



CORPORATE GOVERNANCE STATEMENT

AUGUST 2024

ACKNOWLEDGEMENT OF COUNTRY

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

Our vision for reconciliation

Our vision for reconciliation is a truly inclusive and equitable Future for First Nations peoples in the communities where we operate, a future where First Nations knowledge is embedded in caring for our country and water.

We will listen and learn from our First Nations peoples, and will incorporate their knowledge into the way we provide water and wastewater services to our region. Through partnership, we will create meaningful change by providing employment, procurement, and community engagement opportunities for First Nations peoples.

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Hunter Water's vision and purpose is **Water is Life**.
We are creating a sustainable water future for all.



This Corporate Governance Statement demonstrates Hunter Water's commitment to maintaining high professional and ethical standards of corporate governance.

It is reviewed annually and updated to ensure that it remains consistent with the Board's objectives, applicable law, and best practice corporate governance principles. This Statement was approved by the Board on 29 August 2024.

Hunter Water is proud of the important and significant contribution we make to meet the needs of our region. For more than 130 years, we have worked with, and for, our communities to help deliver their aspirations, innovating to meet the changing needs of our growing region while protecting its health for future generations.

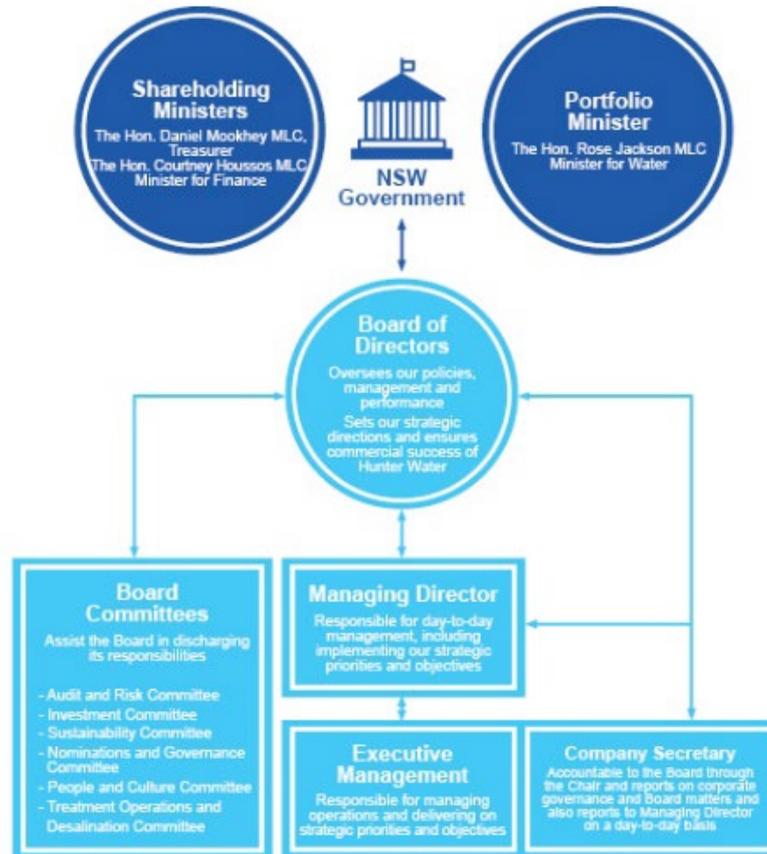
At Hunter Water, our people are passionate about water. We aspire to be a trusted, innovative organisation, underpinned by our values of learning, leading, trust, inclusion and wellbeing. We are committed to building trusted relationships with our people, partners, stakeholders, customers and community so that together, we can deliver a sustainable, resilient and prosperous future for our region.

Our customers and community are at the heart of all we do, and in 2024, we have continued engaging with them to help inform decision-making and to shape our pricing proposal to the independent Pricing and Regulatory Tribunal, to be submitted in September 2024. We've also been continuing to proactively engage customers through our weekly home visits and outreach program, and by increasing our presence at community events, to ensure as many customers as possible are aware of the support we offer.

