



HUNTER WATER CORPORATION

# Board of Directors

# Charter

JUNE 2015

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## 1 Introduction

Hunter Water Corporation [ABN 46 228 513 446] is a commercial trading enterprise that is 100% owned by the NSW Government. Hunter Water Corporation (“Hunter Water”, “company” or “Corporation”) provides water, sewer and drainage services to customers and the community throughout the region of the Lower Hunter. Hunter Water is incorporated under the *Hunter Water Act 1991* (HW Act) with a Board of Directors (Board) appointed on the recommendation of the Voting Shareholders (Members) in accordance with the *State Owned Corporations Act 1989* (SOC Act) and the company constitution.

The Managing Director is appointed by the NSW Governor upon the advice of the Portfolio Minister and the recommendation of the Board pursuant to the requirements of the SOC Act. The Managing Director is also appointed as a Director of the Corporation in accordance with the requirements of the Constitution.

## 2 Purpose

This Charter sets out matters governing the composition, functions and responsibilities of the Board of Directors and matters affecting individual Directors of the company. It also sets out the role and responsibilities of the Managing Director as distinct from the Board.

## 3 Objectives

In fulfilling its purpose, the principle objectives of the company as defined under the SOC Act are:

- To be a successful business
- To operate as efficiently as any comparable business
- To maximise the net worth of the State’s investment
- To exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- To conduct operations in compliance with the principles of ecologically sustainable development contained in section 6(2) of the *Protection of the Environment Administration Act 1991*
- To exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.

## 4 Role and Function of the Board

The role of the Board is to guide and oversee the performance of the Corporation. The Board gives direction and exercises judgment in the setting the Corporation’s strategic objectives and for overseeing the implementation or core strategies. The Board’s role is to govern the company rather than to manage it. The Managing Director is responsible to the Board for the day-to-day management of the Corporation.

The Board is accountable to the Members and through them to other stakeholders, for the performance of the Corporation. In carrying out its responsibilities the Board must act honestly, fairly, diligently and in accordance with the Corporation’s Constitution and all applicable laws. In governing the Corporation the directors must act in the best interests of the company and its Members at all times, and to the

extent reasonably possible must also strive to serve the interests of its employees, suppliers and customers and the broader community.

## 5 Duties and Responsibilities

In discharging its obligations and fulfilling the objectives of the Corporation, the Board:

- Sets the ethical tone of the Corporation by approving and reviewing the effectiveness of the Corporation's policies concerning risk management and internal controls, conduct guidelines, legal compliance, audit and accountability systems.
- Sets the strategic aims of the business, and ensures that its obligations to the government, regulators and other relevant stakeholders are met through effective strategy implementation and monitoring.
- Provides input to and final approval of the Statement of Corporate Intent and the Strategic Plan, including the review and approval of financial statements, all statutory and interim reports including special reports for the Auditor-General.
- Through the Chairman, consults regularly with Members and the Portfolio Minister, and oversees implementation by management the guidance and directions of the relevant Ministers;
- Monitors the operational and financial performance of the Corporation and the integrity of internal and external reporting.
- Recommends the appointment of the Managing Director to the Portfolio Minister in accordance with section 20K of the SOC Act
- Monitors the performance of the Managing Director, and undertakes a formal review of his/her performance at least annually
- Determines and delegates clearly defined powers of authority to the Managing Director in accordance with the constitution
- Approves significant regulatory submissions including regulatory proposals and pricing submissions and monitors the effective and timely reporting to the Members, Portfolio Minister and regulators.
- Approves and monitors the progress of major capital expenditure, capital management, and acquisitions and divestitures.
- Approves and monitors the progress of the Corporation's industrial relations strategy.
- Reviews the performance of the Board, its Directors and sub-committees, and reviews associated charters at least annually
- Through the Managing Director, ratifies the appointment and removal of those Senior Executives reporting directly to the Managing Director including, the remuneration, performance and succession planning in respect of those positions.
- Ensures that Senior Executives have access to appropriate resources.

- Establishes and maintains standards of corporate governance which are consistent with recognised best practice, including but not limited to: *NSW Treasury Commercial Policy Framework: Guidelines for Boards of Government Businesses* and *Corporate Governance Principles and Recommendations* as set out by the *ASX Corporate Governance Council*.

