

# Statement of Corporate Intent

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

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

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# Performance agreement

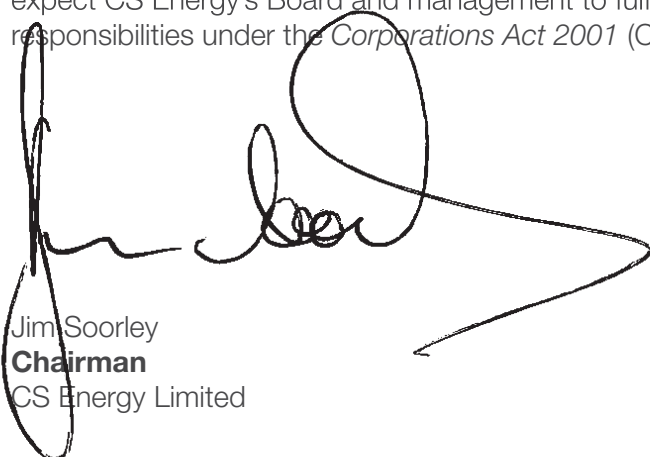
This Statement of Corporate Intent (SCI) and all attachments are presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (**GOC Act**).

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the SCI represents a formal performance agreement between the Board of CS Energy Limited (**CS Energy**) and its shareholding Ministers with respect to the financial and non-financial performance targets specified for the financial year. The SCI also represents an acknowledgment of, and agreement to, major activities, objectives, undertakings, policies, investments and borrowings of CS Energy for 2016/17.

In accordance with Chapter 3, Part 8, section 104 of the GOC Act, this SCI is consistent with CS Energy's 2016/17 – 2020/21 Corporate Plan submitted to, and agreed to by, the company's shareholding Ministers.

In signing this document, CS Energy's Board undertakes to achieve the targets proposed in the SCI for 2016/17. Any major changes to the key assumptions and expected outcomes detailed in this SCI that come to the Board's attention during the year will be brought to the attention of the shareholding Ministers. Any modifications to this SCI will be dealt with in accordance with the GOC Act. This SCI is signed on behalf of all the directors in accordance with a unanimous decision of the Board of CS Energy.

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



Jim Soorley  
**Chairman**  
CS Energy Limited



**The Honourable Curtis Pitt, MP**  
Treasurer and Minister for Trade and Investment.



**The Honourable Mark Bailey, MP**  
Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply.

# About CS Energy

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

CS Energy's core business is the generation and sale of electricity in the National Electricity Market (**NEM**) under the Electricity Act 1994 (Qld). CS Energy dispatches 34 per cent of Queensland's electricity output and 10 per cent of electricity supplied to the NEM.

## Mission

CS Energy's mission is to drive business improvement safely, efficiently and responsibly, to maximise value today and create opportunities for tomorrow.

## Values

Our values support this mission and form the foundation of the high performance culture that we are building at CS Energy to meet current and future challenges. Our values are:

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

## Portfolio

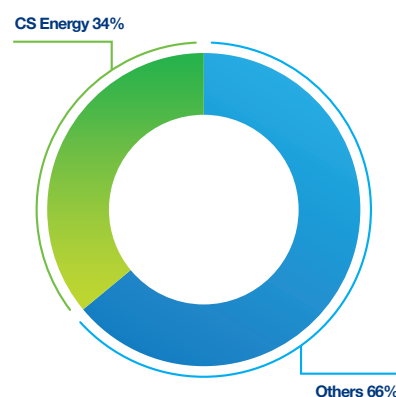
CS Energy's diverse asset portfolio comprises coal-fired and hydroelectric power stations, electricity trading rights and coal assets.

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

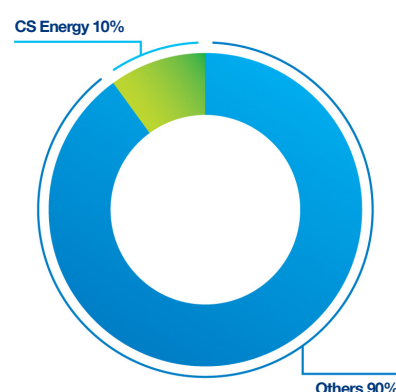
CS Energy is a party to the Gladstone Interconnection and Power Pooling Agreement (**IPPA**), which entitles CS Energy to trade the output of the Gladstone Power Station in excess of the requirements of the Boyne Island aluminium smelter.

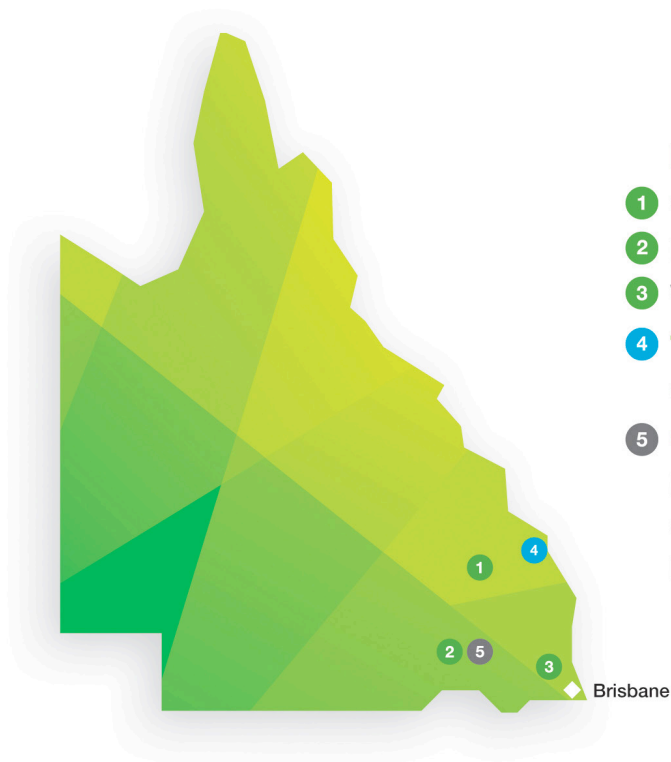
CS Energy's coal assets are the Kogan Creek Mine, which supplies thermal, black coal to the Kogan Creek Power Station, and the undeveloped Glen Wilga and Haystack Road coal resources near Chinchilla.

