisions	0.0	37.7	45.7	34.1
0.0	0.0	4.1	0.0	Current Tax Liability	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Dividends	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Other	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Liabilities Held For Distribution ¹	278.8	0.0	0.0	0.0
188.0	256.9	333.1	184.1	Total Current Liabilities	442.6	99.3	265.2	184.1
				Non-Current Liabilities				
63.6	65.8	67.4	66.8	Creditors and Deferred Revenue	42.4	56.4	49.5	66.8
10.9	10.9	11.3	11.3	Accrued Employee Benefits	10.3	10.6	10.9	11.3
13.8	13.8	13.8	1.6	Derivative Financial Instruments	47.5	2.4	12.1	1.6
825.0	805.0	805.0	805.0	Borrowings	825.9	503.8	825.0	805.0
230.8	220.3	209.8	210.9	Provisions	49.7	249.1	241.3	210.9
87.3	87.5	87.6	99.9	Deferred Tax Liability	88.7	110.7	87.2	99.9
7.5	7.5	7.5	7.5	Other	0.0	0.0	7.5	7.5
1,238.9	1,210.8	1,202.4	1,203.1	Total Non-Current Liabilities	1,064.4	932.9	1,233.5	1,203.1
1,426.9	1,467.7	1,535.5	1,387.2	Total Liabilities	1,507.0	1,032.3	1,498.7	1,387.2
356.7	338.7	348.9	344.9	Net Assets	263.7	567.9	376.0	344.9
				Shareholders Equity				
1,114.4	1,114.4	1,114.4	1,114.4	Share Capital	953.1	1,176.4	1,114.4	1,114.4
(7.4)	(7.4)	(7.4)	(2.9)	Hedging Reserve	9.8	3.9	(7.4)	(2.9)
(750.3)	(768.3)	(758.1)	(766.6)	Retained Earnings	(699.2)	(612.4)	(731.0)	(766.6)
356.7	338.7	348.9	344.9	Total Shareholders Equity	263.7	567.9	376.0	344.9

1. Under the Queensland Government's Generator Restructure, these assets and liabilities were transferred to Stanwell Corporation Limited on 1 July 2011.

Statement of Cash Flows Group (Consolidated)

Sep \$M	Quarter 2012/13				2010/11	2011/12	2011/12	2012/13
	Dec \$M	Mar \$M	Jun \$M		Actual \$M	Budget \$M	Actual \$M	Budget \$M
207.0	224.5	230.5	223.0	Cash Flows from Operating Activities	675.0	633.3	484.8	885.0
(206.8)	(155.6)	(125.5)	(332.7)	Receipts from Customers				
0.2	0.2	0.2	0.2	Payments to Suppliers and Employees	(478.6)	(569.2)	(402.8)	(820.6)
(14.7)	(14.6)	(13.8)	(13.4)	Interest Received	0.6	1.0	1.1	0.8
0.0	0.0	0.0	0.0	Borrowing Costs Paid	(64.7)	(53.5)	(65.7)	(56.5)
				Tax Equivalent Payments	0.0	0.0	0.0	0.0
(14.3)	54.5	91.4	(122.9)	Net Cash Provided by Operating Activities	132.3	11.6	17.4	8.7
				Cash Flows from Investing Activities				
(53.7)	(29.6)	(13.8)	(14.0)	Payments for Property, Plant & Equipment	(160.1)	(189.2)	(128.3)	(111.1)
0.0	0.0	0.0	0.0	Proceeds from Sale of Non-Current Assets	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Other	(52.9)	0.0	24.6	0.0
(53.7)	(29.6)	(13.8)	(14.0)	Net Cash Provided by/(Used in) Investing Activities	(213.0)	(189.2)	(103.7)	(111.1)
				Cash Flows from Financing Activities				
0.0	0.0	0.0	0.0	Proceeds from Borrowings	0.0	114.6	0.0	0.0
0.0	(20.0)	0.0	0.0	Repayment of Borrowings	0.0	(436.7)	0.0	(20.0)
0.0	0.0	0.0	0.0	Equity Contributions	0.0	500.0	300.0	0.0
0.0	0.0	0.0	0.0	Dividends Paid	0.0	0.0	0.0	0.0
(0.0)	0.0	0.0	0.0	Other	0.0	0.0	0.0	0.0
(0.0)	(20.0)	0.0	0.0	Net Cash Provided by/(Used in) Financing Activities	0.0	177.9	300.0	(20.0)
(68.0)	4.9	77.6	(136.9)	Net Increase/(Decrease) in Cash Held	(80.7)	0.4	213.7	(122.4)
245.6	177.6	182.5	260.1	Cash at the Beginning of the Financial Year	113.2	31.9	31.9	245.6
0.0	0.0	0.0	0.0	Less: Cash balances held for distribution	(0.6)	0.0	0.0	0.0
177.6	182.5	260.1	123.2	Cash at the End of the Financial Year	31.9	32.3	245.6	123.2

2.2.2 Capital Expenditure (including overhauls)

Description	Budgeted Project Cost \$M	2012/2013 Budget \$M	Expected Completion Date	Status
Kogan Creek Solar Boost Project (excluding Government grants)			July 2013	In progress
Callide Power Station			June 2013	In progress
Kogan Creek Power Station			June 2013	In progress
Wivenhoe Power Station			June 2013	In progress
Corporate			June 2013	In progress
Coal strategy development			June 2013	In progress
Capital Excluding Overhauls	78.9	78.9		
Overhauls – Callide Power Station			June 2013	In progress
Overhauls – Kogan Creek Power Station			June 2013	In progress
Overhauls – Wivenhoe Power Station			June 2013	In progress
Overhauls	34.1	34.1		
Total Capital including Overhauls	113.0	113.0		

2.3 Other Requirements

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

2.3.1 Prudential Financial Information

The CS Energy Board will ensure the Company 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 policies and practices.

2.3.2 Capital Structure

The CS Energy 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. CS Energy's Board will ensure CS Energy complies with this.

2.3.3 Weighted Average Cost of Capital

The CS Energy Board will ensure that CS Energy reviews its Weighted Average Cost of Capital (WACC) on an annual basis. As part of the Statement of Corporate Intent process, CS Energy's beta and optimal capital structure have been determined in consultation with shareholder representatives.

Other than the annual review process, in the event CS Energy encounters a significant change to the risk profile of its business, its WACC will be recalculated in consultation with shareholder representatives. Details of CS Energy's WACC calculations are provided in Attachment 4.

2.3.4 Dividend Policy and Payment

While the dividend process is governed by the *Government Owned Corporations Act 1993* and the *Corporations Act 2001* (Cth), the CS Energy 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 amount equivalent to 80 per cent (or the percentage approved by shareholding Ministers, if different) of CS Energy's adjusted consolidated profit for 2012/2013 subject to the requirements of Section 254T of the *Corporations Act 2001*.

The CS Energy Board adopts such a policy unless otherwise agreed with the shareholding Ministers.

