



CHARTER BOARD

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ACKNOWLEDGEMENT OF COUNTRY

Hunter Water acknowledges the Traditional Countries of the Awabakal, Darkinjung, Geawegal, Wonnarua and Worimi peoples and the Countries on which we operate and beyond where our water flows.

We recognise and respect the cultural heritage, beliefs and continuing connection to the lands and waters of our Traditional Custodians and pay respect to their Elders past, present and emerging.





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1 Introduction

Hunter Water Corporation (Hunter Water) is a state owned corporation owned by the NSW Government. Hunter Water's functions are to provide, construct, operate, manage and maintain systems and services for the supply of water, sewerage and drainage services, and the disposal of wastewater.

The Hunter Water Board of Directors (Board) has adopted this Charter to promote good corporate governance and to guide the Board and Directors in the exercise of their duties relating to Hunter Water in the service of its shareholders, customers and other stakeholders.

The principles set out in this Charter are in addition to and are not intended to change the effect of the following instruments, which establish the Board's powers, structure, composition, operations and accountabilities:

- a. Hunter Water Act 1991 (NSW) (Hunter Water Act)
- b. State Owned Corporations Act 1989 (NSW) (SOC Act)
- c. Hunter Water Constitution (Constitution).

2 Powers of the Board

2.1 Powers of the Board

Under section 20L of the SOC Act, the Board is to set the overall policy, strategy and direction of Hunter Water. All decisions relating to the operation of Hunter Water are to be made by or under the authority of the Board.

The NSW Government may direct the Board in the special circumstances provided for under sections 20N, 20O, 20P and 21(7) the SOC Act. The Board is to comply with any such direction.

The Board may adopt policies of the NSW Government that otherwise do not apply to state owned corporations.

2.2 Functions of the Board

To exercise its powers and meet its governance functions, the Board is to meet regularly and its primary functions include:

- a. Providing leadership and setting the vision, purpose, values and strategic objectives of Hunter Water.
- b. Appointing, overseeing the performance and development, and when necessary replacing, the Managing Director and CEO (or equivalent), in some cases requiring shareholder consultation or approval.
- c. Ratifying the appointment, and when necessary replacement, of other senior executives.
- d. Monitoring and guiding the culture, reputation and standards of conduct within Hunter Water.
- e. Providing input into and final approval of senior executives' development of the Statement of Corporate Intent, including performance objectives and the underlying corporate strategy.
- f. Seeking assurance that the entity has in place, and implements, an effective risk management and compliance framework.
- g. Setting the risk appetite within which the Board expects management to operate.
- h. Monitoring financial and non-financial risks to the business and considering whether Hunter Water's strategic policies are effective.
- i. Overseeing management's implementation of the entity's strategic objectives and its performance generally.
- j. Approving and monitoring financial statements and reports and assessing financial performance.



- k. Approving and reviewing the progress of major capital expenditure, capital management, and acquisitions and divestitures within the annual budget.
- l. Establishing and overseeing procedures to ensure the timely disclosure of material information to the Shareholding Ministers and other relevant stakeholders, including providing information under the Performance Reporting and Monitoring Policy for Government Businesses.
- m. Overseeing the integrity of the entity's accounting and corporate reporting systems, including the external audit.
- n. Approving and monitoring the implementation of Hunter Water's remuneration framework.
- o. Monitoring compliance with relevant government policies.
- p. Monitoring the effectiveness of Hunter Water's governance practices.

The Board may establish committees to assist it in carrying out its duties and responsibilities, in accordance with section 3.7 below. Such committees do not have executive powers but may provide recommendations and advice to the Board.

3 Board Structure

3.1 Board composition

The Board is to consist of nine Directors including¹:

- a. A Chairperson (appointed by the voting shareholders of Hunter Water).
- b. Seven non-executive Directors (appointed by their relevant expertise by the voting shareholders of Hunter Water).
- c. The Managing Director (or Chief Executive Officer) of the Hunter Water.

When the Board is nominating a candidate for appointment as a Director to the Shareholding Ministers, it should consider the need for a Board to be of an appropriate composition, skills mix and commitment to enable it to discharge its duties effectively. There should be an appropriate balance of skills, experience, expertise and diversity on the Board.

The majority of the Board should be independent directors². Each Director should be limited to sitting on three government boards to optimise their commitment to Hunter Water.