A key focus of Hunter Water and its Board of Directors is to continue to enable and support thriving and liveable communities within the Hunter Region, now and into the future, through the delivery of resilient, sustainable and valued services. In doing this, we will maintain the highest standards of governance, in line with government policies and community expectations.

Hunter Water's commitment to maintain a robust corporate governance framework is outlined in this Corporate Governance Statement. Consistent with our value of 'Learning', the Board of Directors is committed to continually reviewing our policies, management and performance. We have continued this trend in 2024.

Hunter Water Corporation (Hunter Water) is established under the *Hunter Water Act 1991 (NSW)* and operates under that Act and the *State Owned Corporations Act 1989 (NSW)*. We have a strong corporate governance framework that underpins our strategic objectives and commitment to shareholders, customers and community.



NSW Treasury Policy and Guidelines: [TPP17-10 Guidelines for Governing Boards of Government Businesses \(TPP17-10\)](#) provides a framework for the NSW Government's expectations for standards of corporate governance that should be adopted by all governing boards of government businesses, which includes Hunter Water.

In February 2022, TPG22-02 NSW Treasury Policy and Guidelines: Ownership and Portfolio Expectations Policy was issued by NSW Treasury

(TPF22-02). Pursuant to TPG22-02, Hunter Water's Shareholding Ministers and Portfolio Minister issued a [Statement of Expectations](#) for Hunter Water in April 2022.

It is aligned to the seven principles and recommendations outlined in [TPP17-10](#).

The Statement of Expectations communicates an expectation for Hunter Water to:

- proactively communicate and engage with the Government to keep them informed of relevant matters of interest related to their accountabilities
- maintain the highest standards of governance, probity and integrity in line with government policies and community expectations.

Governance Principles

PRINCIPLE

1.

Lay solid foundations for management and oversight

A board should establish and disclose the respective roles and responsibilities of its directors and management, and how their performance is monitored and evaluated.

PRINCIPLE

2.

Structure the board to add value

A board should be of appropriate composition, skills mix and commitment to enable it to discharge its duties effectively.

PRINCIPLE

3.

Act ethically and responsibly

A board should lead by example when it comes to acting ethically and responsibly.

PRINCIPLE

4.

Safeguard integrity in corporate reporting

A board should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

PRINCIPLE

5.

Make timely disclosure

A board should make timely disclosure of all matters as required and requested by the shareholders.

PRINCIPLE

6.

Acknowledge the rights of shareholders

A board should acknowledge the rights and roles of its shareholders and NSW Treasury as the representative by providing them appropriate information to allow them to exercise those rights effectively.

PRINCIPLE

7.

Recognise and manage risk

A board should establish a risk management framework and regularly review the effectiveness of that framework.

Further information on Hunter Water's corporate governance practices can be found on our [website](#).

Constitution and Board Charter

The Hunter Water Corporation Constitution sets out the procedures to be followed by Hunter Water's Board of Directors (Board) and management in the conduct of its business, and reflects the requirements of the *Hunter Water Act 1991* and the *State Owned Corporations Act 1989*.

The Board is accountable to the Shareholding Ministers and Portfolio Minister for the performance of Hunter Water and the delivery of its strategic priorities and objectives.

Appointment of directors

Our Board are appointed by our Shareholding Ministers, the NSW Treasurer and the Minister for Finance. Our Board (excluding the Managing Director) is appointed for an initial three-year term. Upon completion, directors may be appointed for a further term or terms. All non-executive director positions are skills-based. The Managing Director is the only executive director, appointed by the NSW Governor in accordance with the Constitution and the *State Owned Corporations Act 1989*, upon the recommendation of the Board and the Portfolio Minister. The tenure of each non-executive director is determined by Cabinet and NSW Treasury's policy recommendation.

Directors are selected in accordance with the NSW Treasury Policies and Guidelines: *TPG23-06 Board Appointments for State Owned Corporations and Other Commercial Government Businesses*. During this process, the Board skills matrix is used to identify gaps in the Board's skills. Candidates are selected based on their appropriate level of skill and experience, prior to undergoing an in-depth process for selection.