2015/16 Contribution to electricity dispatched in Queensland



2015/16 Contribution to electricity dispatched in the NEM





#### Power generation

- 1 Callide Power Station (1,510 MW)\*
- 2 Kogan Creek Power Station (750 MW)
- 3 Wivenhoe Power Station (500 MW)

#### 4 Trading rights

Gladstone Power Station (1,680 MW)

#### 5 Coal assets

Kogan Creek Mine (MDL 335 – 400 Mt)

Glen Wilga (MDL 382 – undeveloped)

Haystack Road (MDL 383 – undeveloped)

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

## Operating companies

The main operating companies within CS Energy are:

- CS Energy Ltd;
- Callide Energy Pty Ltd;
- Aberdare Collieries Pty Ltd (Kogan Creek Mine);
- CS Energy Kogan Creek Pty Ltd;
- CS Kogan (Australia) Pty Ltd;
- Kogan Creek Power Station Pty Ltd; and
- CS Energy Oxyfuel Pty Ltd.

# Objectives and initiatives for 2016/17

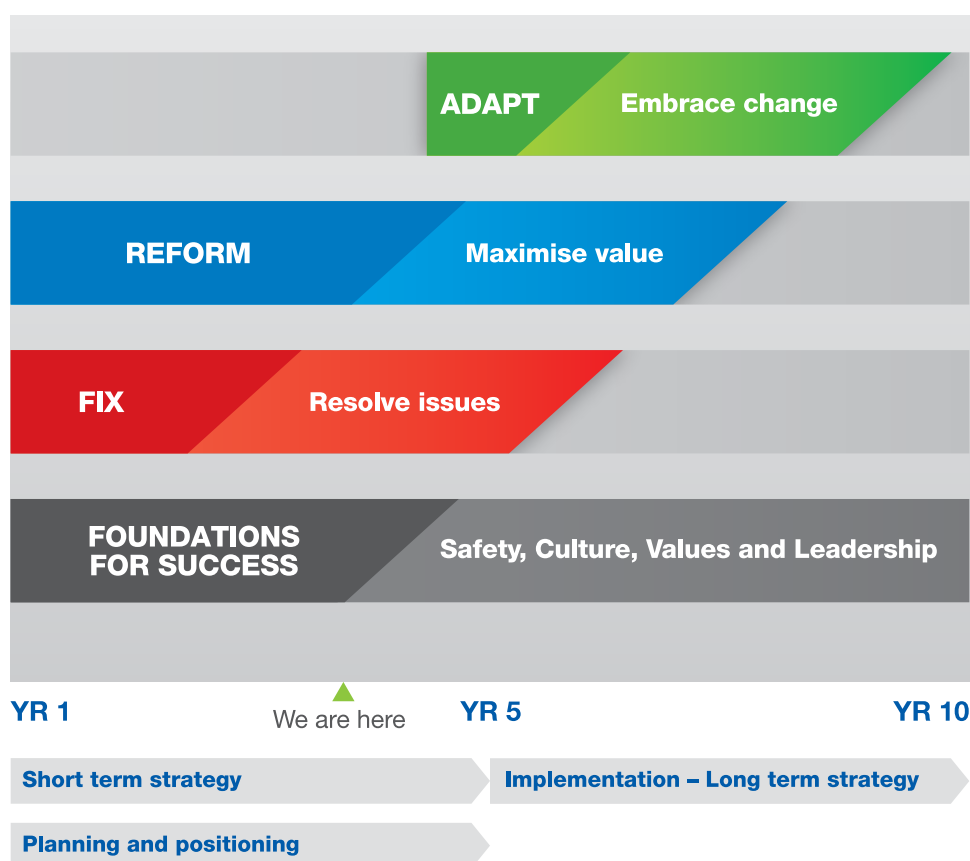
Since late 2012, CS Energy has pursued a strategy to build and transform the company into a safe, profitable and sustainable business that delivers value to the people of Queensland – the company's shareholders. This strategy is characterised as: fix, reform, adapt.

Since that time, the Board and management team have been able to turn the performance of the company around. In particular, CS Energy has made considerable progress to rectify several legacy issues that have hindered the company from reaching its full potential. During 2016/17, CS Energy will continue with its fix, reform, adapt agenda.

In particular, CS Energy will continue to address several legacy issues. These are:

- contractual issues in relation to coal supply from the Callide Coal Mine to the Callide Power Station;
- losses that relate to the uneconomic IPPA; and
- high debt levels and associated interest expense.

CS Energy will continue to implement strategies to minimise the impact of these issues on the business while concurrently seeking to find long-term solutions to these matters.



