



## WE BEHAVE WITH RESPECT AND INTEGRITY

**Our governance arrangements provide employees with a foundation for conduct that promotes respect and integrity. The way employees relate to each other, customers, suppliers and other stakeholders impacts on the reputation of the business. Incorporating the value into the governance framework promotes high standards of behaviour.**

Under the State Owned Corporations Act and Delta's Constitution, Delta Electricity has two Voting Shareholders. One Voting Shareholder is the Minister for Finance, the Hon. M Costa MLC and the other is the Hon. J Della Bosca MLC, Special Minister of State. Each Voting Shareholder holds one share for and on behalf of the New South Wales Government.

The Energy Services Corporations Act 1995 and the State Owned Corporations Act 1989 (the "Act") are the principal Acts that govern the operation of Delta Electricity as a State Owned Corporation. The Acts deal with directors' accountability to the Government Shareholders of the Corporation. The Government, as the owner of the business, is relying on the directors to ensure the commercial success of Delta and that accountability to the shareholders is maintained.

Stakeholder demands for accountability, risk assessment and monitoring of performance and integrity in corporate governance continued to receive strong focus throughout the year. The Board of Directors of Delta Electricity guides and monitors the business and affairs of Delta Electricity on behalf of the Voting Shareholders by whom they are elected and to whom they are accountable.

### THE STRUCTURE AND COMPOSITION OF THE BOARD

To ensure the Board is sufficiently able to discharge its responsibilities, the nomination and selection of directors and the operation of the Board have been established through the Act and the Constitution.

#### Composition of the Board

The Board of Delta Electricity is presently composed of the following members:

- the Chief Executive Officer;
- one director appointed by the Voting Shareholders on the recommendation of a selection committee comprising:
  - (a) two persons nominated by the Portfolio Minister; and
  - (b) two persons nominated by the Labor Council of NSW, being persons selected by the committee from a panel of three persons nominated by the Labor Council; and
- at least two and not more than five other directors appointed by the Voting Shareholders, at their discretion.

The Board of Delta Electricity meets monthly or as required and follows meeting guidelines set down to ensure all

directors are made aware of, and have available to them, all necessary information to participate in an informed discussion of all agenda items. The directors in office at the date of this statement are listed below:

#### Non-Executive Directors

**Mr P Young, Chairman and Director** BSc, MBA

Mr Young was first appointed 1 June 2004 for a period ending 30 June 2007.

Mr Young is Chairman, Investment Banking with ABN AMRO. In addition, he is Chairman of Export Finance and Insurance Corporation, member of the Board of Trustees of the Art Gallery of NSW, Director of Australian Business Arts Foundation, Director of the Sydney Theatre Company and a Director of Great Barrier Reef Research Foundation.

#### The Honourable BJ Unsworth, Director

Mr Unsworth was first appointed 1 March 1996 and subsequently reappointed for a period ending 28 February 2006. He is Chairman of the Board of the Ambulance Service of New South Wales, Chairman of the Board of the State Transit Authority, Director of Manly-Warringah Sea Eagles Limited, Director of Youth Off The Streets Limited and a former Premier.

**Mr W Hilder, Director** BA(Hons) (Syd), M Comm (NSW)

Mr Hilder was first appointed 29 November 1996 and subsequently reappointed for a period ending 28 February 2006.

He is involved in a diverse range of areas encompassing investment management, insurance, risk management, commercial services and financial markets operations as Chief Executive of Local Government Financial Services Pty Limited, Company Secretary of StateCover Mutual Limited, Chairman of Compliance Committee V J Ryan Cash Management Trust and Director of Sunlodge Pty Limited.

**Mr W Phillips, Director** FCPA, FCIS, AIMM, MAICD, DipComm

Mr Phillips was first appointed 1 March 2000 and subsequently reappointed for a period ending 28 February 2006. He is currently consulting to a number of organisations. Previously he was Group Financial Officer of John Fairfax Holdings Limited, Chief Financial Officer of Wattyl Limited, Managing Director of The Smiths Snackfood Company Limited, Chief Financial Officer of Cascade Brewery and a General Manager at Taubmans Paints.

Mr Phillips has extensive financial, commercial and general management experience gained in Australia, Asia, USA and Europe.

**Mr I Langdon, Director** B Comm, MBA, Dip Ed, CA, CPA, FAICD  
Mr Langdon was first appointed 1 March 2000 and subsequently reappointed for a period ending 28 February 2006.

He is also Chairman of Dairy Farmers Group and a Director of The Peanut Company of Australia Ltd (PCA).

**Ms S Moait, Director**

First appointed 18 September 2002 and subsequently reappointed for a period ending 31 August 2005.