The dividend letter provided by the Board to shareholding Ministers in May 2013, will provide an estimate of the dividend for the financial year ending 30 June 2013 noting the potential for adjustment and recommend a dividend as a percentage of adjusted consolidated profit for the financial year. Adjusted profit is defined as:

- a) The total of income less expenses (including income tax equivalent expense), excluding the components of other comprehensive income¹; and

¹ Other comprehensive income comprises items of income and expenses that are not recognised in profit or loss as required or permitted by Australian Accounting Standards.

- b) Adjusted for material non-cash items including any associated tax credit or expense.

CS Energy commits to providing information in its dividend letter to shareholding Ministers for 2012/2013 that includes, but is not limited to, the following:

- A statement that:
 - the legal and accounting requirements for payment of the dividend under the *Corporations Act 2001* have been taken into account at the time of providing the Board's recommendation in the dividend letter; and
 - compliance by the Board with the requirements of section 254T (and any other applicable requirements) of the *Corporations Act 2001* at the time of dividend payment will be necessary before the dividend is paid;
- The current estimated amount of consolidated profit for the financial year (excluding components of other comprehensive income);
- The current estimated amount of 'adjusted consolidated profit' for the financial year;
- Details of adjustments made to determine the 'adjusted consolidated profit' from the estimated consolidated profit and a statement providing a breakdown of the value and reason for each adjustment;
- A statement that adjustment items or further adjustment items may be identified during the audited financial statement preparation;
- CS Energy's recommended dividend as a percentage of the estimated 'adjusted consolidated profit';
- The current estimated dollar amount of the proposed dividend for the financial year ending 30 June 2013;
- A statement that the dividend is to be declared out of profits;
- A statement that the dividend payment will be the dividend approved or directed as a percentage of adjusted audited consolidated profit;
- A statement that any material differences between the estimated dollar amount of the dividend and the actual dividend to be paid for 2012/2013 will be advised by CS Energy as soon as identified; and
- A statement that the Directors will consider the requirements under the accounting standards and the *Corporations Act 2001* on declaration of the dividend for payment.

When determining the actual dividend to be paid based on the audited financial results, the CS Energy Board will ensure shareholding Ministers are consulted through their departments, and that written agreement is received for any material changes to the adjustment items previously identified in May 2013, and for any subsequent new adjustment items identified. This written agreement is to be obtained by CS Energy prior to payment of the final dividend by the Board.

2.3.5 Corporate Governance Guidelines for Government Owned Corporations

The CS Energy Board undertakes to continually monitor and review its corporate governance arrangements to reflect good practice, having regard to the *Corporate Governance Guidelines for Government Owned Corporations* (Corporate Governance Guidelines). CS Energy has adopted all of the recommendations in the Corporate Governance Guidelines.

2.3.6 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 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 Risk Committee and the CS Energy Board, as appropriate, along with risk mitigation and management plans. 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.

2.3.7 Compliance with Government Policies

The Board of CS Energy and its subsidiaries will ensure that these entities comply with the relevant Government policies and guidelines as set out in Attachment 6. In particular, CS Energy and its subsidiaries will comply with the approval, notification, reporting and other requirements of those policies and guidelines.

2.3.8 Sponsorship, advertising, corporate entertainment, and donations

Consistent with the shareholders' letter of expectation of 6 September 2012, the *Corporate Entertainment and Hospitality Guidelines* and CS Energy's Corporate Entertainment and Hospitality Policy, all non-essential and non-committed sponsorships, advertising, entertainment and donations have been removed from the 2012/2013 budget except for a small budget for retail customer business development. Full details of the budgeted expenditure are provided in Attachment 3 to the Statement of Corporate Intent.

2.3.9 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 Attachment 2 to this Statement of Corporate Intent. The remuneration arrangements for the Directors, the Chief Executive and all Senior Executives of CS Energy are detailed in the E&IR Plan.

3 Performance Agreement

Directors' Statement and Agreement of Shareholding Ministers

This Statement of Corporate Intent and all attachments, for 2012/2013, 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 Statement of Corporate Intent represents a formal performance agreement between the Board of CS Energy and its shareholding Ministers with respect to the financial and non-financial performance targets specified for the financial year. The Statement of Corporate Intent also represents an acknowledgment of and agreement to major activities, objectives, undertakings, policies, investments and borrowings of CS Energy for 2012/2013.

This Statement of Corporate Intent is consistent with CS Energy's 2012/2013 – 2016/2017 Corporate Plan submitted to, and agreed to by shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

In signing the document, the Board of CS Energy undertakes to ensure that the document, and all reports to shareholding Ministers, are prepared with accuracy and timeliness.

In signing this document, CS Energy's Board undertakes to achieve the targets proposed in the Statement of Corporate Intent for 2012/2013.

Major changes to key assumptions and outcomes detailed in this Statement of Corporate Intent, which come to the Board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this Statement of Corporate Intent will be dealt with in accordance with the GOC Act.

This Statement of Corporate Intent is signed by the Chair on behalf of all the Directors in accordance with a unanimous decision of the Board of CS Energy.



Mr R Rolfe
Chairman
CS Energy Ltd

Date:

.....
Shareholding Minister

Date:

.....
Shareholding Minister

Date:

4 Attachments

Attachment 1 – Definitions

List of financial and non-financial target definitions

Debt/debt + equity	<u>Debt</u> Debt plus equity
Equivalent availability (%)	$\frac{[\text{Installed plant capacity (MW)} \times 8760 - \text{MWh losses due to outages}] \times 100\%}{\text{Installed plant capacity (MW)} \times 8760 \text{ hours}}$
Interest cover (times)	$\frac{\text{Earnings before interest and tax (but after abnormals)}}{\text{Interest expense}}$
Lost time injury duration rate (LTIDR)	$\frac{\text{Lost injury time}}{\text{Number of Injuries}}$
Lost time injury frequency rate (LTIFR)	$\frac{\text{Lost injury time}}{\text{Employee hours (million)}}$
Planned outage factor (%)	$\frac{\text{MWh out of service due to planned outage} \times 100\%}{\text{Installed plant capacity (MW)} \times 8760 \text{ hours}}$
Reliability (%)	$100\% - \frac{\text{MWh out of service due to unplanned outage} \times 100\%}{\text{Installed plant capacity (MW)} \times 8760 \text{ hours}}$
Return on equity (%)	$\frac{\text{Operating profit and extraordinary items after tax}}{\text{Total average equity}}$
Return on operating assets (%)	$\frac{\text{Earnings before interest and tax} - \text{Investment income} \times 100\%}{\text{Average Total Assets} - \text{Average Financial Assets}}$
Return on total assets (%)	$\frac{\text{Earnings before interest and tax (but after abnormals)}}{\text{Total average assets}}$
Shareholder Value Added	Net Profit after interest and tax (as at end of the period) less an Equity Charge. The Equity Charge is CSE's equity return requirement multiplied by the average of CSE's equity for the last 13 months. Equity Charge based on Government advised methodology.
System capacity factor (%)	$\frac{\text{Total annual energy (MWh)} \times 100 \%}{\text{Installed plant capacity (MW)} \times 8760 \text{ hours}}$
O&M cost (\$/MWh)	O&M cost includes cost of generation system operation, system maintenance, support services, network charges and fixed costs. Fixed costs refer to interest payments, depreciation & site rehabilitation and leasing charges.

