

Corporate Governance

Origin Energy's Board and management are committed to the creation of shareholder value and meeting the expectations of stakeholders to practise sound corporate governance.

In achieving our goals, we require everyone within the Group to act in accordance with the corporate governance principles and practices adopted by the Board.

COMPLIANCE WITH ASX CORPORATE GOVERNANCE COUNCIL BEST PRACTICE RECOMMENDATIONS

This report, which is required by Australian Securities Exchange (ASX) Listing Rules, discloses the extent to which we have followed each of the ASX Corporate Governance Council Best Practice Recommendations (ASX Recommendations) during the 2008/09 financial year.

We are pleased to report that, during the financial year and to the date of this report, our governance practices complied with all ASX Recommendations.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board's roles and responsibilities are formalised in a Board Charter. The Charter sets out those functions that are delegated to management and those that are reserved to the Board. The Board Charter is available on the Company website.

The performance of all key executives including the Managing Director is reviewed annually. This involves executives being evaluated by their immediate superiors and assessed against a variety of personal and financial goals and their adherence to Origin's Commitments, Principles and Values. The Remuneration Committee considers the performance of the Managing Director and key executives when awarding performance-related remuneration through short-term and long-term incentives for the year completed and when assessing fixed remuneration for future periods.

Further information is in the Remuneration Report on pages 31 to 47.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board is structured to facilitate the effective discharge of its duties and to add value through its deliberations.

The Board schedules 11 meetings a year, including a two-day strategic planning meeting and additional workshops to consider matters of particular relevance. If required, additional, unscheduled, meetings are held to deal with urgent matters. During the past year, seven such additional meetings were held. The Board has also visited Company operations and met with operational management during the year.

Executive management reports to the Board at each board meeting. Each month, directors receive financial and operational reports, a health, safety and environment report and reports on all major projects in which the Company is involved. In addition, the directors receive reports from board committees and, as appropriate, presentations on opportunities and challenges for the Company.

Non-executive directors also meet without the executive directors or management to deal with succession planning, key strategic issues, and Board operation and effectiveness.

The Board's size and composition is determined by the directors, within limits set by the Company's constitution, which requires a Board of between five and 12 directors. As at 30 June 2009, the Board comprised nine directors, comprising six independent non-executive directors, one non-executive non-independent director and two executive directors. Directors' profiles and details of their skills, experience and special expertise are set out on pages 48 and 49.

Origin's Independence of Directors Policy requires that the Board comprises a majority of independent directors. In defining the characteristics of an independent director, the Board uses the ASX Recommendations, together with its own consideration of the Company's operations and businesses and appropriate materiality thresholds. Further details of the matters considered by the Board in assessing independence is contained in the Independence of Directors Policy which is available on the Company's website.

On 18 August 2009, at the conclusion of its annual review of director independence, the Board formed the view that Mr Kevin McCann, Chairman, and directors Dr Roland Williams, Dr Helen Nugent, Mr Trevor Bourne, Mr Gordon Cairns and Mr John Akehurst were independent.

The Board selects and appoints the Chairman from the independent directors. The Chairman, Kevin McCann is independent and his role and responsibilities are separate from those of the Managing Director.

Four committees assist the Board in executing its duties and in considering complex and significant matters relating to audit; remuneration; health, safety and environment; and Board nominations.

Each committee has a charter which set out its roles and responsibilities, composition, structure, membership requirements and operation. Committee meeting minutes are tabled at the following Board meeting, with additional and specific reporting requirements to the Board addressed in the committee charters.

The charter for each committee is available on the Company website. Additional information about the Audit Committee is provided in response to Principle 4 below and information about the Remuneration Committee is provided in response to Principle 8.

The Nomination Committee provides support and advice to the Board by:

- assessing the skills required of directors;
- conducting Board reviews;
- establishing processes to identify suitable directors; and
- recommending directors' appointments and re-election.