Ms Moait is President of UnionsNSW (formerly Labor Council of NSW), a position she has held since 2000. In addition, she is a Trustee for First State Superannuation Trustee Corporation, Chairperson and Director of the Trades Hall Association Ltd, Vice-President of the Australian Council of Trade Unions (ACTU); and Chairperson of the ACTU's overseas aid agency, Union Aid Abroad (APHEDA).

Sandra is a registered nurse and was General Secretary of the NSW Nurses' Association from 1995 until 2002.

**Executive Director**

**Mr J Henness, Chief Executive Officer and Director**  
BSc, BE (Hons), MEngSc, MBA, FAICD

Mr Henness was appointed Chief Executive and Executive Director from 1 March 1996. He also holds the positions of Director, Energy Supply Association of Australia and Member of the Reliability Panel, established under the National Electricity Code.

**Meetings of the Board**

In addition to the monthly Board meetings, the Board discusses matters from time to time through circulated papers or telephone conference.

Meetings are held either in the corporate office or at one of the power stations, allowing the Board to see the operation of the business. The attendance of directors at these meetings is shown below. Committees of the Board meet quarterly or as required.

Responsibility for the preparation of Board papers, agenda and minutes rests with the Corporate Secretary.

**Remuneration of Board Members**

The remuneration of each non-executive director is paid out of the funds of Delta Electricity and is determined by the Voting Shareholders. The Chief Executive is not entitled to any additional remuneration for being an executive director.

**Board Committees**

To assist in its roles and responsibility, the Board has established four committees to target specific areas of importance within the company. These committees operate under a charter approved by the Board to ensure that an effective internal control framework exists within the organisation.

These committees hold at least three meetings per year and such additional meetings as the convenor shall decide in order to fulfill their duties. The committees report to the full Board. The Board Committees and their charters are listed below.

**Board Audit Committee**

The terms of reference of the Board Audit Committee were reviewed in December 2004.

The purpose of the committee is to provide a forum for communications between the Board, senior management and both the internal and external auditors. It also ensures the integrity of the internal audit function and ensures that management practices and systems support the effective operation of Delta's risk management strategies, business continuity and fraud control plan.

In October 2004, the Board Audit Committee met with representatives from the Auditor-General's office and internal auditors without executive members present.

The Terms of Reference of the Internal Audit Charter were revised in December 2004 simultaneously with the Board Audit Committee terms of reference.

Membership of the committee shall consist of at least three members of the Board, all of which will be independent non-executive members.

**Membership**

Warren Phillips (Convenor), Ian Langdon, Sandra Moait.

**Board Remuneration and Staff Committee**

The terms of reference of the Board Remuneration and Staff Committee were reviewed in December 2004.

TABLE ELEVEN: DIRECTORS' MEETINGS

	Regular Board Meetings		Board Remuneration and Staff Committee		Board Audit Committee		Board Environment & Occupational Health & Safety Committee		Board Finance Committee	
	A	B	A	B	A	B	A	B	A	B
Mr P Young	12	12	3	3						
Mr J Henness	12	12					4	4	6	5
Hon. B Unsworth	12	11					4	4		
Mr W Hilder	12	12	3	3					6	6
Mr W Phillips	12	12	3	2	3	3			6	6
Mr I Langdon	12	12			3	2				
Ms S Moait	12	12	3	3	3	3	4	4		

Column A is the number of meetings held.

Column B is the number of those meetings attended.

The charter of the committee is to:

- provide advice to the Board on remuneration and associated issues;
- enhance the independence and objectivity of Board decisions on sensitive commercial and personal issues related to the executive managers of the Corporation;
- enable corporate and business strategies and plans, and remuneration strategy and policy, to be effectively linked; and
- ensure that the remuneration strategy, policy and practice complies with legal and taxation requirements, corporation reporting obligations and overall corporation policy and direction.

The committee comprises at least three non-executive directors nominated by the Board.

#### **Membership**

Peter Young (Convenor), Warwick Hilder, Sandra Moait, Warren Phillips.

#### **Board Finance Committee**

The terms of reference of the Board Finance Committee were reviewed in December 2004.

The Board Finance Committee provides advice and counsel to the Board and executive management in the areas of finance, insurance, taxation and treasury.

#### **Finance**

- (a) review strategic issues associated with the structure of organisational funding and sources and application of funds;
- (b) review market trading policies;
- (c) review retention and distribution policies and alignment with shareholder requirements;
- (d) review optimum sourcing of project funding;

#### **Insurance**

- (e) review Delta's risk management strategy;
- (f) review annually all insurance requirements;

- (g) review analysis of areas where Delta is exposed to risk;
- (h) review performance of Delta's insurance service provider;

#### **Taxation**

- (i) review Delta's positioning in relation to the optimisation of tax payment obligations;
- (j) review compliance with all relevant taxation legislation;
- (k) review implications of taxation policy on strategic direction;
- (l) review performance of Delta's external provider of taxation services;

#### **Treasury**

- (m) review treasury risk management policies and procedures;
- (n) review debt duration and debt servicing strategies;
- (o) review investment strategies and performance of investment facilities;
- (p) review Delta's management of counter party credit risk exposures;
- (q) review performance of Delta's treasury service provider;
- (r) identify and direct any special projects or investigations deemed necessary.