CS Energy has a substantial overhaul program planned for financial year 2016/17. The primary focus will be on the safe, timely and high quality delivery of these overhauls to enable CS Energy's assets to continue to perform at the required standard well into the future. Details of the capital expenditure program for the overhauls planned for next year are provided on page 12.

## Shareholder mandate

CS Energy's short and long-term strategic objectives are informed by the Shareholder Mandate (**Mandate**), which was issued to CS Energy by the Queensland Government in late July 2016. The Mandate provides an overview of the Queensland Government's performance expectations of CS Energy as well as outlines areas of potential growth and development for the business.

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

In 2016/17, in addition to addressing the company's legacy issues outlined above, CS Energy's principal focus will be on the 'effective management of existing assets' and will:

- will continue to seek resolution to the fuel constraints for the Callide Power Station by considering a broad spectrum of strategies, including mine ownership;
- review the company's trading and risk management strategies; and
- exceed efficiency saving targets as detailed in the 2015/16 Mid-Year Review.

CS Energy has been working to resolve the fuel constraints at Callide Power Station as a priority for the business long before the Mandate was released.

CS Energy will also:

- improve its asset management capabilities;
- reduce, where possible, its capital expenditure program;
- improve and deliver best practice contract management;
- explore ways to reduce its O&M costs; and
- continue to optimise its inventory management.

Finally, CS Energy will explore ways to facilitate the development of private sector renewable energy generation in Queensland without direct investment in or ownership of renewable energy power stations.



# Key performance indicators

In accordance with Section 105(1) of the GOC Act and the Mandate, CS Energy plans to meet the following financial and non-financial targets for 2016/17.

Category	Measure	2015/16 Actual	2016/17 Target
Safety	TCRFR	3.51	< 3.00
Environment	Significant Environmental Incidents	0	0
Finance	Return on Gross Fixed Assets (%)	9.2	10.6
Finance	Free Cash Flow Yield (%)	2.5	6.4
Thermal plant performance	Equivalent Availability Capacity Factor Demand (%)	*	87.5
Pumped-hydroelectric plant performance	Start Reliability (%)	*	95

## Safety

CS Energy takes its safety obligations very seriously. In fact, CS Energy believes that all injuries are preventable and is committed to the philosophy of Zero Harm. Over the past few years, CS Energy has improved its safety performance, but there is still more work to be done in order to achieve predictable and sustainable health and safety outcomes.

In 2016/17 CS Energy has set its Total Case Recordable Frequency Rate (**TCRFR**) target at less than three. TCRFR is a rolling 12-month average that measures the number of lost time injuries and medical treatment injuries per million hours worked.

## Environment

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

In 2016/17 CS Energy has set its Significant Environmental Incidents (**SEIs**) target at zero. SEIs are incidents that have a significant impact on the environment or resulted in enforcement action by a regulator.

The Environmental Management System (**EMS**) in place at each site is consistent with the International Standard ISO 14001, and provides the basis for environmental risk management across the business.



## Finance

Over the past few years, CS Energy has been able to address several legacy matters and to turn the financial performance of the company around. In 2014/15, CS Energy's underlying Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) was \$154.7 million – which was an increase of \$137.5 million on the company's performance in 2013/14.

In 2015/16, CS Energy improved on this result further with an underlying EBITDA of \$194.6 million.

CS Energy also again avoided any draw-down of debt. Importantly, in 2015/16 CS Energy returned to its shareholders its first dividend payment in seven years.

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

In accordance with the Mandate, CS Energy will monitor its financial performance through two measures: Return on Gross Fixed Assets (**ROGFA**) and Free Cash Flow Yield (**FCFY**). ROGFA is calculated by: Underlying EBITDAIF / Gross Fixed Assets + Net Working Capital. FCFY is calculated by: Free Cash Flow / Gross Fixed Assets + Net Working Capital.

## Plant performance

The performance of CS Energy's power stations is critical to the success of business. In 2015/16, CS Energy's generation assets sent out 10,963 gigawatt hours (**GWh**) of energy, which was significantly above our forecast for the year. The predominant driver of this result was increased generation at Callide B and C power stations due to increased coal supply volumes.

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

In 2016/17, CS Energy will accordingly measure its plant performance by focusing on the availability and capacity of its thermal plant and the reliability of the hydroelectric plant that supports the portfolio contract position. The primary asset performance metrics for the thermal and hydroelectric plant are Equivalent Availability Capacity Factor Demand (**EACFD**) and Start Reliability (**SR**) respectively. An explanation of these metrics is shown below:

$$\text{EACFD} = 100 - (\text{EFOF} + \text{EMOF} + \text{EPOF} + \text{SD}) \%$$

Where:

EACFD	= Equivalent Availability Capacity Factor Demand
EFOF	= Equivalent Forced Outage Factor
EMOF	= Equivalent Maintenance Outage Factor
EPOF	= Equivalent Planned Outage Factor
SD	= Seasonal De-ratings

$$\text{Start Reliability} = \text{Number of starting successes} / (\text{Number of starting success} + \text{Number of starting failures}) \%$$

