

1 INTRODUCTION

The board of SunWater is committed to striving for high standards of governance relative to the size and nature of the company as a government owned corporation (GOC).

This Board Charter sets out the respective roles, responsibilities and authorities of the board of directors and management in setting the direction, management and control of Sunwater.

The Charter is based on:

- SunWater's Constitution (see **Attachment A**) which is in effect a contract that specifies the relationship between the company, its directors and shareholders (being the Shareholding Ministers)
- the *Corporations Act 2001* (Cth) which establishes the framework under which Australian companies must operate and which applies to SunWater as a public unlisted company, and
- the *Government Owned Corporations Act 1993* (Qld) (GOC Act).

The board also complies with other regulatory requirements as they apply from time to time, as well as policies and other guidance issued by the Queensland Government that relate to the governance of GOCs.

Implementation of the key principles in this charter is supported by board-approved policies.

2 ROLES AND RESPONSIBILITIES

2.1 The role of the board

The board is ultimately responsible for ensuring that SunWater achieves its objectives ethically, responsibly and within its legislative and regulatory obligations. Accordingly, the board is accountable to the Shareholding Ministers for the attainment of SunWater's purpose, and for ensuring the ongoing performance and sustainability of the company.

The board does this through the following key functions:

- setting the overall culture, strategic direction and policies of SunWater in collaboration with management and monitoring implementation against agreed key performance measures
- developing the Statement of Corporate Intent and Corporate Plan (SCI/CP) in accordance with the GOC Act, and ensuring that SunWater acts in accordance with those documents as agreed with the Shareholding Ministers
- monitoring SunWater's operational and financial performance including the approval of annual budgets and annual financial statements
- monitoring SunWater's compliance with legal and regulatory obligations
- setting the risk appetite within which SunWater operates
- ensuring that effective audit and risk management systems are in place to protect SunWater's assets and to minimize the possibility of SunWater operating beyond the board's approved risk appetite and associated acceptable risk parameters
- selecting and appointing the CEO, determining his/her conditions of service, and monitoring his/her performance against established performance objectives
- ensuring that valid directions from the Shareholding Ministers Directions are implemented taking into account the directors' various duties at law
- accounting to the Shareholding Ministers and other key stakeholders for SunWater's performance

- representing SunWater in formal interactions with the Shareholding Ministers and key stakeholders, and ensuring that the good reputation of SunWater is upheld.

2.2 Respective roles: Shareholding Ministers, Board and Management

The board’s role is to govern rather than manage SunWater. The board delegates to the CEO responsibility for managing the day-to-day operations of SunWater, and in this regard sets specific limits of authority within which the CEO can act without reference to the board.

The respective roles of the Shareholding Ministers, board and management in SunWater is summarised in **Attachment B**.

Matters which the board has reserved for itself and those which it has delegated to the CEO are further detailed in the Board Delegation of Authority Policy (see **Attachment C**).

In broad terms, matters which the board has reserved for itself include:

- approving the purpose and strategy for SunWater
- approving the SCI, CP for SunWater
- recommending appointment of the CEO to the Shareholding Ministers
- appointing and/or removing the company secretary
- establishing board committees and approving their membership and terms of reference
- approving delegated levels of authority to the CEO
- setting the CEO performance review policy and process, and monitoring the CEO’s performance accordingly
- setting the CEO and senior executives’ remuneration
- setting SunWater’s risk appetite
- approving SunWater’s annual operating and capital expenditure budget and many material changes to them
- approving any changes to SunWater’s capital structure
- approving SunWater’s annual report and accounts, including the corporate governance statement and directors’ remuneration report
- recommending and declaring dividends
- approving any significant changes in accounting policies or practices
- ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives, and
- approving key governance and risk management policies, details of which are set out in the Delegation of Authority Framework and Policy.

Mutual expectations of the board and management are set out in Table 1.