The committee shall consist of three directors nominated by the Board.

#### **Membership**

Warwick Hilder (Convenor), Warren Phillips, Jim Henness.

#### **Board Environment & Occupational Health & Safety Committee**

The terms of reference of the Board Environment & Occupational Health & Safety Committee were reviewed in December 2004.

The charter of the committee is to:

- review and approve environmental and occupational health and safety policies and related management plans;
- review all significant proposed policy changes and make recommendations to the Board;

## **BOARD OF DIRECTORS**



Top (left to right):

**Mr Peter Young** (Chairman), **Mr Jim Henness** (Chief Executive), **Hon. Barrie Unsworth**, **Mr Warwick Hilder**.

Bottom (left to right):

**Mr Ian Langdon**, **Mr Warren Phillips**, **Ms Sandra Moait**, **Mr Peter McIlveen** (Corporate Secretary).

- review and approve the program of environmental audits and occupational health and safety audits;
- require reports from senior management of any significant incidents promptly after their occurrence and review management's response to such incidents;
- evaluate the overall effectiveness of environmental and occupational health and safety policies and procedures; and
- review regular reports of the status of all observations arising from environmental and occupational health and safety audits and monitor management's responses and remedial actions.

The committee shall consist of three directors nominated by the Board.

#### **Membership**

Hon. Barrie Unsworth (Convenor), Sandra Moait, Jim Henness.

#### **Board Responsibilities**

In acting on behalf of the shareholders, the Board is accountable to the shareholders. Further responsibilities include identifying the expectations of the shareholders, along with other regulatory and ethical expectations. It also has responsibility for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage such risk.

Delta, its directors and management are subject to a number of regulatory controls in relation to the functions of the organisation. The manner in which those functions are to be carried out, and the responsibilities of individual directors, are set out by legislation and the Memorandum and Articles of Association of Delta Electricity.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Chief Executive and the executive team. The Board is required to ensure that the Chief Executive and executive members are appropriately qualified and experienced to discharge the responsibilities placed upon them. Procedures to assess the performance of the Chief Executive and the executive team are in place.

The Board is also responsible for ensuring management's objectives and activities are aligned with the expectations and risks identified by the Board. Therefore, procedures are in place to monitor the achievement of these objectives.

These procedures include the following:

- approval by the Board of a strategic plan, which encompasses the organisation's vision, mission and values statements, meets stakeholders' needs and manages risk;
- development of a Statement of Corporate Intent (SCI), which is a shareholder requirement, outlining detailed organisational plans and performance levels;
- development and approval of initiatives and strategies designed to ensure the continued growth and success of the organisation;
- implementation of operating plans and budgets by management and the Board and the monitoring of progress against budget. This includes establishing and monitoring key performance indicators (KPIs) for all business processes; and

- scrutiny of environmental and occupational health and safety issues, audit outcomes, and financial concerns such as the review and approval of acquisitions and disposals of businesses and assets, approval of contracts and financial arrangements within defined perimeters and advise on liquidity, currency, interest rate and credit policies.

#### **Communication to the Shareholders**

The SCI is the cornerstone document in Delta's relationships with the shareholders and is intended to enhance accountability for performance and to provide the organisation with certainty as to the shareholders' expectations.

Information is communicated to the Voting Shareholders through:

- the Annual Report;
- the half yearly report; and
- other meetings to obtain approval for Board action as appropriate.

#### **Board Policies and Procedures**

The Board has approved a number of policies covering delegations of authorities, finance and treasury, marketing, occupational health and safety and the environment.

Breaches of all policies are reported immediately to Delta's Chief Executive and subsequently to the Board.

Key policies are also subject to audit by external expert financial consultants. Past reviews have shown the policies to be appropriate, with no major areas requiring attention.

#### **Board Access to Other Resources and Independent Information**

All directors receive detailed monthly financial, marketing and treasury information. They regularly receive reports and presentations by respective executive managers. Directors also liaise with senior managers and seek additional information where necessary.

#### **Conflicts of Interest of Directors**

Where a director declares a material personal interest in any matter being considered by the Board, the director does not receive Board papers on the particular matters and is not present when the matter is discussed. Directors are required to keep the Board advised of any interest that could possibly conflict with those of the company. Board minutes document all disclosures. There is a standard item on the Board agenda titled "Directors' Interest".