Attachment 2 – Employment and Industrial Relations Plan

This Employment and Industrial Relations Plan applies to CS Energy Limited and its subsidiary companies.

CS Energy recognises the value of its employees and their integral role in ensuring the business' ongoing success. CS Energy acknowledges the role of unions and the need to develop and maintain good working relationships with all stakeholders, including employees and unions.

CS Energy continually strives to achieve a balance between its industrial relations practices, the commerciality of its operations, community expectations, the interests of stakeholders, demands on government for accountability and the implementation of best practice standards.

CS Energy will maintain a flexible, consultative and progressive working environment, where employees are rewarded for their knowledge, competence, and achieving outcomes in line with the Company's business objectives, values and policies.

1. Employment and Industrial Relations philosophy and direction

Approach

CS Energy has established its Strategic Plan 2011-2015. The Strategic Plan outlines how the Company will improve its business performance and position itself to address challenging electricity market conditions and the introduction of a carbon price. The aim is to create a CS Energy that is a commercially viable and sustainable business – for the benefit of its owners, employees and the people of Queensland.

The engagement of CS Energy's employees and the utilisation of their skills is integral to the Company's ongoing viability and success. The Company aims to foster a culture that values consultation and involvement, and seeks to ensure that employee skill levels are maintained or increased to meet the needs of the business.

CS Energy has taken a proactive approach to attracting, retaining and developing employees by focusing on people's development through the performance review process, learning and development opportunities, the introduction of remote area policy initiatives, and an improved workforce and talent/succession planning regime.

CS Energy also aims to provide a flexible work environment and positive workplace relations. Strategies include the implementation of revised leadership development programs and fostering a culture built on consultation, involvement and positive work relationships. In addition, productivity initiatives in enterprise agreements seek to underpin the aims of increased flexibility to meet business needs, and positive workplace relations

CS Energy also seeks to ensure that employee skill levels are maintained or increased to meet the needs of the business. In this regard, employee performance management processes aim to identify development needs and ensure gaps are addressed so that skill levels continue to meet organisational needs. This process includes linking performance management systems to corporate outcomes including the use of scorecards. These mechanisms ensure key people grow and develop their careers within CS Energy and are a significant component of CS Energy's performance review process aimed at retaining our key people.

2. Significant and emerging issues

Enterprise Agreements

As a result of the *Shareholder Review of Government Owned Corporation Generators* by the Queensland Government, a two generating company structure was implemented from 1 July 2011.

CS Energy's Strategic Plan for 2011-2015 outlines how the Company plans to improve its business performance and position itself to address challenging electricity market conditions and the introduction of a carbon price.

A significant challenge is to reorganise the CS Energy business as a whole to streamline and consolidate the Company's processes and systems to improve efficiency. This will encompass reviewing overall company staffing levels and the restructure and rightsizing of the corporate office. Management will drive significant improvements in efficiency and cost throughout the company. The focus is on retaining the right skills in the right jobs and managing the impacts of the change.

Managing the implementation of major business improvement initiatives is vital to creating a CS Energy that is a commercially viable and sustainable business.

CS Energy maintains Enterprise Agreements at Callide, Kogan Creek and Wivenhoe power stations and the Corporate Office in Brisbane. Each Enterprise Agreement is tailored to the different technologies, characteristics of the workforce and workplace efficiencies of each site.

A new Kogan Creek Power Station Enterprise Agreement was approved by Fair Work Australia and has been in operation since 26 July 2011.

A new Callide Power Station Enterprise Agreement was approved by Fair Work Australia and has been in operation since 8 June 2012. New Enterprise Agreements are being finalised for Wivenhoe Power Station and Corporate Office under the previous GOC Wages Policy.

With the release of the new GOC Wages Policy, CS Energy is developing a new Industrial Relations strategy to take full advantage of the opportunities provided to focus on business drivers and improve our productivity and performance. Short term initiatives are being identified for implementation and long term initiatives are also being identified for future Enterprise Agreement renegotiations.

Attraction and retention

Attraction and retention of skilled employees has been challenging over the past few years given the highly competitive labour market. In more recent times, with the broader financial and economic downturn, there has been some relief, with both the number and quality of skilled applicants increasing. However, securing engineering, technical and trades employees and filling vacancies in regional areas remains challenging.

A detailed workforce planning regime will continue in 2012/2013, to feed into the 2013/2014 budget process. This process formalises planning for staffing and succession. Specific training and development initiatives being pursued include skills development for critical operations roles, operations career pathing, enhancement of operations plant knowledge, attainment of relevant qualifications for technicians, graduate scholarships and cadetships.

Employee engagement and development initiatives encompassing a continued emphasis on teamwork will be pursued through improved leadership development programs and succession planning for critical roles, as well as talent management and employee engagement.

The promotion of employee mobility across sites will be pursued under the portfolio approach to servicing site needs. CS Energy has both relocation and secondment procedures in place.

Ageing workforce

Thirty-seven (37) per cent of the CS Energy workforce is aged 50 and over, while a further twenty-seven (27) per cent of the workforce is aged between 40 and 49. CS Energy has developed and implemented a succession planning program to ensure the retention of key skills within the business and the transfer of knowledge.

The succession planning program provides a framework for leaders within CS Energy, to identify the positions/functions and associated skills and capabilities that are critical to the Company. The program also identifies the current breadth and depth of internal capability for individuals to progress to critical positions.

To effectively plan and manage the mature sector of the workforce who may be considering retirement, CS Energy has developed flexible working arrangements aimed at encouraging those employees contemplating full time retirement from the workforce to consider a period of transition to retirement prior to leaving the organisation.

Known as “phased retirement”, these arrangements are aimed at allowing employees to reduce their hours per day or number of working days per week and/or level of responsibility as they move toward retirement. Benefits to CS Energy include the retention of knowledge and skills by ensuring that information is transferred to other employees as part of succession planning. At the same time, employees can achieve a balance between work and personal responsibilities.

Legislative changes

Workplace Health and Safety Harmonisation Laws were introduced on 1 January 2012 and the changes progressively implemented to ensure compliance with the new legislation. CS Energy's Workplace Health and Safety area will have prime responsibility and compliance is also ensured through the operation of the company's Legal Compliance/Risk Management System.

3. Remuneration arrangements

Non-Executive Directors

Directors' fees for Board and Committee activities are set by CS Energy's shareholding Ministers. Fees are paid in accordance with the schedule determined by the government and provided by the shareholding Ministers. The fees are based on:

1. An amount for being a Board member;
2. An amount for being on a Committee; and
3. An amount for being a Chair of a Committee.