During the year, the Nomination Committee engaged consultants to identify or assess potential new candidates to the Board. The Committee recommended potential new directors to the full Board, which then considered the proposed appointments in light of both the Board and the Company's present and future needs; and the applicant's skills, expertise and experience. Through this process the Board approved the appointments of Karen Moses and John Akehurst during the financial year. Those appointees are standing for election at the 2009 Annual General Meeting.

The Committee met four times during 2008/09. A list of the members of the Nomination Committee is set out below and their attendance at Committee meetings is set out on page 28.

Each director other than the Managing Director is elected for a three-year term, which is renewable for further terms on the review and approval of the other directors, and re-election by shareholders at an annual general meeting.

The Directors who are not due to stand for re-election in any particular year, review the performance of directors who are seeking re-election in that year, and make recommendations to shareholders. The review considers a director's expertise, skill and experience, along with their understanding of the company's business, preparation for meetings, relationships with other directors and management, awareness of ethical and governance issues, and overall contribution. The results are considered by the whole Board, other than the director under review.

The Board has reviewed the performance of Helen Nugent and Trevor Bourne who are standing for re-election at the Annual General Meeting in October 2009. The Board found that both Directors have performed well and continue to make valuable contributions and concluded that they should be proposed for re-election. The Board recommendation as to their re-election is included in the notice convening the Annual General Meeting.

Every second year, the directors review the performance of the whole Board and Board committees. This year, the review was undertaken with assistance from external consultants, Deloitte Board Consulting, covering Board activities and its work program – included assessing time commitments, meeting efficiency and Board contribution to company strategy, monitoring, compliance and governance.

The results of the review were discussed by the whole Board, and initiatives to improve or enhance Board performance and effectiveness were considered and recommended.

Directors have access to company employees, advisers and records. In carrying out their duties and responsibilities, directors have access to advice and counsel from the Chairman and Company Secretary, and to seek independent professional advice – at the company's expense – after consultation with the chairman.

Corporate Governance (continued)

CURRENT BOARD COMMITTEE MEMBERSHIP

Committee Membership	Audit	Remuneration	Health, Safety & Environment	Nomination
Non-Executive				
Independent Directors				
Kevin McCann	Member	Member	Member	Chairman
Trevor Bourne		Chairman	Member	Member
Gordon Cairns		Member	Member	Member
Helen Nugent	Chairman	Member		Member
Roland Williams	Member		Chairman	Member
John Akehurst				Member
Non Executive				
Non-Independent Director				
Bruce Beeren	Member	Member		Member
Executive Directors				
Grant King			Member	
Karen Moses				

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

All directors and employees are expected to comply with the law and act with a high level of integrity. Origin has a Code of Conduct and a number of policies governing conduct in pursuit of company objectives. The Code of Conduct is consistent with Origin's Statement of Commitments, Principles and Values. A summary of the Code of Conduct and the Commitments, Principles and Values are available on the Company website.

Origin has established a policy which governs dealings in Origin's securities. This precludes directors and employees from dealing in Origin Energy securities from 1 July until after the announcement of the full year financial results, and from 1 January until after the announcement of the half-yearly results. All directors and employees are prohibited from trading in Origin Energy securities at any time if they possess price-sensitive information not available to the market and which could reasonably be expected to have an effect on the price or value of Origin securities.

Directors and employees may not engage in short-term dealings in Origin Energy securities and margin loans should not be entered into if they may cause a dealing that is in breach of the Policy. Executives are prohibited from entering into hedging transactions that limit the downside risk of any of their unvested equity-based incentives.

The Dealing in Securities Policy is available on the Company website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board has established an Audit Committee which comprises four non-executive directors of whom three are independent. The Chairman of the Board cannot chair the Audit Committee. The Chairman, Helen Nugent is an independent director. The structure and composition of the Audit Committee complies with the ASX Principles and Recommendations.

The Audit Committee oversees the structure and management systems that ensure the integrity of the company's financial reporting. The Audit Committee reviews the Company's half-yearly and annual financial reports and makes recommendations to the Board on adopting financial statements. The Committee provides additional assurance to the Board with regard to the quality and reliability of financial information. The Committee has the authority to seek information from any employee or external party.