## **EXECUTIVE MANAGEMENT**

Executive Committees oversee the implementation of Board approved strategic and operational decisions and the day to day operation of the business. The charters and membership of the Executive Committees is as follows:

#### **Executive Management Committee**

The charter of the committee is to:

- oversee Delta's business operations in accordance with directions and decisions of the Board, budgets, strategies and plans approved by the Board;
- monitor and improve corporate business performance;
- implement corrective action where necessary;
- coordinate day to day business initiatives;
- formulate and implement corporate strategies;

- consider changes in the business external environment;
- review adequacy of succession planning;
- review organisation structure and staffing;
- ensure that management practices and systems support the effective operation of Delta's risk management strategies; and
- review Delta's risk profile to align it with corporate strategies.

#### Market Strategy Steering Committee

The charter of the committee is to:

- review production and market operations;
- determine directions relating to Delta's operations and risk management in the electricity market;
- act as a forum to consider strategies, plant and market coordination issues relevant to future production and market operations; and
- review operations against budget, targets, policy, limits and authorities to ensure corporate focus on approved targets and compliance with the regulatory framework governing the electricity markets.

#### Executive Environment Committee

The charter of the committee is to:

- set and review environmental policy and commitments;
- receive and review environmental audits;
- develop major new Occupational Health & Safety initiatives;
- review environmental performance;
- determine Delta's response to other significant environmental issues; and
- oversight the activities of the Efficiency Committee.

#### Executive Audit Committee

The charter of the committee is to:

- determine the adequacy and effectiveness of financial, operating and information systems controls within Delta, so that significant risks are identified and properly managed;
- review the integrity of financial and other key data, including controls over the security of communicating, recording and storing that data; and

- review established business units and systems to assess compliance with those policies and procedures that embody statutory, legal and other key business requirements that may impact the operations and financial reports of Delta Electricity.

#### Executive Occupational Health & Safety Committee

The charter of the committee is to:

- set and review Occupational Health & Safety (OHS) policy and commitments;
- receive and review OHS audits;
- develop major new OHS initiatives;
- review OHS performance;
- review OHS risk management systems and processes;
- review contractor OHS management performance;
- determine Delta's response to emerging OHS issues;
- oversight the activities of the business unit OHS committees;
- establish and monitor OHS targets and Key Performance Indicators;
- review and maintain Delta's OHS Management System;
- advise the Board OHS Committee of OHS strategies, initiatives and performance trends;
- review, develop, implement and monitor OHS continuous improvement strategies; and
- ensure review and audit mechanisms are adequate to maintain Delta's statutory OHS compliance.

#### Executive Information Technology Steering Committee

The charter of the committee is to:

- develop strategies and plans that ensure the cost-effective application and management of information technology and communications systems and resources throughout Delta;
- monitor and evaluate information technology and communications projects and achievements against the IT Strategic Plan; and
- review current and future technologies to identify opportunities to increase the efficiency of business processes and resources.

TABLE TWELVE: EXECUTIVE COMMITTEE MEMBERSHIP

Name	Title	A	B	C	D	E	F	G
Mr J Henness	Chief Executive	X	X	X	X	X	X	X
Mr P McIlveen	Corporate Secretary	X		X		X		
Mr S Saladine	General Manager Western	X	X	X	X	X	X	
Mr R Hall	General Manager Central Coast	X	X	X	X	X	X	
Mr R Street	Chief Financial Officer	X		X		X	X	X
Mr G Everett	General Manager Strategy	X	X	X		X		X
Mr T Baker	General Manager Marketing	X		X		X		X
Mr R Ward	General Manager Business Development	X	X	X		X		
Mr D Hogg	Chief Information Officer	X		X		X		
Mr P Blume	General Manager Human Resources	X		X	X	X	X	
Mr G Sharrock	General Manager Delta Maintenance	X	X	X	X	X	X	
Mr N Taylor	Occupational Health & Safety Manager					X		
Mr G Deans	Manager Environment			X				
Mr D Krallis	Deloitte Touche Tohmatsu				X			

(A) Executive Management Committee

(B) Executive Environment Committee

(C) Executive Audit Committee

(D) Executive Occupational Health & Safety Committee

(E) Executive Information Technology Steering Committee

(F) Executive Human Resources Committee

(G) Market Strategy Steering Committee

### Executive Human Resources Committee

The charter of the committee is to:

- provide strategic oversight and ensure consistent direction in relation to employee related issues so as to maximise employee contribution;
- approve Delta's Human Resources Plans (including the annual Human Resources Plan, Workforce Diversity Plan, Disability Plan, etc);
- implement and allocate necessary resources to ensure that human resources activities are effectively applied in achieving defined outcomes;
- review Delta's performance in human resource matters; and
- report to the Board Remuneration and Staff Committee on human resources matters of importance.

### Executive Management Team

**Jim Henness** BSc, BE (Hons), MEngSc, MBA, FAICD

Mr Henness was appointed Chief Executive from March 1996. Jim's experience in the power industry has provided him with comprehensive technical and managerial credentials. His background includes work for Pacific Power in power station design and electrical demand forecasting and economic analysis. He was responsible for Pacific Power's coal supply planning and contracting from the early 1980s and managed the transition from tied markets to competitive purchasing. Jim is responsible for the overall management of Delta and for strategically positioning the organisation in the National Electricity Market.

