

Corporate Structure - Governance and delegations 2020-25

January 2019



Part of the Energy Queensland Group

1. PURPOSE

This Policy sets out the overarching decision making governance and delegation of authority framework for Energy Queensland Limited (EQL) and its subsidiaries.

2. POLICY STATEMENT

2.1. Background

In accordance with section 198A of the Corporations Act the business of each company is managed by or under the direction of the directors. Section 198D of the Corporations Act permits the directors of a company to delegate any of their powers.

As the ultimate holding company of the EQL Group, EQL may set out its expectations about the way in which the directors of its subsidiaries will manage the business of their company.

The directors of the EQL subsidiaries remain accountable at law and must comply with their directors' duties.

2.2. Role of EQL

EQL is a Government Owned Corporation (GOC) and the ultimate holding company of the other companies in the EQL Group. As a GOC under the GOC Act and the parent company for the various subsidiary companies, EQL's role is, broadly, to set the strategy and corporate plans (including the Corporate Plan (CP) and annual Statement of Corporate Intent (SCI)) as required by the GOC Act and parameters (including for performance and budget) within which the EQL Group operates and to provide strategy, corporate and support services to the subsidiaries. EQL also monitors the performance of the subsidiary companies within the EQL Group.

The EQL Board will not approve any transaction which will have a material effect on its subsidiaries without consulting with the directors of the relevant subsidiary, or making any approval conditional on the approval of the board of such subsidiary.

The matters reserved for the Board of EQL are set out in Appendix 1, Part 1.

2.3. Role of Subsidiary Companies

The role of the subsidiary companies is to implement the strategies and plans as they apply to their businesses and to control and operate their businesses effectively and efficiently, including monitoring their performance and compliance and managing workplace health and safety.

In the case of Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy), each company is a Distribution Network Service Provider (DNSP) with consequent compliance and reporting obligations and duties.

The main role of the Boards of the DNSPs is to operate their distribution networks in accordance with the strategy and control of the EQL Board, have oversight of the business of the DNSP, including legal and regulatory compliance and monitoring of financial performance and the solvency of the respective companies.

The EQL Board expects that EQL's subsidiary companies will only approve major transactions in consultation with, or subject to the approval of, the EQL Board.

The EQL Board expects that the DNSPs will only approve key Regulatory and Pricing documents and instruments (e.g. Regulatory Proposals, Distribution Annual Planning Report (DAPR), and Pricing Proposals) in consultation with, and in line with parameters approved by, the EQL Board.

The Boards of the subsidiary companies are responsible for the oversight of operation of the subsidiary in accordance with the approved approach set by the EQL Board for the EQL Group. Specifically, the role of each EQL subsidiary Board is to:

- i. Act in the best interests of EQL, and any other holding company, in accordance with the subsidiary's constitution.
- ii. Operate in accordance with the objects set out in the subsidiary's constitution.
- iii. For Energex and Ergon Energy, operate and fulfil their obligations as a DNSP and electricity entity.
- iv. Provide oversight and monitor the business of the subsidiary.
- v. Monitor the financial performance and solvency of the subsidiary.
- vi. Implement the EQL SCI/CP, strategy, business plan and, as relevant, the Program of Work (POW).
- vii. Report to the EQL Board on key issues and risks.
- viii. Monitor the application of delegations.
- ix. Consider and, as appropriate, adopt and implement directions from the shareholding Ministers of EQL under the GOC Act.
- x. Consider recommendations from the EQL Board.
- xi. Consider and, as appropriate, adopt and comply with EQL Group policies and the law.
- xii. Consider and, as appropriate, approve financial data for the EQL consolidated financial statements, and, as appropriate, declare dividends.
- xiii. Consider and, as appropriate, approve annual solvency resolution.
- xiv. Manage workplace health and safety.

Appendix 1, Part 2 sets out the matters it is expected the subsidiary Boards will reserve for themselves. Appendix 1, Part 3 sets out the additional matters it is expected the DNSP Boards will reserve for themselves.

The EQL Board committees that are approved by the shareholding Ministers will assist the EQL Board with certain specialist areas for the benefit of the whole EQL Group. It is not intended that there will be other Board committees within the EQL Group.

The EQL Board wishes to maintain oversight of issues that may have a significant or unusual impact on the EQL Group. It is therefore expected that the subsidiary companies will exercise judgement and consider whether a transaction's special nature or materiality requires it to be referred to the EQL Board.