Comprehensive probity checks are undertaken on candidates deemed suitable for appointment to the Board to

ensure their suitability to the role and to independently verify information. The checks include corporate searches, verification of experience and qualifications, criminal and bankruptcy history.

Company Secretary

The Company Secretary is directly accountable to the Board on all matters in relation to the proper functioning of the Board. The Company Secretary monitors and improves corporate governance processes, ensuring that board policy and procedures are followed.

All directors have access to the Company Secretary for advice and information on governance matters. The Company Secretary reports to the Managing Director on a day-to-day basis and liaises regularly with the Chair.

The decision to appoint or remove the Company Secretary is made or approved by the Board.



Inclusion and diversity

At Hunter Water we fundamentally believe in and commit to inclusion and diversity.

We value individual's unique capabilities, backgrounds, experiences and characteristics. We rely on these diverse perspectives to drive innovation and collaboration, to deliver the best outcome for our customers and communities. It is this diversity of perspectives that will enable Hunter Water to meet the challenges of the future.

We strive to create an inclusive environment where there is genuine equality of opportunity regardless of people's gender, age, cultural background, religion, sexual orientation, gender identity, disability and/or family status.

Our values of Trust, Leading, Learning, Wellbeing and Inclusion define the culture we want to embed in everything we do at Hunter Water. The Board recognises its role to live and model Hunter Water's values.



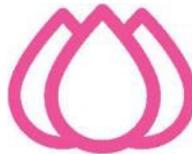
TRUST



WELLBEING



INCLUSION



LEADING



LEARNING

Board evaluation

Performance reviews are undertaken annually, and independently with the assistance of an external consultant at least every three years. In December 2023, an external review was undertaken.

NSW Treasury are provided with a summary of the evaluation reports, together with any findings and actions planned.

The Board also regularly reviews performance informally, including at the end of each board meeting.

Senior executive evaluation

Senior executives have individual performance plans which are comprised of performance of the organisation, as reflected in the corporate scorecard (with a weighting of 70%) and individual performance, as measured by both achievement against key performance objectives agreed to with the Managing Director each financial year and their leadership behaviours as reflected in the organisation's values. Performance is reviewed, as a minimum at the six-month mark and at the end of each financial year as part of formal processes and through regular check-ins. The performance outcomes and assessments for each member of the executive team is reported on and subject to Board consideration through the People and Culture Committee.

An assessment of the performance of the Managing Director is undertaken by the Board annually. The review is led by the Board Chair via one-on-one interviews with the Managing Director, assessing performance against agreed key performance indicators as set by the Chair and the organisation's performance outcomes as reflected in achievement in the corporate scorecard.

The Board recognises the importance of diversity. We're excited to have been assessed an 'Inclusive Employer 2023-2024' by the Diversity Council of Australia.

We exceeded the National Index Benchmark for inclusion in all of the measures: Inclusive Organisation, Inclusive Leadership, Inclusive Team, Awareness and Engagement. We have achieved this status due to the importance we place on Inclusion in our organisation (so important that we have made it one of our organisational values).

We have made significant gains including increasing both female non-executive board and executive membership to more than 50%.

In 2022 we launched our second Reconciliation Action Plan to support our work to improve economic, health and social outcomes for Indigenous peoples.

Further information on our approach to inclusion and diversity is available on our [website](#).



Succession planning and crisis management

Hunter Water maintains a comprehensive program of succession planning.

In accordance with TPP17-10, the tenure for directors is generally limited to two three-year terms unless extended by NSW Treasury. Similarly, a succession planning program is in place to address the Managing Director role and each of the executive roles.

Our Business Resilience Framework consists of three integrated functions: Incident and Emergency Management, Organisational Security and Business Continuity Management, together they form our crisis management procedures. The framework is regularly reviewed and tested through routine checks and internal audits.

The Audit and Risk Committee has a key role in reviewing the currency of the framework, which was last assessed in December 2023.