**Peter Mcllveen** Ind Rel Cert, Pers Admin Cert, MAICD

Mr Mcllveen was appointed Corporate Secretary in March 1996. He is responsible for the administrative and legislative requirements of the Board, corporate governance issues, internal audit, legal, strategic security, document management, transport and public affairs. Prior to his appointment he held a number of senior management positions in Pacific Power, the last being Manager Government Relations.

**Stephen Saladine** BE (Hons)

Mr Saladine was appointed General Manager Western in April 2000. Steve joined Delta with wide experience gained from a variety of positions he has held across all facets of the energy industry. Immediately before joining Delta, he was managing an engineering contracting business working in power and heavy industrial plants in all states of Australia and South East Asia. Prior to this he had held executive, senior management and engineering positions with generators in NSW and Victoria. Steve has direct responsibility for the management of Mt Piper and Wallerawang power stations and Delta's regional infrastructure, which are all performing at world class levels. Steve is also a member of the Management Board for the Co-operative Research Centre for Sustainable Use of Coal and is President of Lithgow Business Association.

**Rohan Hall** BSc, BE (Hons), FAICD

Mr Hall was appointed General Manager Central Coast in May 2003, with responsibility for the operation and maintenance of Vales Point and Munmorah Power Stations. His previous appointment was as General Manager Delta Maintenance, a position he held for four years. Prior to that he held the positions of Production Manager and Engineering Manager in the Central Coast region.

**Richard Street** BEc, CA, MBA

Mr Street was appointed Chief Financial Officer in January 2000. Richard worked in private practice before joining Rio Tinto in 1990 as Business Services Manager for Southern Copper Ltd at Port Kembla. He transferred to Kembla Coal & Coke in 1994 and to Rio Tinto Coal in 1997 as Chief Financial Officer to assist in a major restructure of Rio's NSW coal assets in the Hunter Valley. The Finance Group is responsible for all accounting related activities including financial and management accounting, treasury functions, taxation, financial systems development, accounting standards, compliance, payments administration, and

## EXECUTIVE MANAGEMENT



Top (left to right):

**Jim Henness** (Chief Executive), **Peter Mcllveen**, **Stephen Saladine**, **Rohan Hall**, **Richard Street**, **Rodney Ward**.

Bottom (left to right):

**Greg Everett**, **David Hogg**, **Paul Blume**, **Tim Baker**, **Glenn Sharrock**.

commercial services in the areas of procurement and payroll administration.

**Rodney Ward** BEng (Hons), MBA, FAICD, ASA

Mr Ward was appointed General Manager Business Development in January 2003. Rodney brings to the position direct experience in the National Electricity Market and a background in power station operations, energy policy, treasury and project finance. Joining Delta in 1997, as General Manager Marketing, Rodney was responsible for the market operations of Delta's portfolio of generation. Prior to Delta, Rodney represented the Victorian Government's interest in the development of the National Electricity Market and policy aspects of Victoria's electricity industry restructure and privatisation. He is presently responsible for Delta's new generation capacity developments, emission trading scheme issues, project evaluation and business cost performance review.

**Greg Everett** BComm, MBA, GAICD

Mr Everett was appointed General Manager Strategy in November 1996, with a period as General Manager Central Coast during 2002. He is currently responsible for strategic planning, fuel purchasing, corporate environmental governance and long-term electricity pricing. He is also a director of Sunshine Electricity, Delta's joint venture with the New South Wales Sugar Milling Co-operative, and was the project manager for the two 30 MW renewable energy developments at Condong and Broadwater sugar mills. He has been with Delta since its inception and has a long association with the commercial operation of NSW's power stations.

**David Hogg** BE UNSW, GAICD

Mr Hogg was appointed Chief Information Officer in October 1996, having previously held a range of positions in the Information Systems Group of Pacific Power since 1988. Prior to 1988, David was involved in civil engineering design

and construction within Pacific Power. The Information Technology and Communications Group manage the delivery of IT services and projects to Delta through a range of outsourcing contracts. The group is also responsible for business continuity and the formulation of IT and communications strategy, policy and standards.