The Boards of each subsidiary company are expected to delegate the general authority to manage and operate the relevant subsidiary on a day to day basis as well as other specific authorities to their EQL CEO, whose role is to manage the relevant subsidiary company on a day to day basis. The limits of such authorities should match the limits set out in this Policy (refer Appendix 2) and be in accordance with this Policy and any other governance arrangements that EQL has with its subsidiaries.

Each subsidiary company (or through delegation to the EQL CEO in the subsidiary) may authorise other EQL Group Roles to exercise any parts of their delegations within the respective subsidiary company.

3. DELEGATIONS

3.1. Delegation by the EQL Board to the EQL CEO

The EQL Board delegates its power and authority to the EQL Chief Executive Officer (CEO) to manage all activities of EQL as follows:

- a. the general authority to manage and operate EQL on a day to day basis;
- b. the specific delegation of authority limits as set out in Appendix 2, Table 1; and
- c. authority to sub-delegate to EQL Group Roles up to limits of authority determined by the CEO, up to the CEO's own authority limits, but excluding the matters specifically reserved for the EQL Board as set out at Appendix 1, Part 1 or specifically delegated to others.

3.2. Delegation by the EQL Board to other Persons

The EQL Board delegates its power and authority in respect of the matters in Appendix 2 Table 2 to the corresponding positions specified in Appendix 2 Table 2 and subject to any ratification requirements set out in Appendix 2 Table 2.

No authority is given to sub-delegate these matters.

3.3. Ad Hoc Delegations

From time to time, in addition to normal operating delegations of authority, the EQL Board may also delegate specific authorities to specified EQL Group Roles, other persons or committees.

4. RULES OF DELEGATION

The Corporations Act requires the Board to remain accountable for matters for which it has delegated authority. The Corporations Act also provides that a delegate must exercise their powers in accordance with any directions of the Directors.

Any delegate, including sub-delegates, within the EQL Group must exercise their powers in accordance with the Rules of Delegation set out in this section 4.

1. Delegates have a responsibility to ensure that taking an action is within the power and limitation of their delegation and within the scope of the duties of their position (being reasonably within the scope of their Position Description).
2. Delegates must comply with all relevant policies and procedures including the Code of Conduct, Conflict of Interest Policy, Procurement Policies within the EQL Group Companies, and relevant GOC policy. In the event that there is an inconsistency between an EQL policy and a subsidiary company policy, the EQL policy will prevail.
3. The application of delegated authority must be in compliance with the relevant Ring Fencing guidelines and obligations applicable to the EQL Group companies.
4. A breach of this Policy, including these Rules of Delegations and the limitations set out in the Register of Delegations, is a serious matter and may result in disciplinary action. Delegates should speak to their manager or supervisor if they are unsure as to the level of authority that applies to their position.
5. Delegations apply to positions, rather than to individuals. Delegations apply to a person officially acting in a position.
6. Other than as provided for under this Policy, delegates cannot sub delegate or re- assign authorities to another person or position.
7. Disposal of assets, equipment and materials over \$500K and Bad Debts write offs of over \$100K are to be reported to the Audit Committee on a quarterly basis.

8. For any payments to be made, the person required to authorise the payment must check that the invoice is legitimate and the amount is correct before authorising payment.
9. Separation of authorities in procurement transactions: In acquiring goods and services, the person approving the purchase must not be the person issuing the purchase/ work order. In addition a person who would normally be expected to have the responsibility to do so must either recommend a purchase, signoff for the proper receipt of the purchase or, as the approver's supervisor, review purchases that have been approved by subordinates.
10. Delegates must ensure that all expenditure (e.g. procurement) or other business commitments (e.g. supply of goods or services) are within an approved budget or within the ordinary course of business.
11. Delegates must not exceed the limit of their authority as set out in the Register of Delegations.
12. Delegates must undertake appropriate legal and commercial due diligence when entering into contracts. Legal sign off must be obtained for any non-standard contract prior to execution (for example, a contract drafted by an external party or a precedent contract where standard terms have been amended).
13. Appropriate expenditure must be diligently monitored and the person responsible for the expenditure must report to management as soon as there is a risk of exceeding the approved amount for an activity.
14. Any decision which involves a high risk, material issue or is of a special nature affecting the company should be referred to a person with higher authority or the Board, even if the activity falls within the person's delegation limit.
15. "Order splitting" or "transaction splitting" is not allowed. This means that delegates must not split transactions or components of transactions or projects to meet authority limits to avoid seeking approval from a more senior manager or the Board. The value of related transactions or a series of transactions within the same program or project must be bundled for approval. For clarity, this does not mean bundling separate contracts for separate suppliers for varying products.
16. Approvals are to be made for the full estimated value including overheads or on-costs and any applicable contingency of the proposed activity, project or procurement (excluding GST). In the event of variation to the full estimated value due to overheads or on-costs, re-approval is not required.