In addition, the May 2024 Board Strategy Session focussed on Hunter Water's incident management approach, including Hunter Water's preparedness for a cyber incident.

Board skills matrix

The Hunter Water Board recognises that it is good governance to develop, maintain and evolve a Board skills matrix in relation to its members. An effective skills matrix identifies the diverse mix of skills, experience, knowledge, capabilities and perspectives that the Board deems desirable & necessary to enable it to appropriately monitor and oversight the delivery of both current and future strategic plans and objectives.

In a dynamic, ever-changing world, the Board skills matrix is an important tool that assists the Board to maintain this desirable position by identifying and proactively addressing gaps in skills, experience or knowledge in Board composition. As the business evolves and responds to changing market

conditions and expectations of its customers and other stakeholders, so too should Hunter Water's Board skills matrix and composition of its Board of Directors.

The Nominations and Governance Committee has oversight of Board Committee memberships and regularly reviews the skills of the Board. Relevant information is provided to NSW Treasury, as required for new director appointments.

The Board skills matrix was updated and approved by the Board in April 2024. Directors are required to self-assess their skills and experience annually.

Director independence

All Non-executive directors are independent.

On appointment, annually (or if circumstances change) and at each meeting, all directors are required to disclose their interests and are considered to be free of any interests that may influence or be perceived to influence. The Interim Chair is independent and all directors have no more than three government board appointments.

Details of our Board, including names and length of service can be found in the [Annual Report](#).

Board induction and professional development

In line with Hunter Water's 'learning' value, the Board recognises the need for ongoing professional development and expects that all directors will maintain and enhance their professional skills knowledge.

During 2024, the Board's professional development program has focussed on build understanding in the fields of cybersecurity, changes to sustainability reporting standards, incident management and community engagement, including presentations from guest speakers.

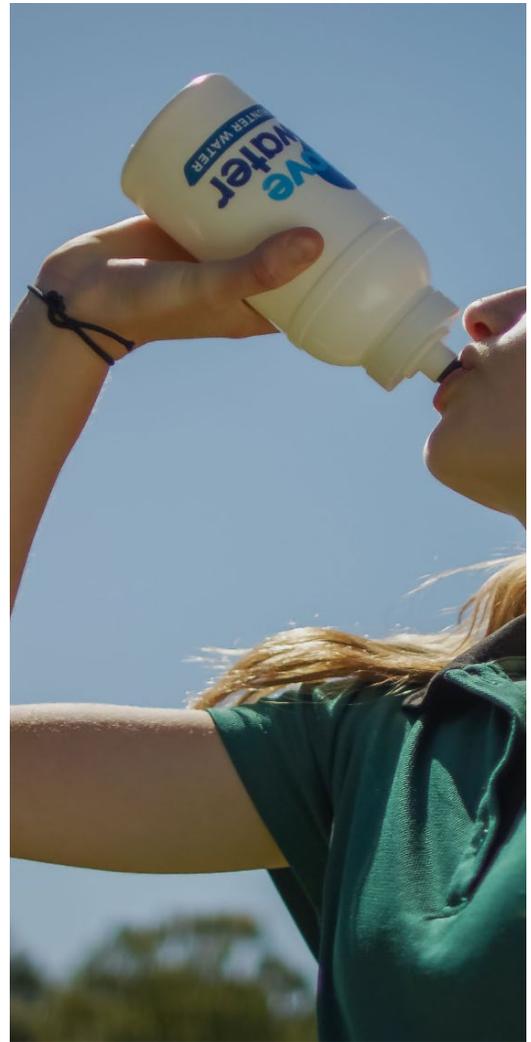
For new directors, Hunter Water provides a comprehensive induction program that includes discussions with management, provision of relevant material and corporate governance documents and visits to various project sites. The program ensures that directors become familiar with Hunter Water's governance practices, operations and the water industry.

Directors are required to undertake the same compliance training as all Hunter Water employees and management (for example, Information Security Awareness). Additional support by way of continuing professional development is encouraged and offered to all directors.