3.2 Roles and Responsibilities of the Chair

The role of the Chair is to lead the Board and oversee processes to ensure the Board fulfils its obligations under this Charter.

The specific responsibilities of the Chair include:

- a. Guiding the Board's leadership and strategic vision to enable Hunter Water to achieve its objectives.
- b. In conjunction with the Managing Director and the Company Secretary, setting the agenda for Board meetings and monitoring that relevant Board papers on all matters to be determined at Board meetings are circulated in advance.
- c. 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 Hunter Water.
- d. Reviewing the 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.

¹ Section 4B of the *Hunter Water Act 1991* (NSW)

² Principle 2 of the *NSW Treasury Commercial Policy Framework: Guidelines for Boards of Government Businesses* (Framework).



- e. Developing and maintaining an effective working relationship with the Managing Director, including acting as a sounding board and, where appropriate, an adviser to or a mentor for the Managing Director.
- f. 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 or Shareholding Ministers.
- g. Seeking assurance that processes are in place to facilitate effective communication with Shareholding Ministers.
- h. Promoting constructive and respectful relations between the Directors and between the Board and executive management.
- i. Leading the annual assessment of the Managing Director's performance.
- j. Leading and guiding succession planning and recruitment for the Managing Director's position and the Board.
- k. Leading the process of regular Board performance reviews.
- l. Leading and guiding the ongoing effectiveness and development of the Board and individual Directors.
- m. Developing a skills matrix for the Board which separately identifies each Director to ensure the Board has the right skills and diversity mix.

The Chair is subject to the same duties as all other Directors, including complying with Hunter Water's Director's Code of Conduct and policies for inclusion and diversity.

3.3 Roles and Responsibilities of the Managing Director

The Board delegates to the Managing Director by formal written instrument full authority for the management of Hunter Water, and reserves to itself all other authority not expressly delegated.

The Managing Director manages Hunter Water in accordance with the strategy, plans, practices and policies approved by the Board to achieve the agreed objectives. The Managing Director advises and, where appropriate, consults with the Chair on matters that are sensitive, extraordinary or of a strategic nature.

In addition, the Managing Director's responsibilities include:

- a. Providing leadership to Hunter Water's employees and its stakeholders and the public generally, including fostering of a culture for employees that is supportive of Hunter Water's overall objectives.
- b. Acting as Hunter Water's principal spokesperson to the media and stakeholders (provided that the Managing Director will inform the Chair promptly of sensitive or otherwise significant interaction that they may have with the media or other stakeholders).
- c. Monitoring that the ethical standards established by the Board are complied with.
- d. Monitoring 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 their delegated authority to the Board for approval.
- e. Monitoring the Board is provided with sufficient information to enable it to act effectively.
- f. Making recommendations to the Board on matters which it has reserved to itself, including corporate strategy, strategic issues and approval of quarterly and annual stakeholder documents and Statements of Corporate Intent.
- g. Liaising with the Portfolio Minister and their ministerial advisers, Government departments and other stakeholders (provided that the Managing Director will consult with or advise the Chair as appropriate in respect of communications with Government Ministers or their advisers or departments on issues of a strategic or sensitive nature).
- h. Keeping the Chair informed of all matters of significance that occur between Board meetings.



- i. Managing Hunter Water so as to achieve the performance targets agreed between the Board and the Managing Director.
- j. Seeking assurance that Hunter Water's risk management and internal control frameworks are fully and effectively developed, implemented and managed.
- k. Recommending policies of a strategic nature to the Board, adopting and implementing operational policies appropriate for Hunter Water's business, and seeking assurance Hunter Water's policies are complied with.
- l. Discharging any other responsibilities as may be determined by the Board from time to time.

3.4 Roles and Responsibilities of the Company Secretary

The Company Secretary is responsible for the corporate governance arrangements of Hunter Water and supports the effectiveness of the Board and its Committees.

The Company Secretary's key responsibilities include:

- a. Advising on matters including Directors' duties, corporate governance, policy and procedures and compliance or otherwise as requested by the Chair, the Board, Committees or the Managing Director from time to time.
- b. Monitoring the implementation of Board and Committee policies and procedures to ensure they continue to be appropriate and deliver the desired outcomes.
- c. Organising and attending Board and Committee meetings and preparing minutes that accurately reflect the business of the meetings.
- d. Coordinating the timely completion and despatch of Board and Committee meeting agendas, briefing papers and minutes of proceedings.
- e. Facilitating the effective exchange of information between the Board, Committees and senior executives.
- f. Organising and facilitating the induction and professional development of Directors.