## 6 Board Composition and Term

In accordance with the company Constitution, the Board is to consist of:

- A Chairman appointed by the Members
- 6 x Directors appointed for their relevant experience
- An additional Director, appointed under Section 4B of the HW Act, and
- The Managing Director

Directors are appointed for a term of up to 3-years commencing from the date upon which written notice is received by the company from the Members, or for the term as specified in the Letter of Appointment issued by the Members, whichever is applicable. Upon the completion of their term, Directors may be reappointed for a further term (or subsequent terms) by the Members accordingly. The maximum term of a Director shall be no more than 10 years.

The Board Corporate Governance Committee will advise the Members, through the Chairman, on the suitability of candidates being considered for appointment or reappointment as a Director to the Board.

## 7 Director Independence, Disclosures and Qualifications

The Board shall include a majority of Non-Executive Directors, all of whom must satisfy the criteria for independence as set out below.

In considering whether a director is independent, the Board is to give regard to:

- (a) the relationships affecting the independent status of a director as described in the ASX Principles;
- (b) any information, facts or circumstances that the Board considers relevant; and
- (c) such materiality thresholds, standards or guidelines as the Board may adopt from time to time.

If a director is or becomes aware of any information, facts or circumstances which will or may affect that director's independence, the director must immediately disclose all relevant details in writing to the Company Secretary and the Chairman.

Directors are required to declare any interest, direct or indirect, in a matter being considered, or about to be considered by the Board in accordance with the provisions of the SOC Act. A Director who has a material personal interest is precluded from voting on the matter or to take part in any decision related to the matter or to be present whilst the matter is being considered by the Board unless the Board passes a resolution specifying that the Director, the matter and the director's interest in the matter are such that the director should not be disqualified from considering or voting on the matter.

All such disclosures will be recorded as a conflict-of-interest matter in the minutes of the Board meeting, together with details that specifies the Director, the nature of the interest, the matter and how the item was dealt with by the Board. In addition, all Directors, Officers and Employees of Hunter Water are required to abide by the company's Conflict-of-Interest Policy which sets out procedures for disclosing and managing conflicts-of-interest whether real or perceived.

Any Director found to be in breach of this Charter or the Conflict-of-Interest Policy will be subject to disciplinary action including the reporting of such to external agencies as appropriate.

The Board will regularly assess the independence of each Director in light of disclosures made in accordance with this Charter to ensure that the Board continues to comprise a majority of independent non-executive Directors and the company meets developing best practice standards which comply with the ASX Principles. The Board will advise the shareholders accordingly of any change in the independent status of any non-executive Director.

Before appointment, Non-Executive Directors must disclose to the Chairman the nature and extent of their other appointments and activities and, when advising their willingness to accept appointment, demonstrate that they understand what is expected of them and confirm that they are willing to make the necessary commitments, and will have available the time required, to discharge their responsibilities.

Persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the company and to bring an independent view to the Board's deliberations. The Managing Director, as an Executive Director, must be of sufficient stature and security of employment to express independent views on any matter.

All Directors nominated for the Board should be able to perform well in a group and have the capacity to contribute to the Board reaching decisions by informed consensus.

## 8 Board Committees

The Board may establish committees to assist it in carrying out its responsibilities. At a minimum, the Board will establish an audit committee and a remuneration committee pursuant to the requirements of the *NSW Treasury Commercial Policy Framework: Guidelines for Boards of Government Businesses*. Each committee must act in accordance with a charter approved by the Board setting out matters relevant to the composition, responsibilities, authority and reporting of the committee, and such other matters as the Board considers appropriate. Board committees may only act within the prescribed limits of authority delegated by the full Board of the company.

The Board has established the following committees:

Name	Summary of Purpose
Audit & Risk Committee	To assist in the oversight of financial and operational controls and risk management systems.
Corporate Governance Committee	To ensure an effective and ethical framework of governance, including the oversight of remuneration strategy and Director nominations.
Capital Works Committee	To assist in the oversight, composition, delivery and performance of the capital works portfolio.
Community & Environment Committee	To assist in the oversight of company operations in the context of its trading, social and natural environment.

## **9 Meetings**

Board meetings will normally be held 11 times per year at venues, dates and times agreed in advance. Board meetings are typically held in the Boardroom of Hunter Water on the last Thursday of each calendar month, commencing at 8:30am. Additional meetings may be scheduled as required. Urgent matters requiring the approval of the Board or a Board committee between scheduled meetings may be dealt with by way of a circular resolution (Out-of-Session meeting).

A Business Paper containing an agenda and briefing materials will be distributed to each Director for each Board meeting in sufficient time to enable Directors to properly consider the agenda and briefing materials. This will normally be approximately 5 days prior to each meeting.

The Chairman will set the agenda for board meetings in consultation with the Managing Director, although any director may request the inclusion of specific items.

