

# CORPORATE GOVERNANCE STATEMENT

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

To achieve this, every employee and contractor is required to act in accordance with the highest standards of personal safety and environmental performance, governance and business conduct across its operations in Australia and internationally.

## COMPLIANCE WITH ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS (ASX PRINCIPLES)

This statement summarises the Company's corporate governance practices which were in place throughout FY2011. The Company is pleased to report that, during the financial year and to the date of this Report, it complied with all of the ASX Principles.

The ASX Principles were revised on 30 June 2010 and the new provisions began to apply to the Company on 1 July 2011. However, the Company reviewed its practices and complied with the new recommendations before that date.

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

At the time of joining the Company, Directors and senior executives are provided with letters of appointment, together with key Company documents and information setting out their term of office, duties, rights and responsibilities, and entitlements on termination.

The performance of all key executives, including the Managing Director, is reviewed annually against:

- (a) a set of personal financial and non-financial goals;
- (b) Company goals; and
- (c) adherence to the Company's Purpose, Principles, Values and Commitments.

The Remuneration Committee considers the performance of the Managing Director and all members of the Executive Management Team 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 on executive remuneration is set out in the Remuneration Report.

### 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.

In 2010/11 the Board had 11 scheduled meetings, including a two-day strategic planning meeting. The Board also had three separate scheduled workshops to consider matters of particular relevance. In addition, the full Board met on five other occasions to deal with urgent matters and conducted visits of Company operations and met with operational management during the year.

From time to time, the Board delegates its authority to non-standing committees of Directors to deal with transactional or other urgent matters. In the 12 months to 30 June 2011, there were 10 such additional Board Committee meetings held.

At each scheduled Board meeting, Directors receive reports from executive management, 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 address such matters as succession planning, key strategic issues, and Board operation and effectiveness.

All 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, the Company Secretary and the Group General Counsel, and are able to seek independent professional advice at the Company's expense, after consultation with the Chairman.

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 2011, the Board comprised eight Directors, including two Executive Directors and six Non-executive Directors, five of whom are considered independent by the Board. Directors' profiles, duration of office and details of their skills, experience and special expertise are set out in the Directors' Report.

The Board seeks to have an appropriate mix of skills, experience, expertise and diversity to enable it to discharge its responsibilities and add value to the Company. The skills, experience and expertise which are relevant include those in the areas of finance, legal, governance, management, retail, marketing, engineering and energy industry-related. The Board values diversity in all respects, including gender and differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem solving skills. The Board has an appropriate mix of relevant skills, experience and diversity.

The Company'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 Principles, 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 are contained in the Independence of Directors Policy which is available on the Company's website.

The Board reviews each Director's independence annually. At its review for the 2010/11 reporting period, the Board formed the view that Mr Kevin McCann, Chairman, and Directors Mr John Akehurst, Mr Trevor Bourne, Mr Gordon Cairns and Dr Helen Nugent were independent.

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

Five Committees assist the Board in executing its duties relating to audit, remuneration, health, safety and environment, nomination and risk.

Each Committee has its own Charter which sets out its roles and responsibilities, composition, structure, membership requirements and operation. These are available on the Company's website. Committee meeting minutes are tabled at the following Board meeting, with additional and specific reporting requirements to the Board addressed in the Committee Charters.

Additional information about the Audit Committee, Risk Committee and Remuneration Committee is provided in response to Principles 4, 7 and 8 respectively.

The Nomination Committee, which has met three times during 2010/11, provides support and advice to the Board by:

- assessing the range of skills and experience required on the Board and of Directors;
- reviewing the performance of Directors and the Board;
- establishing processes to identify suitable Directors, including the use of professional intermediaries; and
- recommending Directors' appointments and re-elections.

A list of the members of each Board Committee is set out below and their attendance at Committee meetings is set out in the Directors' Report.

# CORPORATE GOVERNANCE STATEMENT (CONTINUED)

## Current Board Committee membership

	Audit	Remuneration	Health, Safety & Environment	Nomination	Risk
<b>Non-executive Directors</b>					
Kevin McCann	Member	Member	Member	Chairman	Chairman
John Akehurst			Chairman	Member	Member
Bruce Beeren	Member	Member		Member	Member
Trevor Bourne	Member	Chairman	Member	Member	Member
Gordon Cairns		Member	Member	Member	Member
Helen Nugent	Chairman	Member		Member	Member
<b>Executive Directors</b>					
Grant King			Member		Member
Karen Moses					Member

Each year the performance of the Directors retiring by rotation and seeking re-election under the Constitution is reviewed by the Nomination Committee (other than the relevant Director), the results of which form the basis of the Board's recommendation to shareholders. The review considers a Director's expertise, skill and experience, along with his/her 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 Board reviewed the performance of Mr McCann and Mr Beeren who are standing for re-election at the Annual General Meeting in October 2011. The Board found that Mr McCann and Mr Beeren have been high performing Directors and concluded that they should be proposed for re-election. Mr McCann and Mr Beeren abstained from deliberations for their respective reviews.

The Board's recommendation on the re-election of Mr McCann and Mr Beeren will be included in the Notice convening the Annual General Meeting.

Every second year, the Directors review the performance of the whole Board and Board Committees. A full review was undertaken during FY2011 covering the Board's activities and work program, time commitments, meeting efficiency and Board contribution to Company strategy, monitoring, compliance and governance.