The following fees (effective from 1 July 2012) will be paid to CS Energy Directors for the 2012/2013 year:

Non-Executive Directors including Chairman

The fees shown below are those applicable for the 2012/2013 year:

Non-Executive Directors	Director's Fees (\$)	Committee Fees (\$)	Superannuation (\$)	Total (\$)
R Rolfe Chairman	\$77,474	\$8,606	\$7,747	\$93,827
T Dare Director	\$30,128	\$10,042	\$3,615	\$43,785
B Green Director	\$30,128	\$10,042	\$3,615	\$43,785
J Hubbard Director	\$30,128	\$8,606	\$3,486	\$42,220
S O'Kane Director	\$30,128	\$8,606	\$3,486	\$42,220
J Pegler Director	\$30,128	\$8,606	\$3,486	\$42,220
K Smith-Pomeroy Director	\$30,128	\$10,042	\$3,615	\$43,785
M Williamson Director	\$30,128	\$10,042	\$3,615	\$43,785

Note:

The following new Directors were appointed on 23 August 2012:

- J Pegler
- S O'Kane
- B Green

The Company has the following Committees and Committee Chairs:

Committee	Chair
Audit	T Dare
People and Safety	M Williamson
Risk	K Smith-Pomeroy
Reliability and Plant Performance	B Green

Chief and Senior Executives

The CS Energy Board People and Safety Committee advises the full Board on CS Energy's remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for the Chief Executive and Executive General Managers. It comprises four non-executive Directors including the Chairman, appointed by the full Board of CS Energy.

Remuneration details for the Chief Executive and Executive General Managers for 2012/2013 are provided in the following table.

These remuneration arrangements are reviewed annually in accordance with the Company's remuneration policy. Based on current contract arrangements, the performance payment is capped at 15 per cent maximum for the Chief Executive and each Executive General Manager. No salary increases were approved from 1 July 2012 and no performance payments were approved for 2011/2012.

Chief Executive and Executive General Manager

The base salaries shown below are those applicable as at 1 July 2012.

CEO / Senior Executives ⁹	Base Salary ¹	Employer Superannuation Contributions ^{2 3}	Motor Vehicle	Car Park ⁴	Total Fixed Remuneration ⁵	Other Non-Personal Benefits	Performance Payment Made ⁶
Chief Executive D Brown	\$515,119	\$46,361	Nil	Nil	\$561,480	Nil	Nil
Executive General Manager Commercial G Button ⁷	\$298,546	\$26,869	Nil	Nil	\$325,415	Nil	Nil
Executive General Manager Production G Campbell	\$303,257	\$27,293	Nil	Nil	\$330,550	Nil	Nil
Executive General Manager Safety, Reliability and Environment A Krotewicz	\$300,101	\$33,345	Nil	Nil	\$333,446	Nil	Nil
Executive General Manager People, Systems and Risk M Turner	\$268,000	\$24,120	Nil	Nil	\$292,120	Nil	Nil

¹ Includes salary sacrifice items.

² Employer Contributions to superannuation (other than by salary sacrifice).

³ A 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 No Performance Payments for 2011/2012 were paid.

⁷ Interim position created on 6 February 2012 incorporating the former Finance and Trading functions as a result of a proposed Executive Management Team restructure.

4. Employment conditions

General conditions of employment are provided in various Enterprise Agreements under the *Fair Work Act 2009 (Cth)*, other employment agreements and CS Energy human resources policies. Rates of pay, including productivity payments are included in Enterprise Agreements and all purpose allowances, where applicable (e.g. power house allowance, ability allowances, etc) are incorporated in all-up rates within those Enterprise Agreements.

CS Energy maintains Enterprise Agreements at Callide, Kogan Creek and Wivenhoe power stations and the corporate office in Brisbane. Each Enterprise Agreement is tailored to different technologies, characteristics of the workforce and already implemented workplace efficiencies.

CS Energy and its employees are also governed by the *Government Owned Corporations Act 1993* and Regulations, the *Electricity Act 1994* and *Regulation of 2006* and the *Fair Work Act 2009*. In line with the Queensland Government Guarantees and *Transition Principles – Employee Selection and Transfer* established during the Generator Restructure in 2011, CS Energy has maintained the rates of pay and conditions of employment for employees transferred from the previous Stanwell Corporation Limited and Tarong Energy Corporation Limited.

The *Electrical Power Industry Award 2010* is the Modern Award which applies to the power generation industry.

Alternative Individual Agreements (AIAs) provided for under Enterprise Agreements will continue to be offered where roles require special skills or employment flexibility, to ensure that CS Energy can attract and retain employees of the quality to compete effectively in the electricity market.

These AIAs will remain voluntary and available for those engaged at Level 11 (\$91,776 per annum plus superannuation) and above unless otherwise agreed with relevant unions and permitted within relevant Enterprise Agreements. The general terms of these arrangements, such as annualising salaries for hours of work provisions and leave loading, were negotiated with the relevant unions. The AIAs operate in conjunction with the relevant Enterprise Agreement.

CS Energy's rationale for the use of AIAs, including the ability to widen eligibility, is to provide the Company with flexibility in relation to the hours necessary to effectively undertake particular roles. At the same time, AIA arrangements recognise this commitment and the individual's performance through remuneration in an all-up total fixed remuneration package and access to a performance-based variable pay component.

The predominant hours of work arrangement in CS Energy Enterprise Agreements is ordinary hours of 36.25 per week. Exceptions to this arrangement exist in the Kogan Creek Power Station Enterprise Agreement where the majority of employees work a 40 hour week but receive a loading for the additional hours above 36.25 hours per week. Overall, hours of work and work patterns are negotiated and agreed with unions and site workforces to meet each site's specific requirements. The current Enterprise Agreements are specified in the following table:

	Scope	Reference	Expiry	Coverage
CS Energy Ltd Corporate Office Enterprise Agreement 2009 ¹	Employees of CS Energy Ltd at Corporate Office	AG2009/12056	30 June 2012	164 employees
CS Energy Ltd Callide Power Station Certified Agreement	Employees of CS Energy Ltd at Callide Power Station	AG2012/1484	12 June 2014	238 employees
CS Energy Ltd Wivenhoe Power Station (Enterprise Bargaining) Certified Agreement ¹	Employees of CS Energy at Wivenhoe Power Station		29 July 2012	13 employees
Kogan Creek Power Station Enterprise Agreement 2011	Employees employed in the classifications within the Agreement	AG2011/1528	1 February 2014	76 employees

¹ These Enterprise Agreements have been re-negotiated and are in the process of staff voting prior to approval by Fair Work Australia.

5. Enterprise bargaining and productivity initiatives

Enterprise bargaining

CS Energy maintains Enterprise Agreements at Callide, Kogan Creek and Wivenhoe power stations and the Corporate Office in Brisbane.

A new Kogan Creek Power Station Enterprise Agreement was approved by Fair Work Australia and has been in operation since 26 July 2011. A new Callide Power Station Enterprise Agreement was approved by Fair Work Australia and has been in operation since 8 June 2012.