Each director should be familiar with the agenda for each meeting, have carefully reviewed all materials distributed in advance of the meeting, and be prepared to participate meaningfully in the meeting and to discuss all scheduled items of business.

At any Board meeting each Director is free to raise matters that are not on the agenda for that meeting.

Senior members of management including internal and external auditors may be invited to attend Board meetings as required.

## **10 Quorum**

In accordance with the Constitution, a quorum for each meeting of the Board is not less than 2 Directors which are not excluded from voting by virtue of declaring a material personal interest in the matter being considered. Notwithstanding this minimum requirement for a quorum, the Board will use reasonable endeavours to ensure that at least 4 Directors are present at any meeting of the Board. A meeting of the Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the Constitution for the time being vested in or exercisable by the Directors generally.

It is expected that each Director will make every effort to attend each Board meeting and each meeting of any Board committee on which he/she sits. Attendance in person is preferred but attendance by teleconference or videoconference is permitted if necessary.

## **11 Confidentiality**

The Directors acknowledge that all proceedings of the Board and its committees are strictly confidential and that a Director will be expected to resign from the Board if the Director breaches this confidentiality. Each director will maintain the confidentiality of information received in connection with his/her service as a Director. The Chairman may however disclose to the Members and/or the Portfolio Minister any information held by the Board that is relevant to their portfolio responsibilities.

## **12 Acting Managing Director**

The Board may appoint an Acting Managing Director when the Managing Director is unavailable. The Acting Managing Director will have the same duties and delegated authority as the Managing Director

but shall not be a Director of the Corporation and shall not be entitled to a vote during meetings of the Board.

### **13 Role and Responsibilities of the Chairman**

The Chairman presides over the Board and general meetings of the Corporation. The Chairman is responsible for ensuring the Board is well informed and effective: that the members, individually and as a group have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Corporation.

The specific roles of the Chairman include:

- Guiding the Board's leadership and strategic vision to the Corporation to achieve its objectives
- Setting the agenda for Board meetings in conjunction with the Managing Directors and the Company Secretary
- Leading the Board's deliberations, including presiding over board meetings and directing Board discussions to effectively use the time available to address the critical issues facing the Corporation
- Reviewing draft Board minutes, and subject to the Board's approval, signing the minutes and confirming that they properly reflect the Board's deliberations and decisions
- Developing and maintaining an effective working relationship with the Managing Director
- Facilitating an effective dialogue with the Managing Director, particularly between Board meetings, about strategic matters and other issues that may be of interest to the Board, the Portfolio Minister and Members
- Acting as a sounding board and, where appropriate, an adviser to and/or a mentor for the Managing Director
- Liaising with the Members, and where appropriate the Portfolio Minister, their advisers, departments and other stakeholders on issues of a strategic or sensitive nature.
- Briefing the Managing Director on all significant communications with Government Ministers and/or their advisers or departmental officers, or other stakeholders
- Promoting constructive and respectful relations between the Directors and between the Board and senior management
- Leading the annual assessment of the Managing Director's performance
- Leading and guiding succession planning and recruitment for the Managing Director's position
- Leading the process of regular Board performance reviews
- Leading and guiding succession planning and recruitment for the Board
- Where appropriate, acting as a spokesman for the Corporation. The Chairman will normally direct media enquires to the Managing Director or consult with the Managing Director before

speaking to the media or otherwise speaking publicly on behalf of the Corporation or in relation to its business; and

- Leading and guiding the ongoing effectiveness and development of the Board and individual directors.

The Chairman is subject to the same duties as all other Directors, including complying with the Corporation's Code of Conduct.

## **14 Role and Responsibilities of the Managing Director**

The Board delegates to the Managing Director by formal written instrument full authority for the management of the Corporation, and reserves to itself all other authority not expressly delegated. The Managing Director must manage the Corporation in accordance with the strategy, plans, practices and policies approved by the Board to achieve the agreed objectives. The Managing Director must advise, and where appropriate consult with, the Chairman on matters that are sensitive, extraordinary or of a strategic nature.