The internal and external auditors have direct access to the Audit Committee Chairman and, following each scheduled meeting, meet separately with the Committee without executive directors or management present.

The Committee reviews the independence of the external auditor, including the nature and level of non-audit services provided, and reports its findings to the Board every six months.

The names of the members of the Audit Committee are set out in the table at the end of Principle 2 and their attendance at meetings of the Committee is set out on page 28 of this Annual Report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Origin Energy has adopted policies and procedures to ensure compliance with its continuous disclosure obligations, and to ensure accountability of senior management for that compliance.

Origin is committed to providing timely, full and accurate disclosure and to keeping the market informed with quarterly releases detailing exploration, development and production, and annual and half-yearly reports to shareholders.

All material matters are disclosed to the ASX immediately and subsequently to the media, as required by ASX Listing Rules. All such releases are posted on the Company website immediately after release to the exchange.

All material investment presentations are released to the ASX and are posted promptly on the Company website, along with other reports that are not material enough to be an ASX announcement. Shareholders can subscribe to a free email notification service and receive immediate notice of any announcements we release.

The Continuous Disclosure Policy and the shareholder communications strategy are available on the Company website.

Corporate Governance (continued)

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Origin is committed to providing a high standard of communication to shareholders and other investors so that they have all available information reasonably required to make informed assessments of Origin's value and prospects.

Origin provides shareholders with a choice to receive one or more of an annual Shareholder Review, a full Annual Report or no report at all. Shareholders that make no election receive a Shareholder Review. Shareholders may also elect to receive their reports electronically or in printed form.

Origin's website contains all recent announcements, presentations, past and current reports to shareholders, notices of meeting and archived webcasts of general meetings and investor presentations.

Origin's policy on communication with shareholders is available on the Company website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board has an overarching policy governing the company's approach to risk oversight and management and internal control systems.

The Board is responsible for seeing that there are appropriate policies in relation to risk management and internal control systems. Origin's policies are designed to identify, assess, address and monitor strategic, operational, legal, reputational, commodity and financial risks to achieve business objectives. Specific risks are covered by insurance and Board-approved policies for hedging of interest rates, foreign exchange rates and commodities.

The Risk Management Policy is available on the Company website.

The Board requires management to design and implement the risk management and internal control systems to manage the Company's material business risks and management reports to the Board on the whether those risks are being managed effectively.

The Board receives monthly reports on key risk areas such as health and safety, project development, commodity exposures and exchange rates. A general company-wide review of major risks is undertaken for corporate, operational and development activities. Major risks are reported to the Board, along with controls and risk mitigation plans. Management has reported to the Board that its material business risks are being managed effectively.

Information on Origin's policies on risk oversight and management of material business risks is available on the Company's website.

When presenting financial statements for Board approval, the Managing Director and Executive Director, Finance and Strategy provide a formal statement in accordance with s295A of the Corporations Act with an assurance that the statement is founded upon a sound system of risk management and internal control that is operating effectively in all material respects.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Remuneration Report (on pages 31 to 47) sets out details of the Company's Policy and practices for remunerating Directors, key management personnel and employees.

The Board has established a Remuneration Committee. The Committee comprises four non-executive directors of whom three are independent. The Chairman, Trevor Bourne, is an independent director. The names of the members of the Remuneration Committee are set out in the table at the end of Principle 2 and their attendance at meetings of the Committee are as set out on page 28 of the Annual Report.

Further information about the Remuneration Committee's activities is provided in the Remuneration Report on pages 31 to 47.

The remuneration of non-executive directors is structured separately from that of the executive directors and senior executives. Information on remuneration for non-executive directors is in the Remuneration Report on pages 31 to 47.

All information referred to in this Corporate Governance Statement as being on the Company website may be found at the web address: www.originenergy.com.au under the section "Investor Centre" – "Corporate Governance".