# Financial statements

## Statement of Income Group (Consolidated)

QUARTER 2016/7					2014/15	2015/16	2015/16	2016/17
Sep	Dec	Mar	Jun		Actual	Budget	Est Act	Budget
\$M	\$M	\$M	\$M		\$M	\$M	\$M	\$M
145.0	148.4	165.7	139.2	Sales of electricity	506.7	485.8	572.1	598.3
46.5	55.9	72.2	49.6	Underlying EBITDA	157.9	144.5	194.6	224.6
3.2	3.2	3.2	3.2	Gladstone onerous contract unwind	13.3	6.7	23.7	12.9
(1.2)	(1.2)	(1.2)	(1.2)	Rehabilitation provision	(8.0)	(5.5)	(8.3)	(4.9)
(0.0)	(0.0)	0.0	0.0	Oxyfuel Project	0.0	(1.0)	(0.6)	(0.1)
0.0	0.0	0.0	0.0	Other accounting adjustments	0.0	(16.4)	(68.1)	0.0
48.5	57.9	74.3	51.6	EBITDA (excluding Mark to Market)	163.2	128.3	141.3	232.6
(35.5)	(31.4)	(31.3)	(31.5)	Depreciation and amortisation	(103.6)	(105.6)	(99.9)	(129.7)
12.9	26.5	42.9	20.1	Earnings Before Interest and Tax (excluding Mark to Market)	59.6	22.7	41.4	102.9
(0.7)	(0.1)	2.4	1.3	Mark to Market	(10.9)	(12.7)	(8.3)	2.9
(14.0)	(14.1)	(13.8)	(13.5)	Interest expense (net)	(63.9)	(60.8)	(61.5)	(55.5)
0.5	(3.7)	(9.4)	(2.4)	Income tax (expense)/benefit	(53.3)	15.2	8.5	(15.1)
				Year End Accounting Adjustments	192.7			
(1.2)	8.7	22.0	5.5	Profit/(Loss) After Tax	124.2	(35.6)	(19.9)	35.3

## Transactions with owners as owners

	2014/15	2015/16	2015/16	2016/17
	Actual	Budget	Est Act	Budget
	\$M	\$M	\$M	\$M
Equity injections	0	0	0	0
Equity withdrawals	0	0	0	0
Dividends provided	0	0	13.8	19.4
Current TEPs expense	0	0	0	0

# Statement of Financial Position

## Group (Consolidated)

QUARTER 2016/7					2014/15	2015/16	2015/16	2016/17
Sep	Dec	Mar	Jun		Actual	Budget	Est Act	Budget
\$M	\$M	\$M	\$M		\$M	\$M	\$M	\$M
				<b>CURRENT ASSETS</b>				
5.2	11.5	61.3	30.4	Cash	28.9	(10.9)	47.0	30.4
64.6	67.3	78.2	66.7	Receivables	83.8	45.5	98.1	66.7
9.3	3.4	1.3	0.3	Derivative financial instruments	83.8	23.0	92.1	0.3
85.8	85.4	82.2	80.6	Inventories	19.7	78.5	43.3	80.6
<b>164.9</b>	<b>167.5</b>	<b>222.9</b>	<b>177.9</b>	<b>Total current assets</b>	<b>216.2</b>	<b>136.0</b>	<b>280.6</b>	<b>177.9</b>
				<b>NON-CURRENT ASSETS</b>				
15.8	14.9	7.1	4.7	Derivative financial instruments	19.8	17.6	9.1	4.7
1,332.2	1,324.2	1,298.5	1,278.2	Property, plant & equipment	1,389.9	1,313.9	1,373.2	1,278.2
291.9	289.2	286.6	279.8	Deferred tax asset	273.9	347.9	313.6	279.8
19.8	19.8	19.8	19.8	Retirement benefit assets	19.9	10.8	19.4	19.8
<b>1,659.8</b>	<b>1,648.2</b>	<b>1,612.0</b>	<b>1,582.5</b>	<b>Total non-current assets</b>	<b>1,703.4</b>	<b>1,690.2</b>	<b>1,715.3</b>	<b>1,582.5</b>
<b>1,824.7</b>	<b>1,815.7</b>	<b>1,834.9</b>	<b>1,760.4</b>	<b>Total assets</b>	<b>1,919.6</b>	<b>1,826.3</b>	<b>1,995.9</b>	<b>1,760.4</b>
				<b>CURRENT LIABILITIES</b>				
75.6	65.7	70.3	66.5	Payables	80.1	53.8	129.2	66.5
24.0	9.4	1.2	0.3	Derivative financial instruments	47.5	30.4	156.0	0.3
29.8	29.8	29.8	36.5	Provisions	44.0	32.4	38.0	36.5
0.0	0.0	0.0	19.3	Dividends	0.0	0.0		19.4
<b>129.4</b>	<b>104.9</b>	<b>101.4</b>	<b>122.7</b>	<b>Total current liabilities</b>	<b>171.5</b>	<b>116.6</b>	<b>323.2</b>	<b>122.7</b>
				<b>NON-CURRENT LIABILITIES</b>				
0.0	0.0	0.0	0.0	Payables	1.1	0.0	0.3	0.0
28.6	27.6	13.0	4.2	Derivative financial instruments	27.5	0.0	32.3	4.2
812.1	812.1	812.1	746.1	Borrowings	812.1	812.1	812.1	746.1
278.3	276.2	274.2	266.1	Provisions	173.6	485.8	330.5	266.1
185.5	189.3	198.7	194.4	Deferred tax liability	287.8	193.5	173.6	194.4
5.7	5.7	5.7	5.7	Other liabilities	40.0	0.0	10.0	5.7
<b>1,310.2</b>	<b>1,310.9</b>	<b>1,303.7</b>	<b>1,216.6</b>	<b>Total non-current liabilities</b>	<b>1,342.4</b>	<b>1,491.4</b>	<b>1,358.8</b>	<b>1,216.6</b>
<b>1,439.6</b>	<b>1,415.8</b>	<b>1,405.1</b>	<b>1,339.3</b>	<b>Total liabilities</b>	<b>1,513.7</b>	<b>1,608.0</b>	<b>1,682.0</b>	<b>1,339.3</b>
<b>385.1</b>	<b>399.9</b>	<b>429.8</b>	<b>421.1</b>	<b>Net assets</b>	<b>405.9</b>	<b>218.3</b>	<b>313.9</b>	<b>421.1</b>
				<b>SHAREHOLDERS' EQUITY</b>				
1,114.4	1,114.4	1,114.4	1,114.4	Share capital	1,114.4	1,114.4	1,114.4	1,114.4
(19.1)	(13.0)	(5.2)	(0.1)	Hedging reserve	(14.8)	(5.2)	(87.8)	(0.1)
(710.3)	(701.5)	(679.4)	(693.2)	Retained earnings	(693.7)	(890.9)	(712.7)	(693.2)
<b>385.1</b>	<b>399.9</b>	<b>429.8</b>	<b>421.1</b>	<b>Total shareholders' equity</b>	<b>405.9</b>	<b>218.3</b>	<b>313.9</b>	<b>421.1</b>