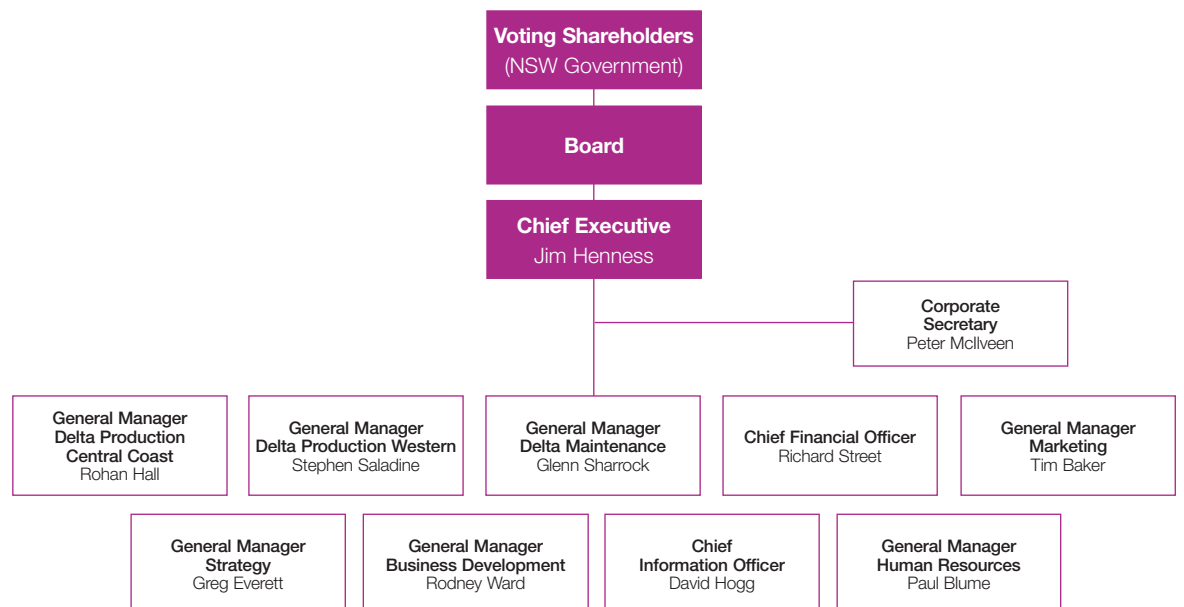
**Paul Blume** BEc, Dip Labour Relations Law, Grad Cert Marketing, GAICD

Mr Blume has held the senior human resources role in Delta Electricity since its creation in March 1996 and is currently General Manager Human Resources. He brings to the role experience in a number of senior roles in the electricity supply industry, primarily in human resource related areas, but also in marketing and technology advisory service management. The Human Resources Group in Delta is responsible for Delta's strategic direction in employee and related matters and for providing support in the delivery of these strategies. The group also has functional responsibilities, including in the areas of safety, industrial relations, workers compensation, recruitment, human resources systems and in business management system development.

**Tim Baker** BSc, BEng (Hons), MBA, GAICD

Mr Baker was appointed General Manager Marketing in December 2002 and leads the group responsible for optimising the market revenue derived from Delta's generation portfolio. He has an extensive background in system control, power station operation and electricity derivative hedging, which underpins the effective management of physical plant and financial market risk. He is responsible for the development of physical market and hedge strategies that maximise the profitability of the corporation. These activities include providing excellent customer service, plant coordination, bidding and trading functions and management of regulatory issues.

FIGURE EIGHT: ORGANISATIONAL CHART



**Glenn Sharrock** BSc, GCofM, AAICD

Mr Sharrock was appointed as General Manager Delta Maintenance in September 2003. Glenn had previously held the position of Production and Environment Manager Central Coast from 1999 to 2003 with responsibilities for operations, maintenance and environmental management of Vales Point and Munmorah Power Stations. Prior to this he was the Environment Manager Central Coast, which included asset management and the development and management of environmental systems, regulatory compliance, and community liaison. As General Manager Delta Maintenance, Glenn is responsible for the provision of maintenance and engineering services to Delta's Western and Central Coast regional generation sites, as well as external customers.

## MANAGING RISKS

### Organisational Commitment

Delta Electricity has integrated the risk management framework into its management philosophy. General Managers, managers and team leaders provide commitment and leadership to the risk management process as part of their normal duties and in compliance with the Risk Management Plan. Specific areas of focus are safety, environmental, asset protection and regulatory compliance.

In February 2005, Delta upgraded its risk application software to the latest version. A position paper was prepared in November 2004 outlining the strategy to move the application software to the next level of development to satisfy Delta's long-term expectations of a risk management tool. The recommended enhancements were approved in April 2005. Implementation will bring together the necessary tools and technology to advance the application and risk management process across Delta as a whole.

### Overview of Risk Management Process

Delta's Risk Management Plan has been updated in April 2005 to conform to the Australian Standard AS/NZS 4360:2004 Risk Management. The plan is structured to provide Delta and its employees with policy, direction and framework for identification, assessment and reporting of risk. The plan also sets the criteria for identification and analysis of risks that could potentially threaten the assets and earning capacity of Delta.

Delta has identified, assessed and broadly quantified both strategic and operational risks in areas such as production, environment, marketing and finance. Strategic risk has been defined as those risks associated with and derived from external influences. During 2004/05, Delta added the environmental data base to the existing risk data bases for security, fraud/corruption and operations.