Table 1: Board and executive management mutual expectations

Directors’ expectations of management are that management will	Management’s expectations are that directors will
<ul style="list-style-type: none"> • Be constructive • Be solution focused • Be responsive • Be respectful and proactive 	<ul style="list-style-type: none"> • Be collaborative and work as a team with management to establish common purpose and jointly explore issues • Provide clear direction and support • Establish the separation of management and

Directors' expectations of management are that management will	Management's expectations are that directors will
<ul style="list-style-type: none"> • Be clear and 'get to the issue' • Focus on strategy • Listen • Inquire and ask • Seek exception reporting • Help the board understand the business • Use directors' skills appropriately • Ensure there are 'no surprises' for the board • Be timely and use time wisely • Restructure board papers 	<p>governance</p> <ul style="list-style-type: none"> • set parameters and hold management to account but with space to perform • Be prepared for meetings noting the objective of less board papers and greater use of discussion/presentations • Ensure committees are an effective tool for management to gain access to, and guidance from, the board • Lead by example and be visible to the business, particularly with respect to: strategic outcomes, safety, and attendance at key management and corporate events • Share learnings, experience and insights from other leaders/industries/experience and challenge the status quo and management (to be better) • Be committed to building a trusting relationship with management and staff including by talking straight whilst being transparent (with feedback/issues), polite and respectful • Be proud of SunWater and be part of our profile, sharing with management the pains as well as the gains (and celebrate successes)

2.3 The role of directors

Directors are individually responsible to ensure that the board fulfills its role as set out in this Charter. This requires directors to:

- contribute to setting the strategic direction and promote an organisational culture consistent with SunWater's values
- ensure achievement of the functions of SunWater in a proper, effective and efficient way
- demonstrate and promote high standards of corporate governance
- monitor the performance of SunWater in the areas of strategy, finance, compliance and risk management
- participate in the appointment of the CEO and the regular monitoring of the CEO's performance
- account to the Shareholding Ministers for the company's performance, and
- undertake a representative role for SunWater as required.

Directors have no individual authority to act on behalf of, or be involved in, the day-to-day management of SunWater unless the board has specifically delegated that task to an individual director.

Directors are expected to perform their duties with integrity, honesty and in a professional manner, and exercise independent judgment on matters before the board.

As a minimum, all directors are required to comply with their legal duties and obligations when discharging their responsibilities as directors. These duties include:

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- acting honestly, in good faith in the best interests of the company as a whole, and for a proper purpose
 - acting with a degree of care and diligence that a reasonable person would exercise if in the director's position¹
 - refraining from making improper use of information gained through the position of director and from taking improper advantage of the position of director
 - avoiding conflicts of interest wherever possible and appropriately managing conflicts where they arise, and
 - monitoring SunWater's financial situation to best ensure that the company doesn't incur a debt while it is insolvent.

Conduct and other expectations of directors including those regarding confidentiality are set out in the Directors' Code of Conduct (see **Attachment D**) and the Directors' Conflict of Interest policy (see **Attachment E**).

In accordance with the Constitution, SunWater indemnifies directors (and officers) for certain liabilities incurred as an officer of the company. SunWater also takes our directors' and officer's insurance to the extent permitted by law.

Directors are entitled to seek independent professional advice in relation to the performance of their duties as a director at SunWater's expense following the approval of the Chairman (or Audit and Risk Committee Chairman where the Board Chairman is conflicted). This advice shall generally be made available to all directors.

2.4 The role of the Chairman

The primary role of the Chairman is to ensure the efficient and effective operation of the board. While legally the Chairman doesn't have any additional responsibilities or powers to that of any other director on the board, the Chairman plays an important role in:

- leading the board and facilitating constructive contributions by all directors
- ensuring the board functions effectively and efficiently as a whole in discharging its responsibilities
- chairing board meetings and ensuring the effectiveness of those meetings
- establishing an effective working relationship with the CEO, and facilitating a good working relationship between the board and CEO
- establishing an effective working relationship with the Shareholding Ministers and key stakeholders
- guiding the on-going professional development and performance reviews of the board and directors, and
- undertaking a high level representative role for SunWater.

2.5 The role of the CEO

The board is responsible for appointing the CEO and approving CEO recommendations for senior executives, and otherwise determining the terms, conditions and powers of the CEO.

The board has set out the CEO's role and duties in a position description and performance agreement with the CEO. On an annual basis, the board undertakes a formal review of the performance of the CEO in accordance with the terms of the CEO's contract and the CEO and Senior Executive Appointment, Performance and Remuneration Policy (**Attachment F**).

¹ Clause 7.2 of the Constitution provides that in determining for the purposes of the Corporations Act the degree of care and diligence that a reasonable person in a like position in a company would exercise in the circumstances of the company, regard must be had to the application of the GOC Act to the company.