# Statement of Cash Flows Group (Consolidated)

QUARTER 2016/7					2014/15	2015/16	2015/16	2016/17
Sep	Dec	Mar	Jun		Actual	Budget	Est Act	Budget
\$M	\$M	\$M	\$M		\$M	\$M	\$M	\$M
				<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
163.9	169.6	178.2	173.0	Receipts from customers	679.7	589.0	540.0	684.8
(121.8)	(128.0)	(108.4)	(112.8)	Payments to suppliers and employees	(583.6)	(454.8)	(352.6)	(471.0)
(15.7)	(14.0)	(14.1)	(13.8)	Net borrowing costs paid	(62.2)	(61.4)	(61.9)	(57.6)
0.0	0.0	0.0	0.0	Tax equivalent payments	0.0	0.0	-	0.0
<b>26.5</b>	<b>27.6</b>	<b>55.7</b>	<b>46.4</b>	<b>Net cash provided by operating activities</b>	<b>33.9</b>	<b>72.8</b>	<b>125.5</b>	<b>156.2</b>
				<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(39.3)	(21.4)	(5.9)	(11.4)	Payments for property, plant & equipment <sup>1</sup>	(47.3)	(99.9)	(107.4)	(77.9)
<b>(39.3)</b>	<b>(21.4)</b>	<b>(5.9)</b>	<b>(11.4)</b>	<b>Net cash provided by/(used in) investing activities</b>	<b>(47.3)</b>	<b>(99.9)</b>	<b>(107.4)</b>	<b>(77.9)</b>
				<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
0.0	0.0	0.0	(66.0)	Proceeds / (repayments) from borrowings	0.0	0.0	-	(66.0)
0.0	0.0	0.0	0.0	Dividends paid	0.0	0.0	-	0.0
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(66.0)</b>	<b>Net cash provided by/(used in) financing activities</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>(66.0)</b>
(12.9)	6.2	49.8	(30.9)	<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	(13.4)	(27.1)	18.1	12.3
18.1	5.2	11.5	61.3	Cash at the beginning of the financial year	42.4	16.1	28.9	18.1
<b>5.2</b>	<b>11.5</b>	<b>61.3</b>	<b>30.4</b>	<b>Cash at the end of the financial year</b>	<b>28.9</b>	<b>(10.9)</b>	<b>47.0</b>	<b>30.4</b>

1. Excludes capitalised interest.

## Capital expenditure (including overhauls)

DESCRIPTION	2016/17 Budget \$M	Status
Callide B Power Station	6.1	In progress
Callide C Power Station	5.4	In progress
Kogan Creek Power Station <sup>1</sup>	13.0	In progress
Wivenhoe Power Station	0.9	In progress
Corporate	4.3	In progress
Total sustaining capital expenditure	29.7	
Overhauls – Callide B Power Station	29.1	In progress
Overhauls – Callide C Power Station	7.5	In progress
Overhauls – Kogan Creek Power Station	0.7	In progress
Overhauls – Wivenhoe Power Station	10.9	In progress
Total overhaul expenditure	48.2	
Total capital expenditure	77.9	

# Compliance with GOC Act

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

## Prudential financial information

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

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

## Capital structure

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

## Weighted average cost of capital

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

## Dividend policy and payment

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

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

## Corporate Governance guidelines for Government Owned Corporations

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

## Risk management

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

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

framework to respond to security threats has been developed. The CS Energy Board will continually monitor security risks and update the Company's response framework as necessary.