Delta's risk management software supports a hierarchical framework which allows users at designated levels to identify, register and/or escalate risks to higher levels in the organisation for review, comment and action. A risk assessment template is available on the organisation's intranet to ensure all employees have access to risk identification and reporting. The risk framework allows escalation of risks from plant owners through to executive members and to the Board.

A consistent and standard approach to risk management is undertaken across Delta with designated risk management coordinators appointed for each business unit/group. These officers champion the system and support users throughout the risk process by monitoring the registration and assessment of risks and improvement actions proposed to mitigate exposure. Risk management coordinators present risk management reports at monthly business performance reviews, thus ensuring continuity and endorsement of risk management in the organisation.

Risks are also monitored and assessed as part of Delta Electricity's business planning and performance management process, which includes:

- (a) Performance agreements and performance reporting from the Chief Executive to the Board and from Business Unit General Managers to the Chief Executive.
- (b) Board Audit Committee, Board Finance Committee, Board Environment & Occupational Health & Safety Committee and a Board Remuneration and Staff Committee.
- (c) Annual Planning Conference and preparation of the organisation's 2005/06 Strategic Plan.
- (d) Reporting commitments to the Board.
- (e) Chief Executive and General Managers' monthly business performance reviews.
- (f) Quarterly Fire Protection Committee meetings.
- (g) Executive Committees.
- (h) Management systems for:
  - Asset management and maintenance
  - Financial and treasury management
  - Market management
  - Business planning and budgeting
  - Environmental management
  - Human resource management
  - NiSoft Safety Document Management System.
- (i) Monthly Board reports on Delta's performance.
- (j) Financial risks associated with treasury operations are managed by outsourcing of treasury services. Treasury operations performance is reported to the Board and executive on a monthly basis.
- (k) Market related issues and risks are managed through the weekly Market Strategy Steering Committee meetings chaired by Delta's Chief Executive.

Operational business unit general managers convene regular risk review meetings with direct reports to review risks and improvement plans. Risks have been identified, registered and assessed by those officers responsible and reviewed by the relevant general manager accountable.

### Environment

Environmental audits are conducted on a two year cycle covering facilities and process, environmental management and compliance. Delta has a system to document actions and to ensure audit recommendations are implemented. In addition, all sites are certified (June 2005) to ISO 14001:2004 Environmental Management Standard. This standard requires continuous re-assessment and reduction of all environmental risks.

### Occupational Health and Safety

Occupational Health and Safety task based risk assessment processes have been established in each business unit, designed to ensure that employees conduct work based risk assessment before performing tasks.

Delta's behavioural based safety program D-Zip has been implemented in all business units and corporate office to reduce at-risk behaviours and improve safety performance.

Safety audits are conducted on a two year cycle covering facilities, process, safety management systems, safety rules, compliance and due diligence. This includes contractors working on Delta's sites.

Fire audits are conducted annually by FM Global covering facilities, process, fire management and legal compliance.

The National Safety Council Australia conducts annual safety five star audits of each business unit.

### Market Operations

Delta has electricity market risk management policies, reviewed by the Board each year, that support procedures to address risks associated with market operations.

### Financial and Treasury Management

Financial asset and liability management is in accordance with Board approved treasury management policies. These policies establish effective internal controls and reporting systems for the management of treasury risks and cover areas of credit risk, liquidity risk, interest rate risk management, foreign exchange risk, commodity risk, investment management and permitted instruments. Treasury policies are reviewed annually and treasury operations are reported to the Board and executive on a monthly basis.

To manage cash flows effectively, Delta maintains a detailed cash flow model. Funds surplus to short-term requirements are used to prepay debt or invested to maximise interest returns.

### Asset Management

Market based asset management recognises that asset management contributes to electricity generation by the:

- cost of engineering;
- plant being ready when needed – our measure is "availability"; and
- plant staying in service when needed – our measure is "reliability".

### Compliance

Delta Electricity has implemented an organisation wide compliance management system, to ensure that Delta Electricity complies with its obligations under the legislation, regulations and codes that apply to the daily operations of the business. This compliance management system is an all encompassing system designed to capture all external and internal compliance obligations, including trade practices and fraud prevention matters, and to ensure that the Board of Delta Electricity is satisfied that all applicable compliance obligations are fulfilled, in a satisfactory manner.

A Compliance Committee has been established, with the previously existing Trade Practices and Fraud Prevention Committees being absorbed into this new committee.

The charter of the Compliance Committee states that it is responsible for ensuring that Delta complies with all statutory obligations, that it actively promotes a culture of compliance throughout Delta Electricity, and that Delta Electricity and its employees are not exposed to liability for breaches of legislation, regulations and codes.

### Freedom of Information

During 2004/05, Delta Electricity received two applications under the Freedom of Information Act.