Each Director should be able to communicate directly with the Company Secretary and vice versa. The decision to appoint or remove a Company Secretary is to be made or approved by the Board.

3.5 Director's Code of Conduct

The Board is to have a Code of Conduct appropriate for Directors with stewardship of a state owned corporation responsible for delivering essential services to the public. All Directors must comply with the Director's Code of Conduct, including the procedure to identify, declare and manage conflicts of interest, to ensure they fulfil their duties and act ethically and responsibly. The Director's Code of Conduct is to be read in conjunction with and operates in addition to, the Hunter Water (General) Code of Conduct.

3.6 Conduct of Board Meetings

The Constitution sets out the manner in which the Board is to conduct business. The Board will meet as often as the Directors consider necessary to fulfil their duties and responsibilities.

All Directors are entitled to receive notice of a meeting of Directors. The date, time and venue of each meeting will be notified in writing by the Company Secretary to all Directors no less than fourteen (14) days in advance of the meeting, except in exceptional circumstances.

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).

The agenda and board papers will be provided to Directors at least five (5) days prior to each meeting.

The only persons entitled to be present at a Board meeting are the Directors and the Company Secretary, unless otherwise agreed by the Chair.



Minutes of meetings of the Board will be prepared and circulated to the Chair for approval within one (1) month of the meeting, except in exceptional circumstances. The Board is to confirm the minutes of a meeting at the following meeting. An individual Director's dissent or concerns are to be recorded if requested by the Director.

The Board is to exercise its powers by making formal resolutions. The confirmed minutes are the official record of the Board's resolutions and are to be securely stored in accordance with Hunter Water's document retention policy and *State Records Act 1998* (NSW).

In accordance with the Constitution, a quorum for each meeting of the Board is not less than two Directors which are not excluded from voting by virtue of declaring a material personal interest in the matter being considered. The quorum must be present at all times during the meeting.

The Board will keep Board discussions and resolutions confidential, except where authorised by the Board or required to be disclosed by law.

3.7 Board Committees

The Board may establish committees to assist it in carrying out its duties and responsibilities³.

The Board should form a nominations committee with at least three members (the majority being independent Directors), an independent chair and a committee charter.⁴ The role of a nominations committee is to assist with assessing the membership of the Board, to ensure that members and potential members have the right skills and experience required. Hunter Water has established the **Nominations and Governance Committee** to facilitate this function.

The Board must establish an audit committee and a risk committee, which may be combined.⁵ Hunter Water has established an **Audit and Risk Committee**.

The majority of the Audit and Risk Committee should be independent Directors.

The Audit and Risk Committee should have

- a. An independent chair (who is not the Chair of the Board);
- b. A committee charter; and
- c. Members with relevant qualifications (being financially literate and at least one member should have relevant qualifications and experience, such as a qualified accountant or other finance professional with experience of financial and accounting matters).

The Audit and Risk Committee is to have its own written charter. The Charter is to be reviewed annually and any substantive changes are to be approved by the Board.

The Board has established four other Committees as follows:

- Investment and Delivery Committee
- People and Culture Committee
- Strategy and Sustainability Committee.

Each Committee must meet at least four times a year, report to the Board on its meetings and to make the minutes of those meetings available to the Board. Each Committee is required to have a written charter, approved by the Board, specifying its duties, reporting requirements and authority. The Board must report annually on the number of Committee meetings and individual attendance of members.

The Board is to review its Committee structure, at least every two years.

³ Article 20.7 of the Constitution

⁴ Principle 2 of the Framework.

⁵ Principles 4 and 7 of the Framework.



3.8 Performance Evaluation

The Board will evaluate its own performance annually to consider the extent to which it has met its responsibilities under this Charter and to identify opportunities for continual improvement.

The review may also encompass the performance of the Board's Committees and of individual Directors.

The Board will approve a process for the review, which may include its scope, and performance measures (qualitative and quantitative). It will engage an external and independent consultant to conduct the review at least every three years. The outcomes of the review will be considered by the Board and a summary is to be provided to NSW Treasury, as representative of the voting shareholders.

The performance evaluation process will be regularly reviewed by the Board in accordance with Practice Guide 7 of the Framework and current best practices for assessing boards and directors.