5. APPLICATION / SCOPE

This Policy applies to EQL Group, its officers, employees and contractors (where applicable) and any other personnel notified that this Policy applies to them. This Policy is intended to apply to a secondee to EQL. However, if an equivalent policy of the seconded employee's employer creates an enforceable right, this Policy will apply to that employee only to the extent that it can operate consistently with the equivalent policy.

6. REFERENCES

[Appendix 1](#) - Board Reservations

[Appendix 2](#) - Delegation of Authority Limits

7. DEFINITIONS

Corporations Act	<i>Corporations Act 2001 (Cth)</i>
EQL Group	Includes EQL, subsidiaries of EQL and related bodies corporate.
EQL Group Roles / Roles	Roles established within the EQL Group companies, which may be undertaken by employees of EQL Group companies or other persons contracted to undertake the relevant role responsibilities.
GOC Act	<i>Government Owned Corporations Act 1993 (Qld)</i>
Position Description	The position description of a position within the EQL Group. A position description implies a level of authority based on the scope of the role and responsibilities of the position.
Register of Delegations	Registers that may be maintained by each EQL Group company to record the EQL Group Roles and other people who have been granted delegations of authorities to act on behalf of those companies.

Terms used in this Policy which are defined in the Corporations Act have the meaning given to them in the Corporations Act.

8. ENFORCEMENT

A breach of this Policy should be reported to your line manager. Breaches are also to be reported to the person responsible for managing enquiries regarding this Policy (Company Secretary). If the breach of Policy involves the CEO, Company Secretary or a Director or is a material breach, the breach should be reported to the Chair of the EQL Audit Committee.

9. VARIATION

This Policy is not intended to detract from, or add to, any rights held by a person covered by this Policy under a contract of employment or enterprise agreement. Subject to any consultation obligations, EQL may vary, add to, withdraw, or replace this Policy, at its discretion, at any time.

The CEO and the Company Secretary have the authority to approve administrative amendments to Board approved policies (i.e. minor updates, amendments or corrections not involving changes to delegations or the provisions of the policy).

10. CATEGORY

Corporate Governance

APPENDIX 1 – BOARD RESERVATIONS

Part 1. Matters reserved for the EQL Board

Strategy, plans and budgets
<ul style="list-style-type: none"> • Statement of Corporate Intent (including Annual Budget). • Strategic plans for EQL and EQL Group. • Corporate plans for EQL Group. • Budgets for EQL Group. • Annual Performance Report. • Significant new business. • Any matters requiring shareholding Minister approval.
Subsidiary Governance Framework
<p>Approving a subsidiary governance framework which sets out EQL's expectations and requirements about:</p> <ul style="list-style-type: none"> • Composition and powers of subsidiary Boards (subject to agreements governing the relationship with subsidiaries and shareholding Ministers approval as required). • Matters Reserved for subsidiary Board approval. • Delegations of powers to the senior executive of each subsidiary company including the power to allocate delegations to other Roles to undertake activities on behalf of the subsidiary company. Delegations to positions must be consistently applied across the EQL Group. For example, a position with a similar scope of duties within Energex must have a similar level of authority allocated to the position in Ergon Energy. • The adoption by EQL Group subsidiary companies of the policies of the EQL Group, as applicable. • Recommendations to the shareholding Ministers for the appointment and removal of Directors to the subsidiary Boards.
Risk
<ul style="list-style-type: none"> • EQL Group risk management policy and risk appetite, including energy commodity and trading risk. • Endorse annual program of insurance.
Financial statements and dividends
<ul style="list-style-type: none"> • Annual Financial Statements. • Dividends.
Audit
<ul style="list-style-type: none"> • Appointment of internal audit service provider. • Approval of internal audit plan. • Acceptance of external audit reports including management letters.