Code of conduct for directors

The Directors Code of Conduct is reviewed annually. It provides a meaningful statement that embraces Hunter Water's core values. The Code provides guiding principles and expectations and sets a high standard of conduct and ethics required of all directors in the performance of their duties.

A copy of the Directors Code of Conduct is available on our [website](#).



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Board Committees

To assist the Board in carrying out its functions and responsibilities, the Board has established six Board Committees.

The Board has adopted charters for each Board Committee, setting out requirements or membership, administrative and corporate governance matters. The charters underwent an external review in 2024.

Each Board Committee meets a minimum of four times per year. Attendance by directors at these meetings is reported in the Annual Report.

Copies of all Board Committee charters are available on our [website](#)

SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Board Committee	Composition [as at Aug 2024]	Purpose and responsibilities
Audit and Risk Committee	Comprised of four members, each of whom are independent non-executive directors. The Committee is chaired by an independent chair who is not the Chair of the Board.	<p>This Committee has a wide scope of responsibilities including oversight and review of the effectiveness of:</p> <ul style="list-style-type: none"> • Risk management • Control framework • External accountability • Compliance with applicable laws and regulations • Internal audit • External audit • Responsibilities of members <p>The Committee is established in compliance with the <i>Internal Audit and Risk Management Policy for the General Government Sector (TPP20-08)</i>.</p>
Investment Committee	Comprised of four members	This Committee been established to assist the Board in fulfilling its responsibilities in relation to the governance and assurance of Hunter Water's investment portfolio (consisting of capital and operating projects and programs), including expenditure prioritisation and delivery performance.
Nominations and Governance Committee	Comprised of all Board members (excluding the Managing Director) The Committee is chaired by the Chair of the Board	<p>This Committee undertakes the functions of a nomination committee, with oversight of Board succession plans and the development and implementation of principles, policies and practices of corporate governance, to enable Hunter Water to operate to a high standard in accordance with its obligations to its people, customers, community, Voting Shareholders and other stakeholders.</p> <p>The Committee is established in compliance with the Guidelines for Boards of Government Business (TPP17-10).</p>
People and Culture Committee	Comprised of three members	<p>This Committee assists the Board on matters in relation to remuneration, evaluation of executive and senior management performance, organisational culture and capability.</p> <p>The Committee also assists the Board in relation to the strategic approach to managing the safety, health and wellbeing of our people and the digital transformation of our organisation.</p>
Sustainability Committee	Comprised of four members	This Committee assists the Board in developing, evaluating and overseeing the strategic approach to delivering our services with a customer centric and sustainability focus. The Committee provides guidance and recommendations to the Board on customer, community and sustainability issues and assists the Board in fulfilling Hunter Water's environmental, social and governance (ESG) obligations.
Treatment Operations and Desalination Committee	Comprised of four members	This temporary Committee provides assistance in fulfilling its oversight responsibilities with regard to the competitive sourcing process for operation and maintenance of Hunter Water's water and wastewater treatment works ('Treatment Operations') and the capital funding for project delivery and award of phase 2 of the Belmont Desalination Plant, including the development of a target outturn cost ('TOD) and agreement of the TOD with John Holland Pty Ltd.

Declarations on financial statements

The Board receives declarations for end-of-year financial periods from the Managing Director and Executive Manager Finance and Business Performance (both with functional responsibilities of Chief Executive Officer and Chief Financial Officer respectively).

The declarations confirm that in the CEO's and CFO's opinion, Hunter Water's financial records:

- have been properly maintained
- comply with the appropriate accounting standards
- give a true and fair view of Hunter Water's financial position
- the opinion formed is on the basis of a sound system of risk management and internal controls that are operating effectively, and
- ensure the proper management and maintenance of all other official records, including the full and accurate records of all decisions and actions taken by the Board.





Disclosure Policy

Hunter Water's Disclosure Policy sets out our commitment to making continuous disclosure in a timely, accessible and proactive manner. Disclosures are made annually, through reporting in the Statement of Corporate Intent (SCI), Business Plan and Annual Report provided to NSW Treasury, and as required under legislation. In addition, Hunter Water promotes and adopts a continuous disclosure culture to support its objectives, including effective corporate governance.