In addition the Managing Director's responsibilities include:

- Providing leadership to the Corporation's employees and in respect of its stakeholders and the public generally, including fostering of a culture for employees that is supportive of the Corporation's overall objectives, particularly for the safe and reliable supply of water and wastewater services to its customers at a competitive cost
- Acting as the Corporation's principal spokesman to the media and stakeholders. The Managing Director will inform the Chairman promptly of sensitive or otherwise significant interaction that he or she may have with the media or other stakeholders
- Ensuring that the ethical standards established by the Board are complied with
- Ensuring that the powers delegated by the Board are exercised in a competent manner and within the intent and limits of such delegation, and referring all matters outside of his or her delegated authority to the Board for approval
- Ensuring the Board is provided with sufficient information to enable it to act effectively
- Making recommendations to the Board on matters which it has reserved to itself, including particularly corporate strategy and strategic issues and approval of quarterly and annual accounts and Statements of Corporate Intent to be provided to key stakeholders
- Liaising with the Portfolio Minister and his or her ministerial advisers, Government departments and other stakeholders. The Managing Director will consult with or advise the Chairman as appropriate in respect of communications with Government Ministers and/or their advisers or departments on issues of a strategic or sensitive nature
- Keeping the Chairman apprised of all matters of significance that occur between Board meetings
- Managing the Corporation so as to achieve the performance targets agreed between the Board and the Managing Director
- Ensuring the Corporation's risk management and internal control frameworks are fully and effectively developed, implemented and managed

- Recommending policies of a strategic nature to the Board, adopting and implementing operational policies appropriate for the Corporation's business, and ensuring the Corporation's policies are complied with; and
- Discharging any other responsibilities as may be determined by the Board from time to time.

## 15 Role and Responsibilities of the Company Secretary

The Company Secretary is responsible to the Board, through the Chairman, on all governance matters including the oversight of and adherence to Board policy and procedures. In addition, the Company Secretary coordinates the timely completion and dispatch of the Board agenda and briefing reports (Board Business Paper) and supports the effectiveness of the Board by:

- Supporting the Chairman, Directors and the Board as required by the Board to achieve effective monitoring of corporate activities and decision making
- Having regular liaison with the Chairman between meetings in relation to the Board's requirements in that respect
- Providing proactive advice to the Board on the development, promotion and continuous improvement of good corporate governance practices
- Providing advice to Directors and senior executives concerning the responsible discharge of their duties under the *Hunter Water Act 1991*, the *State Owned Corporations Act 1989*, the *Corporations Act 2001*, the constitution and other applicable regulations and policies
- Having regular liaison with the Managing Director to ensure effective communication between Board and management and between the Corporation and its shareholders and other key stakeholders
- Ensuring timely and balanced disclosures to shareholders through statutory reporting mechanisms as required in consultation with the Chairman, the Board and the Managing Director.
- Ensuring the maintenance of confidentiality of Board matters where appropriate.
- Providing proactive support for and advice to, the Chairman and the Board for the management in accordance with Board approved policies, of conflicts of interest (and potential conflicts of interest) within the Board.

Each Director has a right of access to the Company Secretary at all times.

## 16 Access to Company Information

A record of Board submissions and papers, and of material presented to the Board, is maintained and held by the Company Secretary together with minutes of each meeting. These documents along with any company information in the possession of management can be accessed by Directors.

## 17 Access to Independent Professional Advice

The Board may access independent professional advice at any time. Individual Directors have the right to seek independent professional advice at the expense of the Corporation, subject to the prior approval of the Chairman, which shall not be unreasonably withheld. In addition to independent advice, Directors have access to management through the Board or committee meetings. Furthermore, specific matters can be raised with management by arrangement through the Managing Director who should also be advised of the outcome of those discussions.

## 18 Director Education

Board members will be assisted by the Corporation to fulfil their roles and responsibilities in a variety of ways which may include:

- An induction program for new directors in order to gain an understanding of the Corporation's financial, strategic, operational and risk position, their rights, duties and responsibilities, the roles and responsibility of senior management and the role of Board committees;
- Professional development opportunities to update and enhance their skills and knowledge. This includes education concerning key developments in the Corporation and in the industry and environment within which the Corporation operates; and
- The opportunity to visit the Corporation's facilities and meet with management to gain a better understanding of business operations.

## 19 Board Performance and Evaluation

The Board shall review its performance annually, with particular attention being paid to the extent to which it has met its responsibilities in terms of this Charter and its effectiveness in focusing on matters of key importance for the Corporation. The Board will approve a framework and process to assess the effectiveness of the Board, its committees and Directors, with a view to ensuring that its performance accords with best practice. The findings of the review of performance will be discussed at a nominated Board meeting or at a scheduled board workshop.

## 20 Review of the Board Charter

The Board will review this Charter on an annual basis and at such other times as it considers a review to be necessary or appropriate.

Approved:	<b>27 June 2013</b>	<b>Board of Directors</b>
Last Reviewed:	<b>29 January 2015</b>	<b>Corporate Governance Committee</b>