New Enterprise Agreements are being finalised for Corporate Office and Wivenhoe Power Station. These Agreements were renegotiated under the previous GOC Wages Policy. Renegotiation of all future Enterprise Agreements will take place under the new GOC Wages Policy.

Attraction and retention at remote sites continues to be a significant focus for CS Energy. The Company is continuing to explore further initiatives aimed at attracting and retaining employees, including succession planning for critical roles. A number of initiatives have already been delivered through Company policy in the areas of airfares and travel related expense reimbursement, study/development allowances and accommodation assistance.

Productivity initiatives

Productivity initiatives negotiated and approved under the *Queensland Government's Wages Policy* for GOCs in relation to Enterprise Agreements approved by Fair Work Australia are shown below:

Productivity program	Source of Productivity initiative	Target	Achievement to date	Action required if target/s not met	Other comments / explanation
Taking of one day minimum LSL	Corporate Office Agreement	Implement in Year 1	Allowed to take minimum of one day LSL		
Travel to Sites	Corporate Office Agreement	Salaries to be made inclusive of travel to sites - Implement in year 1	Compensation for travel to sites excluded in EBA.		
Out of hours work	Corporate Office Agreement	Salaries to be made inclusive of compensation for out of hours work - Implement in year 1	Reference to compensation for out of hours work being included in salary shown in EBA		
Implementation of TRIM (TRIM is an acronym for Total Record and Information Management). It is an EDMS (or Electronic Document Management System)		Implement TRIM document management system in Corporate Office - Implement in year 1	Implementation completed 2 October 2009		
Additional duties AIA	Corporate Office Agreement	AIA salaries to contemplate work on operational initiatives/projects from time to time - Implement in year 1	AIA provisions in the EBA recognise additional duties without further compensation.		
Introduction of a permanent PCO shift roster as agreed	Kogan Creek Power Station Enterprise Agreement	Implement in Year 1	Implemented		
Introduction of a PCO Trainee Scheme - up to 2 Trainees	Kogan Creek Power Station Enterprise Agreement	Implement in Year 1	Implemented		
Improved Maintenance Routines - Potentially in-sourcing up to 12 maintainers.	Kogan Creek Power Station Enterprise Agreement	Implement in Year 1	Implemented	Recruitment to Continue Subject to Needs and Workforce Plan	
Savings on Chemical Professional - Cessation of contract chemist and Employment of Lab Tech.	Kogan Creek Power Station Enterprise Agreement	Implement in Year 1	Implemented		

Productivity program	Source of Productivity initiative	Target	Achievement to date	Action required if target/s not met	Other comments / explanation
Operators are Prepared to Assist with Commissioning and Operating any New Solar Boost Enhancements to Plant Under Existing Agreement Rates and Conditions for the Period of the Agreement	Kogan Creek Power Station Enterprise Agreement	Implement in Year 1	Solar Boost Project Underway - Operator Involvement Expected in 2012-2013 Upon Commissioning		
Staff Under the Kogan Creek Power Station Enterprise Agreement 2010 Having Mutually Managed Time Paid Out at Ordinary Time Rates in Certain Circumstances During the Period of the EA	Kogan Creek Power Station Enterprise Agreement	Implement in Year 1	Implemented		
Increased Station Availability	Callide Power Station Enterprise Agreement	Implement over life of Agreement			
Improved Operation of Callide Competency, Etc. Progression Arrangements	Callide Power Station Enterprise Agreement	Implement over life of Agreement			
Staff Retention Benefits	Callide Power Station Enterprise Agreement	Implement over life of Agreement			
Reductions in Overtime - Test for Dead Initiative	Callide Power Station Enterprise Agreement	Implement over life of Agreement			
Improved operation and maintenance of the plant, reduced delays in maintenance, reduced overall maintenance times and costs and reductions in day to day contractor costs.	Callide Power Station Enterprise Agreement	Implement over life of Agreement			

Productivity program	Source of Productivity initiative	Target	Achievement to date	Action required if target/s not met	Other comments / explanation
New Callide Initiative (Site Renewal Project under the CS Energy Horizons for Change initiative)	Callide Power Station Enterprise Agreement	Implement over life of Agreement			

6. Employee flexibility

CS Energy continues to use site-specific Enterprise Agreements, incorporating provision to use AIAs, to achieve flexibilities that are both relevant and workable. The current Corporate Office Enterprise Agreement provides for employees to have the choice of being employed under AIA conditions that may better suit individual needs. Employees are free to decline an offer of an AIA arrangement, or to subsequently opt out of an AIA arrangement by giving one month's notice. CS Energy will continue to pursue AIA flexibility in site agreements as required and in consultation with unions

Part-time arrangements	Policy exists. Provided where it suits both CS Energy and the employee. Employment between 15 hours and 32.2 hours per week.
Flexible work hours	Practice exists. Employees on individual arrangements particularly have flexibility with start and finish times
Reduced working year	Purchased leave policy exists. Employees have the ability to access up to an additional four weeks per annum. Arrangements for taking a minimum of one day's long service leave has been implemented for the whole of CS Energy from early 2010. Employees can take this leave at half pay and therefore 'double' the period of absence.
Paid maternity/paternity/adoption leave	In addition to the Federal Paid Maternity Leave provisions, employees receive paid maternity and adoption leave of 14 weeks. Consistent with government's expectation that employee conditions are consistent with Queensland Government Policy, one week's paid paternity leave shall be granted to CS Energy employees.
Telecommuting (work from home)	Such flexible working arrangements occur and they are by agreement and subject to continuity of work considerations.
Responses to an Ageing Workforce	37 per cent of the CS Energy workforce is aged 50 and over while 27 per cent are aged between 40 and 49. In response, CS Energy has implemented succession planning across CS Energy and phased retirement arrangements with benefits to CS Energy including the retention of knowledge and skills and to employees, of a balance between work and personal responsibilities.

7. Type of employment and workforce planning

CS Energy's workforce planning and employment policies are underpinned by a clear recognition of the need for a skilled and viable workforce. This approach takes into account the need for ongoing renewal of skills and the provision of appropriate training, to ensure there is sufficient capacity within the organisation to replace retiring or departing employees.

Apprentices and trainees are an important part of forward planning. CS Energy will continue to make available apprenticeship and trainee opportunities consistent with its workforce planning, training programs and business needs.

Types of employment

Format for provision of Workforce Numbers in E&IR Plans 2012-2015.