In accordance with NSW Treasury Policy and Guidelines Paper: *TPP18-02 Performance Reporting and Monitoring Policy for Government Businesses*, our Disclosure Policy specifies that Hunter Water will make timely disclosures to:

- Portfolio and Shareholding Ministers where it becomes aware of any matters likely to result in significant deviation from its strategic, financial or non-financial performance outcomes.
- NSW Treasury if it becomes aware of any material information that relates to the commercial business performance of the business.
- community and key stakeholders where it becomes aware of any information concerning Hunter Water or its operations that a reasonable person would expect to be of significant interest or concern to those entities or likely to impact on the general community.

The Disclosure Policy provides further details of Hunter Water's continuous disclosure obligations and is available on our [website](#).

ACKNOWLEDGE THE RIGHTS OF SHAREHOLDERS

Process for communication with shareholders

Pursuant to our Board Charter, the Chair is responsible for ensuring processes are in place to facilitate effective communication with our Shareholder Ministers.

Our Interim Chair, Geoff Crowe and Managing Director, Darren Cleary, regularly meeting with the Portfolio and Shareholder Ministers and have established a wide stakeholder engagement program which includes meetings with local governments, ministers, members of parliament and community groups in the Hunter region.

The Hunter Water Board has met with the Members of the Independent Pricing and Regulatory Tribunal on several occasions during 2023 and 2024.

The Chair and senior executive of Hunter Water meet and liaise regularly with NSW Treasury regarding the performance of Hunter Water.

NSW Treasury attended Hunter Water's Board meetings held in September 2023 and April 2024.



Risk Management Framework

The Board sets the risk appetite and strategy of Hunter Water. It recognises that effective management of risk is essential to good corporate governance and as such has adopted a consolidated approach to risk management which incorporates governance, compliance, risk appetite and business continuity management. This approach is consistent with the Australian and New Zealand Standard on Risk Management (ISO 31000:2018).

The Board has developed a Risk Appetite Statement which sets out the levels of acceptable risk, the Board's tolerance within which risks are managed and controlled, and activities or consequences that the Board will not accept. This frames the decision making of our senior executives and the Board. This Statement was reviewed in 2024.

The Risk Management Framework is reviewed at least annually for currency and to ensure the approach to risk management continues to be sound and that Hunter Water is operating with due regard to the risk appetite set by the Board.

The Board oversees and annually reviews that an effective Risk Management Framework is in operation and has delegated to management responsibility for risk management and assurance activities, following a 'lines of defence' model:

Line 1 — Ownership:

Owning and managing risk through management controls and internal control measures such as internal policies and procedures

Line 2 — Oversight:

Monitoring of risk through our risk management, compliance and safety functions

Line 3 — Assurance:

Independent assurance through an internal audit function

Further external audits and assurance activities are regularly carried out, including by the Audit Office and the

Independent Pricing and Regulatory Tribunal.

The Risk Management Framework and Risk Appetite Statement are commercial in confidence / internal documents and are not publicly available.

Internal audit

The internal audit function is led by the Group Manager Risk and Internal Audit and supported by an external audit provider. The function provides the Audit and Risk Committee and senior management with independent, objective assurance around internal controls.

The Group Manager Risk and Internal Audit reports to the Committee Chair and attends each meeting of the Audit and Risk Committee to report on the internal audit plan as approved by the Committee.

The Annual Report provides further details on the number of Audit and Risk Committee meetings, attendance of each member and, their relevant qualifications and experience.

Material risks

Hunter Water is exposed to a range of political, economic, industrial, commercial and operational, legal and regulatory, social, technological, sustainability and environmental risks which could have an adverse effect on Hunter Water's future. These risks may vary over time.

Hunter Water maintains processes to reduce inherent risks and manage residual risks, including quarterly Executive risk workshops to review Hunter Water's Strategic Risk Register and Operational Risk Register.

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