### 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. The Company has a Code of Conduct and a number of policies governing conduct in pursuit of Company objectives. The Code of Conduct is consistent with the Company's Statement of Purpose, Principles, Values and Commitments.

A summary of the Code of Conduct is available on the Company's website.

The Company also encourages employees to report known or suspected instances of inappropriate conduct, including Code of Conduct breaches. There are policies in place to protect employees from any reprisal, discrimination or being personally disadvantaged as a result of their reporting of a concern.

The Company has established a policy which governs dealings in its securities. This precludes any Origin personnel from dealing in the Company's 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. In addition, all Origin personnel are prohibited from trading in the Company's 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 the Company's securities.

Origin personnel may not engage in short-term dealings in the Company's securities and margin loans should not be entered into if they could 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's website.

The Company is focusing on increasing gender diversity across all levels of its workforce. The Company's actions will be guided by maintaining its current high standards of competence and performance.

The Company has developed a Diversity and Inclusion Policy which aims to create an environment in which individuals are involved, supported, respected and connected. We know that partnering with, and employing, a diverse range of people will give us access to a range of perspectives to make the best decisions today to create value for the future. A diverse range of people will also have a positive sustainable impact on, and minimise risks to, employees, customers, shareholders and the communities in which we work.

As part of the Company's continued efforts to increase gender diversity across the business, the Company has introduced targets to improve gender equity in under-represented roles and address pay equity. Our targets will cover key areas of focus and measurement including:

- increasing representation of women in management roles;
- increasing representation of women in under-represented roles such as trades and engineering;
- remuneration equity; and
- increasing retention of women.

We regularly track and report on representation of women across the Company. At present, women represent 25 per cent of the Company Board; 20 per cent of the Executive Management Team; 26 per cent of women in management roles; and 37 per cent of all employees.

In addition, we have identified the following areas of focus to continue to support our efforts to improve gender equity:

- established a Diversity Council, chaired by the Managing Director, that has responsibility, among other tasks, for recommending the targets and to assist in monitoring performance against them;
- implemented targeted initiatives to support women's development and career progression;
- introduced selection panels to its recruitment processes so as to identify and reduce unconscious gender bias in its succession planning, talent review, recruitment and performance management processes; and
- promoted inclusive behaviours that recognise, and manage, unconscious bias in core people processes.

The Board is responsible for overseeing the Company's strategies on gender diversity, including monitoring of the Company's achievements against any gender targets set by the Board.

# CORPORATE GOVERNANCE STATEMENT (CONTINUED)

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board has 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 of the Audit Committee, Dr Helen Nugent, is an independent Director. All members of the Committee are financially literate and the Committee possesses sufficient financial expertise and knowledge of the industry in which the Company operates.

The Audit Committee oversees the structure and management systems that are designed to protect the integrity of the Company's financial reporting. The Audit Committee reviews the Company's half and full year 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 under Principle 2 and their attendance at meetings of the Committee is set out in the Directors' Report.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

The Company 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-year reports to shareholders.

All material matters are disclosed to the ASX immediately (and subsequently to the media, where relevant), as required by the ASX Listing Rules. All material investor presentations are released to the ASX and are posted on the Company's 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 notice of any announcements released by the Company.

The Continuous Disclosure Policy and the Communications with Shareholders' Policy are available on the Company's website.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Company respects the rights of its shareholders and has adopted policies to facilitate the effective exercise of those rights through participation at general meetings and providing them with information about the Company and its operations.

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

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

The Company's website contains a list of upcoming events, all recent announcements, presentations, past and current reports to shareholders, notices of meeting and archived webcasts of general meetings and results announcements. The Company also keeps

an internal record of briefings given to investors and analysts, including those present and the main issues discussed.

The Communications with Shareholders Policy is available on the Company's 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 Risk Committee oversees the Company's policies and procedures in relation to risk management and internal control systems. The Company's policies are designed to identify, assess, address and monitor strategic, operational, legal, reputational, commodity and financial risks to achieve business objectives. Certain specific risks are covered by insurance and the Board has also approved policies for hedging of interest rates, foreign exchange rates and commodities.

Management is responsible for the design and implementation of the risk management and internal control systems to manage the Company's material business risks. Management reports to the Risk Committee on whether those risks are being managed effectively. Top risks are reported to the Risk Committee and the Board, along with associated controls and risk mitigation plans. Management has reported to the Risk Committee and the Board that, as at 30 June 2011, its material business risks are being managed effectively.

In addition to reports from the Risk Committee, 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.

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.

The names of the members of the Risk Committee are set out in the table under Principle 2 and their attendance at meetings of the Committee is set out in the Directors' Report.

The Risk Management Policy and information on Origin Energy's policies on risk oversight and management of material business risks are available on the Company's website. The Risk Committee Charter is available on the Company's website.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Remuneration Report sets out details of the Company's policies and practices for remunerating Directors, key management personnel and employees.

The Board has a Remuneration Committee, which comprises five Non-executive Directors, of whom four are independent. The Chairman, Mr Trevor Bourne, is an independent Director. The names of the members of the Remuneration Committee are set out under Principle 2 and their attendance at meetings of the Committee is set out in the Directors' Report.

Further information about the Remuneration Committee's activities is provided in the Remuneration Report.

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.

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