Employment Category	30 June 2012 ¹	30 June 2013	30 June 2014	30 June 2015
Permanent Full Time ²	507.5	446.6	445.6	445.6
Permanent Part-time (FTE)	7.8	7.2	8.2	8.2
Other Contract	0	0	0	0
Senior Executive Contract	5	5	5	5
Apprentices (In House) ³	4	4	4	4
Trainees (In House)	0	0	0	0
Casual Employees (FTE)	7.2	7.2	7.2	7.2
Total Directly Employed Workforce	528	466	466	466
Apprentices (Group)	16	16	16	16
Trainees (Group)	5	5	5	5
Contractor Employees (Trade/Technical)	-	-	-	-
Contractor Employees (Professional/Administrative/Clerical)	-	-	-	-
Labour Hire (Trade/Technical - FTE)	-	-	-	-
Labour Hire (Professional/Administrative/Clerical - FTE)	-	-	-	-
s457 Temporary Visa ³	2	2	-	-
Total Workforce ⁴	549	487	487	487

1. Reflects revised workforce plan at 30 June 2012.

2. Includes temporary employees and S457 visas.

3. Included in Permanent Full Time figure.

4. Inclusive of employees in CS Energy's subsidiary companies.

Workforce planning

CS Energy's Executive Management Team and Board have established a business improvement team to facilitate a focused review of the Company's operations and performance to significantly improve business performance and reduce costs.

CS Energy has a number of initiatives in place to enhance employment and workforce planning. Each of these initiatives assists with attracting quality candidates to CS Energy, as they promote CS Energy as a preferred employer with commitment to developing employees, building its technical and people management skills, and providing career opportunities for students, graduates, apprentices and trainees.

The initiatives include:

- A program for apprentices and trainees, employed by CS Energy and via group training schemes;
- Providing vacation employment and work experience to students;
- Support for employees to complete the postgraduate Power Engineering studies program at QUT;
- Supervisor and Emerging Supervisor Development Programs and Teamworks development programs for employees in supervisory roles or who regularly relieve in these roles; and
- A number of other employee development opportunities, dependent on the individual employee's career development plan.

CS Energy's Learning and Development program provides employees with access to advice and support regarding their training requirements and needs to maintain and improve their skills levels and performance. This includes the identification of training opportunities and the sourcing and provision of quality training. Structured role development plans and online learning are used to facilitate Learning and Development outcomes within CS Energy.

In addition, CS Energy provides development opportunities and support to its employees through the:

- Performance Management Systems;
- Manager One Removed process;
- Critical Position Succession Planning;
- Mentoring in certain trade and post-trade roles; and
- Personal development in succession and critical roles.

CS Energy is also developing a middle management development program.

CS Energy has reviewed its performance management systems, including the application of performance pay, to better align processes to corporate requirements, which includes the use of scorecards as a means of assessing performance.

8. Workplace health and safety

Workplace Health and Safety policy summary

CS Energy is committed to the prevention of occupational injury and illness and proactively works towards achieving its goal of zero harm through the following actions:

- Managing health and safety as part of everyday activities;
- Demonstrating leadership and support for health and safety standards and systems;
- Compliance with legal obligations;
- Apply health and safety policy and procedures consistently across all CS Energy workplaces;
- Proactive consultation and communication with employees, contractors and stakeholders;

- Implementing risk management principles to provide a healthy, safe and controlled work environment;
- Providing information, instruction and supervision to assist personnel achieve safe work practices
- Ensuring statutory requirements are met for plant and equipment;
- Managing behaviour at work to promote health and wellbeing;
- Effective management of employee's fitness for duty;
- Measuring our health and safety performance to promote our achievements and learn from incidents;
- Developing our people to ensure appropriate safety awareness and behaviours throughout CS Energy;
- Actively seek out leading practice in health and safety, and seek to apply this throughout CS Energy; and
- Making health and safety information freely available to all personnel working at CS Energy.

Health and safety risk management strategies

CS Energy has established a taskforce to develop and implement strategies and initiatives to improve health and safety performance. The "New Direction – Health and Safety taskforce project" is sponsored by the Chief Executive and has members strategically drawn from across the business.

The taskforce has a mandate to develop and implement strategies designed to:

- Eliminate occupational injuries and illness;
- Improve health and safety management systems and ensure legal compliance;
- Promote employee health and wellbeing; and
- Improve our health and safety culture and leadership capabilities.

Strategic initiatives planned for 2012/2013 include:

- Continued support for the CS Energy "New Direction – Health and Safety taskforce project";
- Enhancing processes designed to audit critical safety risks,
- Improving incident management including near miss reporting;
- Improvement to training and competency frameworks;
- Enhancement to health and well being programs;
- Enhancing the safety leadership program;
- Improvement to the Corporation's risk registers;
- Enhancing Contactor safety management;
- Embedding and improving behavioural safety management processes
- Establishing a Chief Executive's Safety and Reliability award;
- Safety Management system improvements; and
- Continued implementation of activities designed to ensure compliance with harmonised health and safety legislation.

Workplace Health and Safety performance

Health and Safety non financial performance targets are listed below.

Performance Targets	2011/12 Target	2011/12 Actual	2012/13 target
Lost time injury frequency rate (LTIFR)	<2	4.26	<2
Lost time injury severity rate (LTISR)	10	15	10
Lost time injury duration rate (LTIDR)	6	7	6

Our performance for lost time injury frequency rate was below target. Four injuries were caused by manual handling issues and the remaining injuries related to slips and trips. Each injury sustained was extensively investigated and detailed action plans were implemented, including developing tools to ensure all critical controls for significant risks are monitored and managed. The “all injury frequency rate” dropped from 98.5 to 68.2 indicating a significant reduction to the number of employees or contractors injured during the period.

Health and safety audits and reviews

CS Energy conducted a benchmarking study against Australian Standard AS/NZS 4801: 2001 – Australian and New Zealand Standard for Occupational Health & Safety Management Systems. CS Energy’s performance against the standard was measured and compared to data collected in 2010. Overall, there has been sound improvement to the Safety Management System.

In 2010 a business wide safety culture survey was conducted. From December 2011 to February 2012 a series of qualitative interviews were conducted across the business to gauge current feelings of employees with regard to CS Energy’s Safety Culture. General improvement to CS Energy’s health and safety Culture was reported across each element.

Employee health and wellbeing

In late 2011, CS Energy engaged Assure Programs to deliver its Employee Assistance Program (EAP) service. On site counselling of our employees has been effective in managing wellbeing issues such as:

- Parental issues;
- Conflict management;
- Employee morale;
- Workplace stress factors;
- Emotional health; and
- Personal health issues.

CS Energy’s drug and alcohol policy and program provides an effective deterrent to workers and others. A total of 850 tests were completed in the period, with no individual returning a positive result for either drugs or alcohol.

9. Equal Employment Opportunity and Anti-Discrimination

CS Energy is committed to the creation and maintenance of an environment where all employees are able to contribute and operate to their full capacity and be recognised accordingly. CS Energy aims, through education strategies, to provide a workplace that is free from unlawful discrimination, workplace harassment, bullying and vilification. All employees have access to the CS Energy *EEO Policy*, the *Procedure for Achieving and Maintaining a Workplace free from Discrimination, Harassment, Bullying and Vilification*, and the *Fair Treatment and Grievance Resolution 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

people for the job within an efficient and effective process. All managers/supervisors and members of selection panels must apply equal opportunity and anti-discrimination principles during the recruitment and selection process. This approach applies to both external and internal recruitment (promotions and lateral hires). These documents are available on the intranet or in hard copy from the Human Resources team, and are included in the induction process.