Delta Electricity's compliance with the Freedom of Information Act did not raise any major issues during the reporting period, nor did the compliance with the Act have any prominent impact on Delta Electricity's activities.

### ANNUAL REPORTING COMPLIANCE

Delta is required to report on a range of matters which are covered by various Acts, including the Annual Reports (Statutory Bodies) Act, Regulations and Treasury and Premier's memoranda. The following information is provided in accordance with these requirements.

### Exemption from the Reporting Provisions

Approval was given by the New South Wales Treasury under delegation from the then Treasurer, the Hon. Michael Egan MLC, to exempt Delta Electricity for the year ended 30 June 1997 and subsequent financial years from the following financial requirements:

- Budgets
- Research and Development
- Land Disposal
- Payment of Accounts
- Time for Payment of Accounts
- Investment Management Performance
- Liability Management Performance

Exemptions for the following annual reporting requirements were approved subject to the condition that comments and information relating to these items are disclosed in summarised form:

- Summary Review of Operations
- Management and Activities
- Consumer Response
- Report on Risk Management and Insurance Activities

Other exemptions were approved subject to specific conditions:

### Human Resources

Overseas visits, with main purposes highlighted, are required to be disclosed.

### Consultants

Total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.

### Disclosure of Controlled Entities

Names of the controlled entities are to be disclosed, along with a summarised disclosure of the controlled entities' objectives, operations and activities and measures of performance.

### Financial Statements of Controlled Entities

Exempt from preparing manufacturing and trading statements but required to prepare a summarised operating statement.

### Executive Remuneration

The following payments were made soon after the end of the 2004/05 financial year. They were accrued into that year's accounts.

The 2004/05 performance payments were made up of the following components:

- the applicable Balanced Scorecard; and
- an Individual Performance Payment based on:
  - individual performance (see criteria in Table Thirteen below); and
  - individual management and leadership performance.

TABLE THIRTEEN: EXECUTIVE REMUNERATION

Name (Time in Position)	Position as at 30 June 2005	Total Remuneration Package at 30 June 2005	Total 2004/05 Performance Related Payment	Individual Performance Criteria
Jim Henness All of year	Chief Executive	\$430,000	\$60,000	Assessment of performance by the Board against corporate performance indicators including Delta's profit and plant performance and maintenance of effective external relationships.
Tim Baker All of year	General Manager Marketing	\$251,350	\$53,877	Implementation of strategic marketing initiatives and assessment against other performance agreement targets.
Greg Everett All of year	General Manager Strategy	\$232,182	\$51,138	Contracted coal purchases and assessment against other performance agreement targets.
Richard Street All of year	Chief Financial Officer	\$230,862	\$43,000	Management of financial projects and of the financial and management accounting function and assessment against other performance agreement targets.
Steve Saladine All of year	General Manager Western	\$230,188	\$40,000	Business unit financial management and plant performance and assessment against other performance agreement targets.
Rod Ward All of year	General Manager Business Development	\$225,241	\$46,005	Implementation and management of development projects and assessment against other performance agreement targets.
Rohan Hall All of year	General Manager Central Coast	\$214,037	\$26,620	Business unit financial management and plant performance and assessment against other performance agreement targets.

Number of Executive Officers	Total	Women
Number of executive officers with remuneration equal to or exceeding equivalent of SES Level 1 – 2004/05	28	0
Number of executive officers with remuneration equal to or exceeding equivalent of SES Level 1 – 2003/04	29	1

TABLE FOURTEEN: OVERSEAS VISITS

During the year the following officers went overseas:

Name	Date	Destination	Purpose
B Corderoy	28 August to 6 September	Canada and United States of America	Attend International Energy Agency Task 32 (Biomass Combustion and Co-firing) meeting and workshop and Science in Thermal Conversion of Biomass Conference. All travel, living, accommodation and attendance costs paid in full by the Task 32 membership. Inspect mini-hydro turbines being manufactured for Delta Electricity prior to export and delivery of machines.
M Facer	29 August to 4 September	Japan	Attend Toshiba Turbine Engineering Course – Toshiba Works Inspections.
P Blume	1 November to 12 November	United States of America	Attend the Advanced Human Resources Executive Program at the University of Michigan Business School.
B Roby	29 February to 26 March	Canada	Provide asset management consulting services to the electricity utility in British Columbia, Canada. Airfares, expenses and consulting fees were paid by the utility.
T Baker	2 March to 12 March	China	Attend conference and review power station market operations.
P Young	20 March to 3 April	Europe/Singapore/ Hong Kong	Discussions on electricity market structures and business models.
T Baker	20 March to 3 April	Europe/Singapore/ Hong Kong	Discussions on electricity market structures and business models.
S Brand	31 May to 4 June	New Zealand	Attend Siemens DCS Australasian User Group Meeting and visit Huntly Power Station.