The relationship between the board and the CEO is a critical one as the board relies on the CEO to implement agreed strategy and for information as to SunWater's operations and performance. Conversely, the CEO relies on the board for direction, mentoring and support.

2.6 The role of the Company Secretary

The Company Secretary is appointed by the board and is primarily responsible for ensuring that board processes and procedures run efficiently and effectively, and in accordance with the constitution as well as accepted and mandated standards of corporate governance.

The Company Secretary's responsibilities include:

- ensuring that appropriate notice is given for all member and board meetings in accordance with the board's instruction
- ensuring that the agenda and board papers for meetings are circulated to directors within the time limits prescribed by the board
- recording and maintaining all minutes of the board and board committee meetings
- maintaining the shareholders' register and such other registers and records as the board may require
- maintaining this Charter and other board policies
- maintaining the Register of Interests listing those interests of all directors which may cause a conflict of interest at any time in accordance with the board's Conflict of Interest Policy (**Attachment G**)
- co-ordinating and overseeing the induction of new directors, and
- attending to all filings and lodgement of documents with relevant regulatory entities.

All matters for the board's attention should be directed by the CEO or management to the Company Secretary, to be processed and forwarded to the Chairman. Equally, any actions resulting from board decisions are to be processed through the Company Secretary, to the CEO and management for implementation.

The Company Secretary has responsibility to record all decisions or requests, and advise the board or CEO when further action is required or deadlines are to be met.

As the Company Secretary plays a critical role in supporting the board, an appropriately qualified officer is appointed by, and reports to, the board regarding governance and board-related matters.

3 COMPOSITION OF THE BOARD

All directors are non-executive directors, and are appointed by the Governor-in-Council in accordance with the GOC Act. The constitution provides for the cessation of a director's appointment (clauses 3.5 and 3.6.)

The Directors' Conflict of Interest Policy (**Attachment E**) strengthens the independence of directors and aims to ensure that:

- the directors exercise unfettered and independent judgment
- the interests of the company are properly protected, and
- individual's vested interests do not influence decision-making against the interests of SunWater.

The board regularly considers the desirable composition of the board to guide and drive SunWater's strategic direction, and ensure the effective governance of SunWater. The board uses this assessment to advise the Shareholding Ministers regarding board composition.

4 BOARD PROCESSES

4.1 Board meetings

The board meets as often as it sees fit to ensure the proper governance of SunWater. Currently, the board meets approximately 12 times each year. The board additionally meets as required to deal with specific issues and other matters including strategic planning.

The board agrees to an annual calendar of its meetings and other activities one year in advance.

In accordance with the Constitution, the board may: (a) meet using any technology consented to by all the directors; and (b) pass a resolution in writing signed by all directors entitled to vote on the resolution.

A quorum for the purposes of a board meeting is a majority of the number of directors appointed to the board.

The Chairman, in conjunction with the CEO and Company Secretary prepares an agenda which forms the basis for board meetings. The Company Secretary aims to circulate the agenda and associated papers to directors at least five business days before the relevant meeting.

In accordance with the Constitution, the board ensures that adequate minutes of meetings of the board and its committees are kept. Minutes are circulated in draft for comment by the Chairman within one week of the meeting and then uploaded to Diligent for directors' comments within two weeks following the meeting. Minutes are distributed with the following meeting's board papers for confirmation at the next meeting.

4.2 Site Visits

The board aims to visit a minimum of 2 SunWater sites each year for the purpose of reviewing assets in addition to meeting with SunWater's regional customers and staff. A schedule of site visits will be incorporated into the board's annual calendar.

4.3 Communication Protocols

At all times, directors are required to work only through the Chairman and/or CEO for business matters and through the Company Secretary for administrative matters.

Requests for access to staff and corporate information should be directed through the CEO but 'cc'ed' to the Chairman to ensure maintenance of lines of authority and communication.

Directors should be mindful of their role in all communication with members of SunWater's staff, clients, stakeholders and broader community to ensure that they are acting in the best interests of SunWater as a whole. Irrespective of the capacity in which directors are engaged in SunWater's activities, they need to be mindful that they will be seen as a director.

The authorised spokesperson for SunWater is the Chairman and/or CEO and the relevant EGMs for specific assets they are accountable for.