An online EEO training course is used by all new employees as part of their induction process, and an online refresher training course is available for employees to undertake refresher training every two years. This course reinforces employee knowledge on all EEO related matters and ensures they understand their responsibilities.

In accordance with Section 31 of the *Public Service Act 2008*, CS Energy reports EEO statistical data to the Public Service Commission on a quarterly and annual basis. CS Energy submitted a report in July 2012. The next quarterly report is due in October 2012.

10. Interstate Acquisitions/Operations

CS Energy has no interstate acquisitions or operations.

11. Joint Venture Projects

CS Energy remains in joint venture with IG Power (Callide) Pty Ltd 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 CS Energy Ltd Callide Power Station Certified Agreement 2008.

CS Energy has a joint venture arrangement with IHI Corporation, J Power Group, Mitsui & Co, Schlumberger, Xstrata Coal and ACA Low Emissions Technologies Ltd for the Callide Oxyfuel Project at Callide A Power Station. CS Energy employees are seconded to work for the Joint Venture Project for the period of the Callide Oxyfuel Project. At this stage, there are no direct employees of the Project, although this arrangement is not precluded.

12. Management of the relationship between GOCs and unions update

CS Energy consults with staff and unions in accordance with Enterprise Agreements. Consultative forums include site consultative committees. A Peak Consultative Committee comprising senior management from the Company and union officials meets regularly.

13. Redundancy provisions

CS Energy and its subsidiaries remain a party to redundancy arrangements formalised through Enterprise Agreements, which provide for retraining and redeployment, including salary maintenance, as a first alternative to retrenchment. Severance payments contained in the Enterprise Agreements provide for three weeks pay for every year of service, with 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.

A “no disadvantage” situation in relation to redundancy arrangements exists for employees transferring to CS Energy from 1 July 2011 (including employees at Wivenhoe Power Station) in relation to Enterprise Agreements applying to those employees immediately prior to 1 July 2011. This is consistent with the Government Guarantees and the Transition Principles arising out of the Generator Restructure which the Board of CS Energy is required to apply under the terms of the Direction from shareholding Ministers issued in accordance with Section 299 *GOC Act*.

14. Job Security

CS Energy Enterprise Agreements provide for no forced redundancies reflecting previous Government policy on job security. This will be reviewed in accordance with new government policy in the renegotiation of the next Enterprise Agreements.

15. Contracting out

CS Energy will continue to comply with its Enterprise Agreements and any applicable legislation on the use of contractors.

16. Superannuation

In accordance with *Superannuation Guarantee (Administration) Act 1992* CS Energy offers membership of and contributes to a number of approved superannuation funds, as requested by new 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 per cent and an employer contribution rate of 12 per cent. This rate is reviewed every two years by the Fund Actuary. Presently, 28 per cent of the CS Energy workforce remains in this plan.

CS Energy maintains reserves in the Defined Benefit Fund with Energy Super, subject to actuarial advice, to ensure future liabilities can be met. This position is reviewed automatically every two years with extraordinary events triggering more frequent reviews. Generally, prudent fund surpluses are maintained in accordance with actuarial advice, to ensure the liabilities of the fund can be met. This approach can mean an increase or decrease in employer contribution from time to time in accordance with actuarial advice, to ensure this position is maintained.

The remainder of the workforce are in a number of defined contribution funds, 35 per cent of the workforce are in the Superannuation Guarantee Contribution (SGC) employer fund (nine per cent ordinary time earnings) and 34.8 per cent are in the contributory defined contribution fund where the employee contribution is five per cent, with CS Energy contributing 10 per cent.

There are no changes to contributions or benefits anticipated during the year.

17. Consultation

Employees, unions, representatives of Queensland Treasury and Trade (QTT), the Department of Energy and Water Supply (DEWS), the Department of the Premier and Cabinet (DPC) and the Public Service Commission (PSC) were consulted in the preparation of this E&IR Plan. Feedback was considered and incorporated, where relevant and appropriate.

18. Reporting

CS Energy will provide a separate report on its performance against this Employment and Industrial Relations Plan (E&IR Plan) to relevant agencies including PSC and QTT at the same time as the first draft of the 2013/2014 E&IR Plan is submitted in January 2013. This will:

- Confirm the implementation of the current E&IR Plan;
- Outline if there have been any events or matters that have occurred or are expected to occur that vary the E&IR Plan for that cycle, and explain those variations; and
- Detail any contentious issues that have arisen or are expected to arise during the current E&IR Plan cycle.

Attachment 3 – Hospitality

**Table 1: Sponsorship, Advertising, Corporate Entertainment, Donations and Other Activities
Details of Individual Expenditure Items¹**

Activity	Description / Benefit	2011/2012 Budget (\$)	2011/2012 Actual (\$)	2012/2013 Budget (\$)	Quarter 2012/2013 ^{2, 3} (\$)			
					Sept	Dec	Mar	Jun
SPONSORSHIP								
Opera Queensland – <i>Moving Opera!</i> school workshops	Youth development and profile-raising for CS Energy in power stations' communities. Workshops to be completed in Chinchilla and Biloela.	67,000 ³	33,500 ³	33,500	33,500	0	0	0
Total over \$5,000		67,000	33,500	33,500	33,500	0	0	0
Other (total) below \$5,000	Small discretionary sponsorships from Brisbane and the Callide and Kogan Creek power stations to raise CS Energy's profile.	34,800	14,291	1,600 ⁴	1,600	0	0	0
TOTAL Sponsorships		101,800	47,791	35,100	35,100	0	0	0
ADVERTISING								
Total over \$5,000		0	0	0	0	0	0	0
Other (total) below \$5,000	Site-based, non-campaign advertising for grants programs, projects and forums.	10,000	3,016	10,000	2,500	2,500	2,500	2,500
TOTAL Advertising		10,000	3,016	10,000	2,500	2,500	2,500	2,500
CORPORATE ENTERTAINMENT								
Christmas function – Callide	Staff and family Christmas function.	13,000	12,700	0	0	0	0	0
Christmas function - Brisbane	Staff and family Christmas function.	7,500	7,173	0	0	0	0	0
Brisbane Service Recognition function	To recognise and reward long service to CS Energy and its predecessors.	8,500	8,000	0	0	0	0	0
Total over \$5,000		29,000	27,873	0	0	0	0	0
Other (total) below \$5,000	Various site staff functions, including Kogan Creek Power Station Christmas and service recognition functions, Callide Power Station service recognition function, overhaul functions.	57,300	38,643	9,500	8,000	500	500	500
TOTAL Corporate Entertainment		86,300	66,515	9,500	8,000	500	500	500

