

Board Policy

GOVERNANCE	Document No : CECP0002 Amendment No : 1 Approved By : Board (Chairman) Approval Date : 19/06/2015 Review Date : 19/06/2017
-------------------	--

CECP0002 GOVERNANCE

1.0 POLICY STATEMENT

The company will be led, developed and improved through a framework of corporate governance. This framework includes the processes by which the company is directed, controlled, held to account and is main element to maintaining the integrity of the company and its culture of compliance.

The company will manage and improve the company’s corporate governance framework to align with best practice governance and with our Code of Conduct, Statement of Corporate Intent (SCI), Corporate Plan and related strategies.

This policy is in accordance with the board’s responsibilities under its charter for governance of the company.

2.0 PURPOSE

To provide a robust system of governance addressing, but not limited to:

- application and adherence to our Code of Conduct, including our values;
- integrity and efficiency of support to the board in its roles and functioning and in its relationship with relevant Ministers;
- integrity and efficiency of support to the board committees in their roles and functioning;
- risk management and compliance with statutory requirements;
- disclosure, transparency and liaison with shareholders and stakeholders; and
- implementation of the company’s strategy and directions through the company and business planning, resourcing processes, business systems, policies, procedures and performance monitoring.

3.0 REFERENCES

Internal

- Board Policy (Leadership) – Principles and Values – CECP0001
- Board Policy (Governance) – Compliance – CECP0002.02
- Board Policy (Governance) – Preventing Fraud and Corruption – CECP0002.01
- Board Policy (Governance) – Risk Management – CECP0002.03
- Company Procedure (Governance) – Charters of Networks NSW and Company Committees – CEOP0002.46
- Company Procedure – Essential Energy Code of Conduct – CECG3000.01

Constitution of the Company (not yet published)
 Legal Duties and Obligations of Directors Manual (not yet published)
 Company Procedure (Procurement & Logistics) Statement of Business Ethics – CEOP1115
 Annexure A - Board Charter and Board Committee Charters

External

Energy Services Corporations Act 1995 (NSW)
State Owned Corporations Act 1989 (NSW)
 ISO19600 – 2014 Compliance Management Systems – Guidelines
 ISO 31000 – 2009 – Risk Management – Principles and Guidelines
 AS4801 – 2001 Occupational Health & Safety Management Systems
 AS8000 – 2003 Good Governance Principles
 NSW Auditor General’s Corporate Governance Lighthouse
 NSW Government Department of Premier and Cabinet – Conduct Guidelines for Members of NSW Government Boards and Committees – December 2011
 NSW Treasury Guidelines for Boards of Government Businesses (TPP09-2)

4.0 DEFINITIONS

Corporate governance¹

Refers to the control and direction, or stewardship, given to the Company by a governing board. In the public sector, corporate governance is also about how Parliament, Ministers and board relate to one another in stewardship matters.

Document control

Employees who work with printed copies of documents must check the BMS regularly to monitor version control. Documents are considered “UNCONTROLLED IF PRINTED”, as indicated in the footer.

Executive Leadership Group

Includes Chief Executive Officer, Chief Operating Officers, Group Chief Financial Officer, Group Executive Network Strategy, Group Executive People & Services and Board Secretary.

Executive Leadership Team

Chief Operating Officer, General Manager Health, Safety & Environment, General Manager People & Services, Chief Engineer, General Manager Network Development, General Manager Network Operations, General Manager Finance & Compliance and General Manager Information, Communications & Technology.

Group Managers

Includes Group Manager Strategy and Performance, Group Financial Controller, Group Manager Network Regulation, Group Manager Program Management Office, Group Manager Asset Strategy and Performance, Group Manager Asset Programs, Group Manager Property, Logistics & Fleet, Group Manager Network Technology & Innovation, Group Manager Health, Safety & Environment, Group Chief Procurement Officer, Group Manager Human Resources, Group Industrial Relations Advocate, Group Manager Communications & Corporate Affairs, Head of Technical Training, Group Manager Corporate Governance and Group Head of Audit.

Governance functions²

Include setting strategic direction; liaising with stakeholders; ensuring compliance with statutory requirements; managing risk and monitoring organisational performance.

¹ On Board: Guide To Better Practice For Public Sector Governing And Advisory Bodies, The Audit Office Of NSW, 1998.p6

² Ibid

Governance framework

Every company is different and therefore the elements of a governance framework should be tailored to best suit the business. The elements of the company Corporate Governance Framework are:

- the role of the board and its relationship with relevant Ministers;
- board committees;
- the Code of Conduct;
- risk management and compliance with statutory requirements;
- disclosure and transparency; and
- corporate and business planning, resourcing and reporting.

Minor changes

Refers to changes made to documents as the result of administrative changes such as position titles and telephone numbers.

Review date

The review date displayed in the header of the document is the future date for review of a document. The default period is three years from the date of approval. However a review may be mandated at any time where a need is identified due to changes in legislation, organisational changes, restructures, occurrence of an incident or changes in technology or work practice.