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

## **Compliance with government policies**

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

## **Sponsorship, advertising, corporate entertainment, and donations**

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

## **Employment and Industrial Relations Plan**

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

## **Community Service Obligations (CSOs)**

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

# Appendix A

## Employment and industrial relations plan

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

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

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

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

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

## CS Energy employees and enterprise agreements

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

The company is presently party to four enterprise agreements, each negotiated at site level with relevant union representatives and then approved by employees. A total of 436 employees are covered by enterprise agreements. The unions party to our agreements are the Construction, Forestry, Mining and Energy Union (CFMEU); Electrical Trades Union Branch (ETU) of the Communications, Electrical and Plumbing Union (CEPU); Australian Municipal, Administrative, Clerical and Services Union (QSU); the Australian Manufacturing Workers Union (AMWU); Australian Institute of Marine and Power Engineers (AIMPE); and Professionals Australia, (Association of Professional Engineers, Scientists and Managers Australia). Further details of the agreements are set out in the following table:

Category	Scope	Reference	Expiry
CS Energy Ltd Corporate Office Enterprise Agreement 2012 Covers 119 employees	Employees of CS Energy Ltd at Corporate Office	AG2012/8251	30 June 2015
CS Energy Ltd Callide Power Station Certified Agreement 2015 Cover 218 employees	Employees of CS Energy Ltd at Callide Power Station	AG2015/7679	28 February 2018
CS Energy Ltd Wivenhoe Power Station Enterprise Agreement 2012 Covers 10 employees	Employees of CS Energy at Wivenhoe Power Station	AG2012/8642	29 July 2015
Kogan Creek Power Station Enterprise Agreement 2014 Covers 89 employees	Employees employed in the classifications within the Agreement	AG2014/1760	31 March 2017

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

In early 2016 CS Energy completed negotiations for a new enterprise agreement with unions and employees at its Callide Power Station. This agreement was subsequently approved by the Fair Work Commission and commenced operation in January 2016.

Negotiations commenced in August 2015 and December 2015 for CS Energy's Corporate Office and Wivenhoe Power Station agreements with in-principle agreement reached for each agreement on 1 July 2016 and 12 May 2016 respectively.

CS Energy will commence the negotiation of a new Kogan Creek Power Station Enterprise Agreement in January 2017 in accordance with the IR Policy and any other policies as advised by shareholding Ministers.

## Remuneration arrangements

### Chief and senior executives

Remuneration details for the Chief and Senior Executives for 2015/16 are provided in the following table. These arrangements are reviewed annually in accordance with company procedure and Government policy. Performance payments are capped at 15 per cent of Total Fixed Remuneration (**TFR**) for the Chief and Senior Executives.

The base salaries shown below are those applicable as at 30 June 2016.

CEO / Senior Executives	Base salary <sup>1</sup>	Employer Superannuation contributions <sup>2</sup>	Motor Vehicle <sup>3</sup>	Car park <sup>4</sup>	Total fixed remuneration <sup>5</sup>	Other non-personal benefits	Performance payment made 2014/15
Chief Executive Officer Martin Moore	\$709,060	\$67,360	Nil	Nil	\$776,420	Nil	\$107,360
Executive General Manager Energy Markets (Acting) David Warman	\$338,970	\$32,205	Nil	Nil	\$371,175	Nil	\$46,027
Executive General Manager Operations Mark Moran	\$421,070	\$40,000	Nil	Nil	\$461,070	Nil	\$52,000
CFO Darren Busine	\$365,295	\$34,705	Nil	Nil	\$400,000	Nil	Nil
Executive General Manager Strategy and Commercial Owen Sela	\$377,105	\$35,825	Nil	Nil	\$412,930	Nil	\$47,317
Executive General Counsel and Company Secretary Emma Roberts	\$274,010	\$26,030	Nil	Nil	\$300,040	Nil	N/A
Executive General Manager People & Safety (Acting) Andrew Varvari (nominal role Executive General Counsel & Company Secretary)	\$355,820	\$35,580	Nil	Nil	\$391,400		\$55,007  (for Executive General Counsel & Company Secretary)



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

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

## Employment conditions

General conditions of employment are provided in the various enterprise agreements made under the *Fair Work Act 2009* (Cth) and CS Energy human resources policies and procedures. Rates of pay, including productivity payments, are included in enterprise agreements and all purpose allowances, where applicable (for example, power house allowance, disability allowances, etc) are incorporated in all-up rates within those industrial instruments. The Electrical Power Industry Award 2010 is the modern award applying to the power generation industry and enterprise arrangements leave CS Energy employees better-off-overall when compared to this award. Employment conditions are also governed by the GOC Act and Regulations, the *Electricity Act 1994* (Qld) and Regulation of 2006 and the *Fair Work Act 2009* (Cth).

As required by the *Fair Work Act 2009* (Cth) each enterprise agreement contains a flexibility provision, allowing the company and employees to put in place individual arrangements provided that the employee is not disadvantaged compared to the collective agreement. These flexibility arrangements include Alternative Individual Agreements (**AIA**s) and are offered where roles require special skills or employment flexibility, to ensure that CS Energy can attract and retain quality employees to compete effectively in the electricity market. An employee is free to move from AIA arrangements back to enterprise agreement conditions simply by giving notice of the change to CS Energy.

As at 30 June 2016, 59 per cent of employees are engaged directly on enterprise agreement terms and conditions, 38 per cent work under an AIA as provided by their site's enterprise agreement and three per cent of employees are engaged on common law contracts including the Chief and Senior Executives and a number of site management positions.