Activity	Description / Benefit	2011/2012 Budget (\$)	2011/2012 Actual (\$)	2012/2013 Budget (\$)	Quarter 2012/2013 ^{2, 3} (\$)			
					Sept	Dec	Mar	Jun
DONATIONS								
Generosity	CS Energy's Workplace Giving Program – staff donations matched.	55,000	20,279	6,250 ⁷	6,250	0	0	0
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	25,000	25,000	25,000	0	0	0
Total over \$5,000		80,000	45,279	31,250	31,250	0	0	0
Other (total) below \$5,000	Discretionary donations to community events and activities.	39,500	33,900	0	0	0	0	0
TOTAL Donations		119,500	79,179	31,250	31,250	0	0	0
OTHER								
Total over \$5,000		0	0	0	0	0	0	0
Other (total) below \$5,000	None	0	0	0	0	0	0	0
TOTAL Other		0	0	0	0	0	0	0
TOTAL ¹		317,600	196,501	85,850	76,850	3,000	3,000	3,000

1. All expenditure is GST exclusive.
2. These figures are not cumulative.
3. At the time of preparing the 2011/2012 Statement of Corporate Intent, CS Energy anticipated two payments to the Moving Opera program in 2011/2012. Opera Queensland's sponsorship and financial cycle operates on a calendar year basis. It has been agreed that CS Energy will be making the 2012 calendar year sponsorship in the 2012/2013 financial year, not in 2011/2012 as originally anticipated.
4. The increase in total is due to the Callide Power Station Community Grants Program moving from donations to sponsorships.
5. Does not include recruitment advertising.
6. This item has moved from the under \$5,000 category.
7. CS Energy's total matching contribution has been reduced in line with the focus on cost efficiency and returning to profitability.

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

Activity	2011/2012 Budget (\$)	2011/2012 Actual (\$)	2012/2013 Budget (\$)	Quarter 2012/2013 ² (\$)			
				Sept	Dec	Mar	Jun
Corporate Entertainment Total							
• Staff Functions	24,500	21,615	5,500	5,500	0	0	0
• New business	8,000	4,039	3,500	2,000	500	500	500
• Stakeholder and Community Engagement	24,800	12,989	500	500	0	0	0
TOTAL UNDER \$5,000 ¹	57,300	38,643	9,500	8,000	500	500	500

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

Attachment 4 – Weighted Average Cost of Capital Calculation

The 2012/2013 Weighted Average Cost of Capital (WACC) methodology and calculation is based on a detailed consultants report received in May 2005 which was updated in May 2009. The methodology is consistent with Queensland Treasury Guidelines. Key variables have been reviewed and updated where appropriate, based on current Statement of Corporate Intent assumptions. The outcomes are subject to further revision based on material changes in assumptions prior to 30 June 2012.

$$WACC = k_e \times \frac{E}{V} + k_d(1-t_c) \times \frac{D}{V}$$

Where:

k_e	cost of equity = $R_f + B_e (R_m - R_f)$
$\frac{E}{V}$	market value of equity divided by total value
k_d	cost of debt
$(1-t_c)$	1 minus effective tax rate
$\frac{D}{V}$	market value of debt divided by total value
R_f	the risk free rate of return – based on government bond rates of an appropriate tenure;
$(R_m - R_f)$	the market risk premium – the return of the market as a whole less the risk free rate; and
B_e	the relative systematic risk of the individual Company's equity.

WACC Component	2012/2013 Assumptions
WACC basis	Post-tax, nominal
Risk Free Rate of Return	
Market Premium – premium required to hold the market portfolio over the risk free rate of return	
Pre-Tax Cost of Debt (with assumed BBB- credit rating)	
Income Tax Imputation Impact	
Asset Beta - stock volatility relative to the market	
Equity Beta – the asset beta impacted for CSE gearing	
Value of debt used in balance sheet financing mix	
Value of equity used in balance sheet financing mix	
Corporate Tax Rate	30%
Group WACC	

Attachment 5 – Corporate Governance Guidelines for Government Owned Corporations

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

Attachment 6 – Government Policies and Guidelines

- Biannual Reporting: Guidelines for the Preparation of Interim Reports (2009):
 - Where approval is provided by government for the report, CS Energy complies with the reporting guidelines and timeframes established by Government.
- Code of Practice for Government Owned Corporations' Financial Arrangements (2009):
 - The Board and Chief Executive take full responsibility to ensure that prudent financial practices will be 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 Law, which includes a commitment to:
 - Abide with the Code of Practice for Government Owned Corporations' Financial Arrangements (1999) as issued by the Queensland Government; and
 - Establish, maintain and implement appropriate financial risk management practices and policies required and as specified in the Code of Practice.
- Community Service Obligations – A Policy Framework (1999).
- Corporate Entertainment and Hospitality Guidelines (2008).
- Corporate Governance Guidelines for Government Owned Corporations (2009):
 - The CS Energy Corporate Governance Policies and Procedures are based on the ASX best practice guidelines and, to that extent, are consistent with the requirements of the above guidelines.
- Cost of Capital Principles – Government Owned Corporations (2006):
 - CS Energy's internal Financial Policies have been formulated taking into consideration the requirements of the Government's cost of capital principles.
- Government Owned Corporations Air Travel Policy (2009):
 - CS Energy's internal air travel policy reflects the principles of the GOC policy.
- Government Owned Corporations Bargaining Guidelines (2010).
- Government Owned Corporations Governance Arrangements for Chief and Senior Executives (2009).
- Government Owned Corporations Release of Information Arrangements (2009).
- Government Owned Corporation Subsidiaries - Key Shareholder Requirements for Constitutions (2006):
 - CS Energy executive management act as directors on CS Energy subsidiary Boards. CS Energy has a number of subsidiaries associated with the Kogan Creek Power Station, the constitutions of which were established prior to acquisition. This will be taken into account in establishing new subsidiaries.
- Government Owned Corporations Wages Policy (2012).
- Guide to Performance Management Framework (2010).
- Guidance for Chief Executive Officers – Agreement Making in Government Owned Corporations (2010):
 - CS Energy endeavours to comply with State and Commonwealth Government legislation and Government policy. The guidelines are followed to the extent that they are not inconsistent with current legislation.
- Guidelines for Export of Services by Government Owned Corporations (2001):
 - CS Energy is not engaged in the export of services and as such the policy is not relevant.
- Investment Guidelines for Government Owned Corporations (2009).
- Local Industry Policy: A Fair Go for Local Industry (2008):
 - CS Energy complies with the main principles of the policy and is endeavouring to comply with the policy's reporting requirements.
- Minimum Remuneration Disclosure Requirements for Directors and Chief and Senior Executives of Government Owned Corporations (2009):
 - CS Energy complies with the minimum disclosure requirements as prescribed under the policy which includes the relevant sections of the Australian Accounting Standards Board (AASB) Accounting Standard AASB 124 Related Party Disclosures (AASB 124).
- Queensland Code of Practice for the Building and Construction Industry (2009).
- Sport and Recreation Sponsorship Policy (2009).
- State Procurement Policy (2008):
 - CS Energy's internal Purchasing Policies and Procedures are consistent with the requirements of the State Purchasing Policy.