GOVERNANCE AND DELEGATIONS POLICY



Acquisition and transfer of shareholdings and subsidiaries
<ul style="list-style-type: none">• Purchase/sale/voting of shares in other corporations.• Acquisition and sale of shares in a subsidiary of EQL.• Acquisition and sale of the whole or substantially the whole of the assets of a subsidiary.
Borrowings and significant group organisational transactions
<ul style="list-style-type: none">• Borrowings not in the SCI.• Material changes to loan terms with QTC as executed from time to time.• Security over any EQL Group assets.• Significant expansions, procurements, acquisitions, disposals and closures in the EQL Group.
Significant operating transactions and procurements
<ul style="list-style-type: none">• Any matters outside the limits approved by the Board for the EQL CEO's delegated authority.
Resourcing and remuneration
<ul style="list-style-type: none">• Appointment, remuneration, performance payments and termination of the CEO.• Appointment of company secretary of EQL and approval of the appointment of subsidiary company secretaries proposed by subsidiary Boards.• Appointment, remuneration, performance payments and termination of EQL EGMs - on the recommendation of the CEO.• Remuneration and incentive policies for EQL Group.• Appointment of Directors of EQL or staff to external positions where such an appointment is at the request of EQL or a third party as a result of a position held within EQL.
Key policies
<p>Significant policies for the EQL Group, including:</p> <ul style="list-style-type: none">• Accounting and Financial policies.• The Treasury Policy for EQL Group, including electricity risk management.• Governance and internal control policies.• Subsidiary governance framework, including delegations and other significant policies to be adopted by the subsidiary companies that are not consistent with EQL Group policies.• Donations and sponsorship policies.

Project Investments Requiring Special Notification/Approval

The following reporting and notification requirements are within the Investment Guidelines for GOCs.

The below thresholds are notified by the shareholding Ministers through the SCI, with the following thresholds applicable from 1 July 2017.

Approval

Approval of the shareholding Ministers is required for:

- Regulated Projects above \$75M, except for regulated investments in the Western Zone, where approval is required above \$40M.
- Unregulated Projects at or above \$60M, except for retail and isolated systems investments, where approval of the shareholding Ministers is required above \$10 million.

Notification via the Quarterly Report to shareholding Ministers

The shareholding Ministers are to be notified of:

- Regulated investments above \$20M.
- Unregulated investments above \$20M, except for unregulated investment which is outside of Queensland, or involves investment in new markets that EQL has not entered before, where notification is required above \$10 million.

Building Queensland thresholds

- Projects greater than \$50M require a business case to be submitted to Building Queensland for review of the projects.
- Projects greater than \$100M require Building Queensland to lead the business case.

Part 2. Matters it is expected the subsidiary company Boards will reserve for themselves

- All matters where the limit of authority granted to the Delegate of the Board is exceeded, noting that the subsidiary Board must refer these matters to the EQL Board and/or an EQL Board Committee for endorsement, direction, approval or oversight in accordance with agreed engagement and governance practices.
- Appointment of CEO to the subsidiary company upon recommendation by the EQL Board and with the prior written approval of the shareholding Ministers of EQL.
- Powers of Attorney (for the execution of documents relevant to the EQL Group subsidiary company's business).
- Approval of financial data for the EQL Group consolidated financial statements.
- Approval of declarations of dividend.
- Annual solvency resolution.
- Appointment of company secretary (upon recommendation from the EQL Board).

Part 3. Additional Matters it is expected DNSP Boards will reserve for themselves

- Approval of Regulatory Proposals, and associated documents and inputs, under the National Electricity Rules (NER).
- Approval of Pricing Proposals and Tariff Structure Statements.
- Approval of DAPR.
- Approval of such other Regulatory, network management plans, demand management plans and Pricing Matters as notified by the Subsidiary Board to EQL CEO noting that the subsidiary Board must refer these matters to the EQL Board and/or an EQL Board Committee for endorsement, direction, approval or oversight in accordance with agreed engagement and governance practices.

APPENDIX 2 – DELEGATION OF AUTHORITY LIMITS

The following tables list the authority limits for specified activities and transactions.

Table 1 sets out the authority limits for the EQL Chief Executive Officer (CEO).

Table 2 sets out the authority limits that the EQL Board grants for other positions.

Where an authority is granted to approve a transaction, authority is also granted to execute the necessary documentation to evidence that transaction, subject to the execution not being required under section 127 of the Corporations Act or under Power of Attorney.

Table 1 - Delegation of Authority Framework

Notes: Values listed are exclusive of GST

Category	Transaction (includes authority to enter transaction and execute documents unless otherwise stated)	EQL CEO Limit
Financial commitment	<p>Procurement contracts and any financial commitment to spend in respect of regulated projects and unregulated projects (which are not otherwise covered by a specific delegation category). The Board is to be notified of any new contracts at \$50M or below that are of strategic importance. Standing offers and establishment of panels of suppliers including pre-qualification agreements with suppliers require Board approval at \$50M or above only if they are high risk and of strategic importance. If low risk and of strategic importance, the Board is to be notified. Refer to the EQL Procurement Business Rules to determine risk level. Note shareholding Minister approval/notification thresholds and Building Queensland thresholds.</p>	\$50M or the threshold for shareholding Minister approval, whichever is the lower.
	<p>Investments (refer to the Investment Management Standard) Note shareholding Minister approval/notification thresholds and Building Queensland thresholds</p>	\$50M or the threshold for shareholding Minister approval, whichever is the lower
	<p>Other financial commitment to spend including the following (except where another category applies):</p> <ul style="list-style-type: none"> • Engaging consultancy services • Training • Sponsorships, donations and promotional items <p>Note that expenditure for sponsorships is subject to the EQL Sponsorship Policy</p>	\$20M
	<p>Real Property transactions including buying, selling, leasing and transactions under the <i>Acquisition of Land Act 1967</i> (Qld)</p>	\$20M

