



Board Of Directors Charter

Introduction

Hunter Water Corporation (HWC) was established under the *Hunter Water Act 1991* and is subject to the *State Owned Corporations Act 1989*.

The principle function of HWC is to 'provide, construct, manage and maintain systems and services for: supplying water, and providing sewerage and drainage services, and disposing of waste water'¹.

Board Role

The overall role of the Board is to enable HWC to satisfy its primary function by:

- Setting corporate direction and goals,
- Overseeing the plans of management to achieve these goals,
- Review progress at regular intervals.

Objectives

The Board is responsible for ensuring that HWC has the resources and appropriate corporate governance to achieve its objectives, namely:

- As a service provider:
 - Providing superior customer service,
 - Producing safe, high quality water,
 - Delivering a reliable water service.
- As an environmental steward:
 - Protecting people's health and enhancing the environment.
- In achieving operational excellence:
 - Increasing competitiveness and value delivered to the community,
 - Enhancing value to the shareholder,
 - Meeting regulatory requirements.

¹ The principal function as given in the *Hunter Water Act 1991*, Part 2 Section 4A (2).

- Building a high performance culture:
 - Developing a shared understanding and commitment to achieving corporate goals

The Board is also responsible for ensuring HWC recognises its legal and other obligations to all legitimate stakeholders, to the extent appropriate.

HWC will adopt the *NSW Treasury Guidelines for Boards of Government Businesses*.

Board Membership

Under the Hunter Water Act 1991, the Board is comprised of up to 9 members:

- A Chairperson appointed by the Voting Shareholders of the Corporation²,
- The Managing Director; and
- 7 Directors appointed by the Voting Shareholders of the corporation,

All Non-Executive Directors shall be Independent Directors (as defined by the ASX Best Practice Principles).ⁱ The Managing Director shall be the only Non-Independent Director.

Term of Membership

Directors are appointed for a fixed term as determined by the Voting Shareholders.

Board Committees

The following Committees shall be in place at all times as per the *Treasury Guidelines for Boards of Government Businesses*:

- Audit and Risk Committee
- Remuneration Committee

Additional Committees shall be set up as required by the Board.

The current Board Committees include:

- Corporate Governance Committee
- Community, Environment & Sustainability Committee
- Capital Works Committee

² 'Corporation' refers to Hunter Water Corporation for the purposes of this document.

- Major Customers Committee
- Tillegra Dam Committee
- Out-Of-Session Committee

Each Committee is to have its own Charter detailing its delegated responsibilities approved by the Board. Membership of these Committees is to be determined by the Corporate Governance Committee. Membership of the Corporate Governance Committee will be determined by the Board.

Conflicts of Interest

In accordance with Schedule 10 of the *State Owned Corporations Act* (the Act) Directors are to declare any interest, direct or indirect, in a matter being considered by the Board. Where a Director has such an interest s/he is precluded from voting on the matter or being 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. A conflict of interest disclosure is to be recorded in the Minutes of the Board Meeting, together with the nature of the conflict and how it was handled.

The HWC Conflict of Interest policy outlines the responsibility of all Employees and Directors regarding conflicts of interest. Directors shall complete an annual Declaration of Interest Form listing their private interests and associations where those interests may cause a conflict of interest with their duties at Hunter Water. Directors shall disclose any potential or actual conflicts of interest in accordance with the Procedures for Disclosing and Managing Conflicts of Interest.

Any Director found to have breached the Conflict of Interest Policy will be subject to disciplinary action. Such breaches shall be reported to external agencies as appropriate.

Meetings

The Board meets on a monthly basis, however additional meetings may be held at the Chairperson's discretion as required for the Board to fulfil its duties. All Directors are expected to use their best endeavours to ensure their attendance at each Meeting, in person or via teleconference.

A quorum for the purposes of the Meetings of Directors, as per the Constitution of Hunter Water Corporation, is two Directors. 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 this constitution for the time being vested in or exercisable by the Directors generally.

The Board may invite members of management, auditors or others to attend Meetings as required.

Role and Function of the Board

In line with the *ASX Corporate Governance Principles and Recommendations*, the Board is responsible for:

- Overseeing the Corporation, including its controls and accountability,
- Appointment and removal of the Managing Director in collaboration with the Shareholding Minister and the Governor,
- Providing input into the final approval of the Corporation's Strategic Business Plan and SCI,
- Establishing and demonstrating an appropriate corporate culture,
- Reviewing and monitoring the Corporation's Enterprise Risk Management systems, internal control, the code of conduct, regulatory and legal compliance,
- Monitoring senior executives performance and implementation of strategy,
- Ensuring appropriate resources are available to senior executives,
- Approve and monitor the progress of major capital expenditure, capital management, and acquisitions and divestitures,
- Approve and monitor the financial, operating licence and other reporting.

The Chair

The Chairperson is appointed by the Shareholding Ministers. In the absence of the Chairperson at a Meeting of Directors, the Directors may appoint one of their number to act as Chairperson for the Meeting. Such Director may exercise, for that Meeting, all the powers and authorities of the Chairperson.

The Managing Director

Under the State Owned Corporations Act 1978, HWC is to have a Chief Executive Officer³.

The Governor, in accordance with the SOC Act, on the recommendation of the Portfolio Minister and the Board, may appoint the Managing Director for a fixed term not exceeding 5 years.

Review and Approval of the Charter

This Charter shall be reviewed periodically to determine whether it is functioning effectively by Members of the Board. In addition evaluation of its performance is conducted at intervals considered appropriate by the Chair.

³ 'Managing Director' is the title given to the Chief Executive Officer of Hunter Water Corporation.

Last reviewed and approved: June 2009

Next Review Date: June 2010

Approved by the Board on: 25 June 2009

ⁱ THE ASX Best Practice Principles provide the following guidelines for determining the independent status of a director:-

When determining the independent status of a director the board should consider whether the director: 1. is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company 2. is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the board 3. has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided 4. is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer 5. has a material contractual relationship with the company or another group member other than as a director.

(From Corporate Governance Principles and Recommendations 2nd Edition, August 2007, p17).