Directors are expected to represent SunWater in an appropriate manner and ensure its good reputation in the community at all times. Where issues regarding the reputation of SunWater are raised in a public forum, directors are expected to bring that matter to the attention of the Chairman and/or CEO as soon as possible.

5 BOARD COMMITTEES

In order to assist the board in fulfilling its functions as effectively and efficiently as possible, the board establishes board committees to provide it with advice and recommendations.

The board has adopted the following principles regarding the establishment and operation of board committees:

- The board prepares and adopts a separate charter for each committee it establishes outlining matters including the purpose, role and responsibilities, scope of authority (ie any delegations), membership, meeting frequency, reporting requirements, performance review and tenure. (Current board committee charters appear as **Attachment G.**)
- Committees or working groups are to generally comprise between three and five members, with preferably an uneven number of members. If considered desirable, the board can appoint suitably skilled external members to committees. The board may invite members of SunWater's management to attend committee meetings as attendees
- Committees are generally not to be involved in dealing with operational or management issues, but rather on matters of relevance to the board's functions
- Committees and working groups are generally to have only limited decision-making power in their own right but rather make recommendations to the full board which retains the collective responsibility for decision-making
- Each committee should have an annual work plan which is approved by the board. The Committee Chairman will advise the board by exception of matters that cannot be dealt with
- Committees operate in the same way as the board with formal papers, including agendas, briefing papers, minutes etc. (All directors, not just committee members, should have access to all committee papers on request.) Committees provide a copy of their meeting minutes for inclusion in the board papers for the subsequent board meeting. Directors are required to actively question the committee on its work and recommendations to the board, and
- Committee membership is distributed equally among directors and, provided an appropriate skills base of the committee is maintained, regularly rotated to enable fresh perspectives and professional development of directors. Where possible a director should have no more than 2 committee memberships.

The board periodically reviews the performance of board committees as part of the regular board performance review cycle.

6 BOARD AND DIRECTOR INDUCTION, DEVELOPMENT AND PERFORMANCE

All new directors undergo an induction program to enable them to fully and actively participate in the board's activities and decision-making at the earliest opportunity. The induction checklist appears as **Attachment H.**

The board collectively and directors individually are required to maintain, update and enhance their skills, knowledge and experience through relevant professional development activities in accordance with the Board Professional Development Policy (**Attachment I**). SunWater supports directors in board-related professional development.

The board evaluates its performance, the performance of individual directors and board committees each year in accordance with the Board Performance Evaluation Policy (**Attachment J**). The board may choose to engage an independent facilitator to conduct the evaluation. The Chairman will provide a written report to the Shareholding Ministers on the results of the performance evaluation.

7 DIRECTOR REMUNERATION AND TRAVEL

Directors are remunerated for their services to SunWater as directors, and are entitled to reimbursement for reasonable expenses incurred in performing their role and duties as a director.

Directors only undertake travel where there is a demonstrated business case for the travel, that is, it contributes to the performance of SunWater's objectives as specified in its strategic plan or is associated with directors' professional development in accordance with the board's relevant policy.

The nature and cost of any travel expenditure is to be reasonable by organisational and community standards and, if necessary, able to withstand public scrutiny.

All directors' travel is to be undertaken in accordance with the Travel Policy.

8 STATUS AND REVIEW OF CHARTER

In the event of a conflict between the Constitution and this Charter, the Constitution shall prevail.

The board will review this Charter annually to ensure it remains current and consistent with good governance practice.

Attachments

No.	Document	Reference
A	SunWater's Constitution	CORP-GOV: 01
B	Shareholding Ministers, board and management respective roles	BOD-GOV: 05
C	Board Delegation of Authority Policy	CORP-GOV: 02
D	Directors' Code of Conduct	BOD-GOV: 06
E	Directors' Conflict of Interest policy	BOD-GOV: 07
F	CEO and Senior Executive Appointment, Performance and Remuneration Policy	CORP-GOV: 03
G	Board committee charters: <ul style="list-style-type: none"> ○ Audit, Finance and Risk Committee Charter ○ Remuneration Committee Charter ○ Strategic Projects Committee Charter 	BOD-GOV: 02 BOD-GOV: 03 BOD-GOV: 04
H	Directors' induction checklist	BOD-GOV: 08
I	Board Professional Development Policy	BOD-GOV: 09
J	Board Performance Evaluation Policy	BOD-GOV: 10