GOVERNANCE AND DELEGATIONS POLICY



External bids /Supply of Goods and Services /other unregulated projects for the supply of goods or services by EQL or its subsidiaries to third parties (investment required)	\$10M
Tax payments, regulatory fees, network charges excluding network charges payable by EEQ	No Limit (as per payment obligation)
Network charges payable by EEQ (Network charges >\$200M requires same day EQL/EEQ Board notification)	No Limit (as per payment obligation)
Network charges including Remote Generation (payable by EEQ to EECL)	No Limit (as per payment obligation)
Metering Services Charges (payable by EEQ to Energy Services)	No Limit (as per payment obligation)
Electricity pool payments (as required to be made under legislative obligations) (>\$150M requires same day EQL/EEQ Board notification)	No Limit (as per payment obligation)
ASX futures margin payments >\$10M requires same day notification to EEQ Board. >\$30M requires EEQ Board approval and same day notification to EQL Board.	\$30M
Master agreements including ISDA Master Agreements and master gas supply agreements (NB: entry into ISDA Master Agreement provides the framework for derivative transactions but does not impose any financial obligations without a further transaction – see “Dealing” below)	Approval
Dealing – entering into energy and environmental derivative instruments and physical contracts (including transactions under ISDA Master Agreements), generator bids and rebids and gas nominations (including under master gas supply agreements) as required for the wholesale and retail operations of EEQ. Does not include authority to settle transactions.	Refer to the EEQ Energy Commodity Risk Management Policy.
Settlement of counterparty payments under energy and environmental commodity and derivative transactions excluding Power Purchase Agreements (PPA) generation payments, re-allocation settlements and Renewable Energy Certificate (REC) purchases. Does not include authority to enter into transactions.	\$10M

GOVERNANCE AND DELEGATIONS POLICY



	PPA generation payments	\$10M
	Re-allocation settlements	\$10M
	Renewable Energy Certificate (REC) settlements, including Large Scale Generation Certificates (LGCs) and Small Scale Technology Certificates (STCs)	\$50M
	Disposal of assets, equipment and materials and Bad Debt write offs including write offs of project costs	\$1M
	Give bank guarantees, letter of credit or company guarantees or any other unconditional undertaking within a contract (refer to relevant Finance Policy)	\$10M
Legal	To initiate legal proceedings	\$500,000
	To enter a defence in legal proceedings	Unlimited
Other Matters	Make offer or appointment for all permanent resources except for direct reports to the CEO	Approval CEO approval for all new contracts for non EBA positions
	Request for secondment	Approval
	Annual Salary increases for non-EBA employees	CEO to recommend to the Board
	Salary progression for EBA positions	Approval
	Grading / regrading of positions for all staff positions	Approval
	Making an EGM position redundant	CEO to recommend to the Board
	Making any other position redundant	Approval
	Appointment of Temporary Resources including: <ul style="list-style-type: none"> New Labour Hire Contract and Extensions New Fixed Term Resource including Extensions 	Approval

Table 2 - Other Board Delegations of Authority:

	Delegation/ Transaction (includes authority to enter transaction and execute documents unless otherwise stated)	Delegation Limit	Delegate and ratification requirements
	Approve or change an existing Purchasing Card limit	CEO's Purchasing Card limit	Chairman of Board
	Approve expenditures by Directors	Applies to expenditures in the course of Board responsibilities	CEO, Company Secretary or Chief Financial Officer Ratified by the Chairman or the Chair of the Audit Committee
	Reimbursement of expenditure	Relating to CEO	Chief Financial Officer, within 20 business days of expense being incurred. Ratified by the Chairman or Chair of the Audit Committee
	Appointment of signatories for bank and finance facilities and accounts including with Queensland Treasury Corporation	N/A	Chief Financial Officer
	Approve risk management strategy on whether to hedge or not hedge commodity prices and foreign exchange	N/A	Chief Financial Officer Details of risk management strategy adopted is to be report to the Board at its next meeting if hedging is undertaken on contracts worth greater than \$5M