# Type of employment and workforce planning

## Workforce planning

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

## Types of employment

Employment category	30-Jun-16	30-Jun-17	30-Jun-18	30-Jun-19	30-Jun-20
Permanent full time <sup>1</sup>	396	443	445	433	432
Permanent part time (FTE)	9.4	8.9	8.3	8	6.5
Other contract	15.7	0	0	0	0
Senior Executive contract	6	7	7	7	7
Apprentices (in house)	8	8	8	8	8
Trainees (in house)	1	1	1	1	1
Casual employees (FTE)	1.7	1.7	1.7	1.7	1.7
<b>Total directly employed workforce<sup>2</sup></b>	<b>437.8</b>	<b>469.6</b>	<b>471</b>	<b>458.7</b>	<b>456.2</b>
Apprentices (Group)	12	12	12	12	12
Trainees (Group)	3	3	3	3	3
Contractor employees (trade/technical)	20	20	20	20	20
Contractor employees (professional / administrative / clerical)	10	10	10	10	10
Labour hire (trade/technical - FTE)	See note below	n/a	n/a	n/a	n/a
Labour hire (professional / administrative / clerical)	See note below	n/a	n/a	n/a	n/a
s457 Temporary Visa <sup>3</sup>	0	0	0	0	0
<b>Total workforce</b>	<b>482.8</b>	<b>514.6</b>	<b>516</b>	<b>503.7</b>	<b>501.2</b>

1. Includes temporary employees and S457 visas.

2. Total directly employed workforce figures correspond to the Workforce Plan.

3. Included in permanent full time figure.

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

## Workplace health and safety

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

## Equal Employment Opportunity and anti-discrimination

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

The Recruitment and Selection Procedure provides direction for all CS Energy recruitment and selection activities to be based on using fair, open and transparent processes to select the best person for the job within an efficient and effective process. These documents are available for employees and contractors on the intranet or in hard copy from the Human Resources team.

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

## Joint venture projects

CS Energy (through its wholly owned subsidiary, Callide Energy Pty Ltd) remains in joint venture with IG Power (Callide) Limited at Callide C Power Station. Operations and maintenance services for Callide C Power Station are provided by CS Energy under a contract to the joint venture entity. CS Energy employees and some contractors are undertaking work for the joint venture. Relevant CS Energy employees are covered by the CS Energy Ltd Callide Power Station Certified Agreement 2011.

## Management of the relationship between GOCs and unions

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

## Redundancy provisions

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

## Employment security

Three of the four current CS Energy enterprise agreements do not contemplate involuntary redundancies. The Kogan Creek Power Plant Enterprise Agreement 2014 is the only agreement that recognises involuntary redundancy, in circumstances where all other employment options including redeployment, retraining and transfers have been exhausted. CS Energy applies the employment security policy of the Queensland Government.

## Contracting out

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

## Superannuation

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

The Energy Super Defined Benefit Fund which closed to new employees in 2002, has an employee contribution rate of five per cent post tax or 5.88 per cent pre-tax and an employer contribution rate of nil. This rate is reviewed every two years by the Fund Actuary. Presently, 20.7 per cent of the CS Energy workforce remains in this plan.

The remainder of the workforce are members of a number of defined contribution funds, with 44.2 percent of the workforce in the Superannuation Guarantee Contribution (SGC) employer fund (currently 9.5 per cent contribution) and the remaining 35.1 per cent of the workforce are in the contributory defined contribution fund where the employee contribution is five per cent post tax or 5.88 per cent pre-tax with CS Energy contributing 10 per cent.

## Union encouragement

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

## Consultation

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

# Appendix B

## Sponsorship, advertising, donations, corporate entertainment.

**Table 1: Sponsorship, Advertising, Corporate Entertainment, Donations and Other Activities**  
Details of individual expenditure items<sup>1</sup>

Activity	Description / Benefit	2016/17 Budget (\$)
Other (total) above \$5,000	Nil	0
<b>Total over \$5,000</b>		<b>0</b>
Other (total) below \$5,000	Small discretionary sponsorships from Brisbane and the Callide, Kogan Creek and Wivenhoe power stations to raise CS Energy's profile.	126,000
<b>TOTAL Sponsorships</b>		<b>126,000</b>
<b>ADVERTISING <sup>2</sup></b>		
<b>Total over \$5,000</b>		<b>0</b>
Other (total) below \$5,000	Site-based, non-campaign advertising for Chinchilla Community Benefits Trust, grants programs, and advertising tenders.	8,000
<b>TOTAL Advertising</b>		<b>8,000</b>
<b>CORPORATE ENTERTAINMENT</b>		
<b>Total over \$5,000</b>		<b>0</b>
Other (total) below \$5,000	Business development activities to support electricity contracting activities.	0
<b>TOTAL Corporate Entertainment</b>		<b>0</b>
<b>DONATIONS</b>		
Other (total) below \$5,000	Discretionary donations to community events and activities at Brisbane, Callide, Kogan Creek and Wivenhoe.	20,000
<b>TOTAL Donations</b>		<b>45,000</b>
<b>OTHER</b>		
<b>Total over \$5,000</b>		<b>0</b>
Other (total) below \$5,000	None	0
<b>TOTAL Other</b>		<b>0</b>
<b>TOTAL <sup>1</sup></b>		<b>0</b>

1. All expenditure is GST exclusive.

2. Does not include recruitment advertising.

# Appendix B

**Table 2: Corporate Entertainment  
Details of Total Budgeted Expenditure under \$5,000<sup>1</sup>**

Activity	2016/17 Budget (\$)
<b>Corporate entertainment total</b>	
• Staff functions	0
• New business	0
• Stakeholder and community engagement	0
<b>TOTAL UNDER \$5,000 <sup>1</sup></b>	<b>0</b>