4 Access and Advisors

4.1 Independent Advice

The Board collectively and each Director individually has the right to seek independent professional advice at Hunter Water's expense to assist them to carry out their responsibilities. While prior approval of the Chair is required, it may not be unreasonably withheld or delayed.

4.2 Access to Management and Facilities

A Director may request access to appropriate Hunter Water managers or to inspect any Hunter Water asset or facility via the Managing Director or the Company Secretary. Such a request may arise when there is a need for a detailed briefing or assistance to understand a technical issue, and will not be unreasonably denied or delayed.

4.3 Access to Information and Records

Each Director is entitled to have free and full access to all Board records (including but not limited to, minutes, papers, agendas, tabled documents, and presentations) created during their term(s) as a Director. This entitlement continues after a person ceases being a Director.

4.4 Director Development

All new Directors appointed to the Board undertake an induction program coordinated by the Company Secretary, to assist them in fulfilling their duties and responsibilities.

Hunter Water may contribute to the cost of memberships, continued professional development, education or training which is relevant to the expertise for which an individual Director was appointed to the Board or which is otherwise specifically relevant to their Hunter Water directorship.

The Company Secretary (on behalf of the Chair) has the responsibility to administer and approve support for Directors.

5 Relationships with Stakeholders

5.1 Relationship with Hunter Water's People

The Board values the knowledge, enthusiasm and efforts of Hunter Water's people. The Board's responsibilities to Hunter Water's people include:

- a. Exhibiting and encouraging Hunter Water's values of:
 - i. Trust
 - ii. Leading
 - iii. Learning



- iv. Wellbeing
- v. Inclusion
- b. Recognising the benefit that diversity brings to the workplace.
- c. Seeking assurance that Hunter Water has in place a framework to provide a safe and healthy workplace for all workers as a key priority and overseeing the implementation of that framework.

5.2 Relationship with Customers and Committees

The Board recognises the strategic priorities of Hunter Water:

- a. Customers and community at the heart of all we do.
- b. High quality, valued and affordable water services for all.
- c. A trusted, innovative organisation with a values-driven culture.
- d. A sustainable, innovative organisation with a values-driven culture.

In this context, the Board's responsibilities to Hunter Water's customers and to our community include:

- a. Being aware of and responsive to customer and community concerns.
- b. Acting honestly, fairly, diligently and in the public interest.
- c. Pursuing the principle objectives required by section 20E of the SOC Act.

5.3 Relationship with Shareholding Ministers

The Shareholding Ministers include the Treasurer and an eligible Minister nominated by the Premier. The Board recognises its relationship with the Shareholding Ministers. This relationship is built upon mutual respect, open engagement and sharing of information and a commonality of purpose to achieve the business objectives of Hunter Water as agreed in the annual Statement of Corporate Intent.

This will involve:

- a. Governing Hunter Water responsibly so as to protect and enhance shareholder value for the benefit of New South Wales.
- b. Informing the Shareholding Ministers of any matters which have or are likely to have a significant impact on the operations or financial position of Hunter Water, in accordance with, or as otherwise specified by, the Disclosure Policy and Shareholder Engagement Plan.
- c. Dealing with NSW Treasury, as the Shareholding Minister's representative, including:
 - i. The timely provision of relevant and accurate information on matters likely to affect the operations or financial position of Hunter Water.
 - ii. The provision of other information reasonably requested by NSW Treasury.

5.4 Relationship with Portfolio Minister

The Board recognises its relationship with the Portfolio Minister. The Board will keep the Portfolio Minister informed of any matters, including community services obligations, which have or are likely to have a significant impact on customers, the community, employees, the environment, or the operations of Hunter Water, in accordance with or as otherwise specified by, the Disclosure Policy.

5.5 Regulatory Compliance

The Board is to monitor and manage Hunter Water's regulatory compliance.



5.6 Indemnity Insurance

Subject to approval from the Shareholding Ministers⁶ and the conditions in Article 35 of the Constitution, Directors are to be indemnified for liabilities incurred in defending criminal or civil proceedings, in accordance with the SOC Act.

5.7 Review of Charter

This Charter is to be reviewed annually to ensure that it remains consistent with the Board's objectives and responsibilities, and relevant standards of corporate governance.

Any modifications to, or replacement of, this Charter must be approved by the Board.

⁶ Clause 5(5) of schedule 10 of the SOC Act