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

# Appendix C

## Glossary of terms and definitions

AIA	Alternative Individual Agreement
Availability	A measure of a unit's actual capacity to generate compared to the maximum possible for a given period.
CO <sub>2</sub> -e	Carbon dioxide equivalence, which is a standard measure used to compare the emissions from various greenhouse gases based on upon their global warming potential.
CS Energy owned generation (2,355 MW)	Kogan Creek Power Station (750 MW) Callide B Power Station (700 MW) Callide C (405 MW – excludes JV partner's share) Wivenhoe Power Station (500 MW)
CS Energy trading portfolio (4,035 MW)	Kogan Creek Power Station (750 MW) Callide B Power Station (700 MW) Callide C (405 MW – excludes JV partner's share) Wivenhoe Power Station (500 MW) Gladstone Power Station (1,680 MW)
DEHP	Department of Environment and Heritage Protection
DEWS	Department of Energy and Water Supply
EA	Enterprise Agreement
EACFD	Equivalent Availability Capacity Factor Demand
EEO	Equal Employment Opportunity
EFOF	Equivalent Forced Outage Factor
E&IR Plan	Employment and Industrial Relations Plan
EMS	Environmental Management System
EBITDA	Earnings before interest expense, tax, depreciation and amortisation.
EBITDAIF	Earnings before interest expense, tax, depreciation, amortisation, impairment losses/loss reversals and net fair value gains/losses on financial instruments, excluding abnormal items.
Energy sent out	The amount of electricity sent to the grid.
EP Act	Environment Protection Act 1994 (Qld)
EPOF	Equivalent Planned Outage Factor
EP Act enforcement action	Action taken against a corporation or its officers under the Environmental Protection Act 1994 (Qld), including penalty infringement notices, environmental protection orders, restraint orders or convictions of offences.
ELT	Executive Leadership Team
FCFY	Free cash flow yield. FCFY is calculated by: Free Cash Flow / Gross Fixed Assets + Net Working Capital.
FTE	Full Time Equivalent
FWA	Fair Work Australia
GOC Act	Government Owned Corporations Act 1993 (Qld)

Gross fixed assets	Gross fixed assets is defined as the undepreciated value of property, plant and equipment still within useful life.
GW	Gigawatt (one GW = 1,000 megawatts)
GWh	Gigawatt hours (one GWh is equal to 1,000 megawatts (MW) of electricity used continuously for one hour)
IPI	Individual Performance Incentives
IPPA	Gladstone Interconnection and Power Pooling Agreement
IR Policy	Government Owned Corporations - Wages and Industrial Relations Policy 2015.
ISO 14001	An international standard for an Environmental Management System (EMS).
KPI	Key Performance Indicator
kgCO <sub>2</sub> -e/MWhso	Greenhouse gas emission intensity per energy sent out. The amount of greenhouse gas emitted per unit of energy sent out (expressed in units of CO <sub>2</sub> -e per unit of electricity sent out to the grid). Greenhouse gas emissions intensity is a way of measuring the efficiency of an electricity generator, by dividing total emissions by the amount of electricity produced.
LREC	Large-scale Renewable Energy Certificate
LTi	Lost Time Injury. An LTI is an occurrence that results in time lost from work of one shift or more, not including the shift in which the injury occurred.
LTPPA	Long Term Power Purchasing Agreement
LTIFR	Lost Time Injury Frequency Rate. The number of LTIs per million hours worked by employees and contractors (calculated on a 12-month moving average).
Mandate	Shareholder Mandate. The Shareholder Mandate was issued to CS Energy by the Queensland Government in July 2016. The Mandate provides an overview of the Queensland Government's performance expectations of CS Energy as well outlines areas of potential growth and development for the business.
ML	Megalitre (one ML = one million litres)
MTI	Medical Treatment Injury
MW	Megawatt (one MW = one million watts)
MWh	Megawatt hours (one megawatt generated for one hour)
MWhso	Megawatt hours sent out
NEM	National Electricity Market
NGER	National Greenhouse and Energy Reporting
NPAT	Net Profit After Tax
O&M	Operations and maintenance services
Planned outage factor	A measure of a unit's lost capacity to generate due to planned outages (overhauls) for a given period.
QTC	Queensland Treasury Corporation
Reliability	A measure of a unit's actual capacity to generate compared to the maximum possible for a given period, excluding periods of planned outages (overhauls).



ROGFA	Return on Gross Fixed Assets. ROGFA is calculated by: Underlying EBITDAIF / Gross Fixed Assets + Net Working Capital.
Scope 1 Emissions	Greenhouse gas emissions released into the atmosphere as a direct result of an activity, or series of activities at a facility.
SCI	Statement of Corporate Intent
SD	Seasonal De-ratings
SEIs	Significant Environmental Incidents are incidents that have a significant impact on the environment or resulted in enforcement action by a regulator.
SR	Start Reliability. Start reliability is calculated by the Number of starting successes / (Number of starting success + Number of starting failures), measured as a percentage.
SREC	Small-scale Renewable Energy Certificate
TCRFR	Total Case Recordable Frequency Rate. A rolling 12-month average that measures the number of loss time injuries (LTIs) and medical treatment injuries (MTIs) per million hours worked.
TFR	Total Fixed Remuneration
Underlying EBITDA	Underlying earnings before interest, tax depreciation and amortisation.
Underlying EBIT	Earnings before interest, tax, and significant items.
Underlying interest cover	Underlying EBIT divided by interest and finance charges.
Underlying return on capital employed	Underlying EBIT divided by total debt plus total equity. Total debt represents non-current borrowings. Total equity excludes reserves.
Unplanned outage factor	A measure of a unit's lost capacity to generate due to forced or maintenance outages or de-ratings.

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