5.0 KEY REQUIREMENTS**5.1 Roles and functioning of the Board and relationship with relevant Ministers**

The board will operate at all times in accordance with the Board Charter which is designed to complement the Constitution of the company and the Legal Duties and Obligations of Directors' Manual. The Charter has been adopted by the board to assist the board and its committees in the exercise of their responsibilities. The board will review its Charter at least annually and, if required, revise the Charter from time to time.

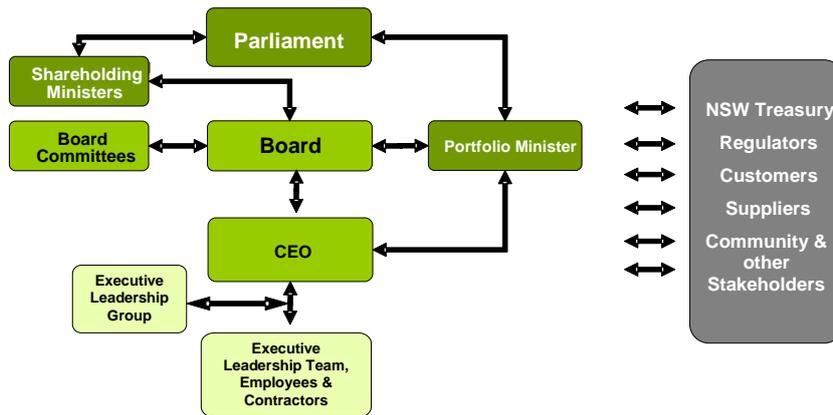
The company will support the board in the exercise of its statutory roles and functions.

Note: It is noted, both by the Audit Office of NSW³ and the Australian National Audit Office⁴, that the existence of Parliaments, Ministers, board and Chief Executive Officers creates an elaborate set of relationships for government owned corporations. There is greater management complexity in terms of stewardship and accountability than in the private sector.

Corporate governance for government owned corporations therefore includes how Parliament, Ministers and the board relate to one another. These relationships are depicted in the following diagram.

³ On Board: Guide To Better Practice For Public Sector Governing And Advisory Bodies, The Audit Office Of NSW, 1998.p6

⁴ Principles And Better Practices: Corporate Governance in Commonwealth Authorities And Companies, Australian National Audit Office, 1999 p4

Governance Relationships

The company will establish processes to describe and monitor these relationships, to provide transparency of their role in the governance of the company.

5.2 Board committee roles and functions

The board may establish committees to assist it in carrying out its responsibilities. Each such committee must adopt a charter setting out matters relevant to the composition, responsibilities, authorities, reporting, review and such other matters as the board considers appropriate.

The board operates three committees, each with a specific function and charter.

The board committees are: the Audit and Risk Committee, Safety, Human Resources & Environment Committee; and the Nominations Committee. The company will support the board committees in the exercise of their roles and functions.

An annual review of each committee Charter, including an assessment of committee performance is to be undertaken and the results of the review, together with any proposed changes to the committee Charter, are required to be approved by the board.

5.3 Code of Conduct

The board, Executive Leadership Group, Executive Leadership Team, Group Managers, and employees will be guided at all times by the Code of Conduct including our values. The principles, standards and processes described in the Code of Conduct will be applied by the Executive Leadership Group, Executive Leadership Team, Group Managers and employees. Procedures will be followed for reporting breaches of the Code of Conduct and resolution and disclosure, as required.

5.4 Risk management and compliance with statutory requirements

The company will implement a risk management framework that facilitates the identification and management of all risks that could affect our employees, the community, the environment, our assets and our financial and legal status. The company will comply with all relevant laws and mandatory industry codes. The company may also choose to comply with voluntary industry codes.

5.5 Disclosure, transparency and liaison with shareholders and stakeholders

The company will support the board in ensuring that it is able to make timely and accurate disclosure on all material matters, including the financial situation and operating performance, ownership, and governance of the company.

The company will recognise the rights of stakeholders for participation or information in particular matters, as established by law, by the Code of Conduct, and by the board or company policy.

5.6 Board strategy and directions implemented through the company and business planning, resourcing processes, business systems, policies, procedures and performance monitoring

The Chief Executive Officer leads the Executive Leadership Group and is ultimately responsible and accountable to the board for the day-to-day management of the operations of the company.

The Chief Operating Officer, together with Executive Leadership Team, has responsibility for implementing the company direction, strategies and policies approved by the board.

Measures undertaken are to include:

- a corporate planning process with strategies, plans and procedures for the financing, resourcing, structuring and direction of the company;
- developing and implementing appropriate control mechanisms to manage risks faced by the company;
- maintaining an effective organisational structure that clearly assigns responsibility, authority and reporting relationships;
- measuring performance;
- providing regular and reliable reports to the board which assist directors to monitor performance of the company and of management against the board's directions, strategies and policies;
- establishing, maintaining and improving an integrated policies and procedures framework that meets the needs for day-to-day management of the company internally as well as aligning with external standards adopted by the company; and
- training in the elements of our governance framework.

6.0 ACTIONS TO ACHIEVE IMPLEMENTATION OF THIS POLICY

The Group Executive People & Services will support the board through the review and improvement of the company's governance framework. Governance actions will include:

- implementation of the Internal Audit Plan, Fraud & Corruption Control Plan and Strategic Compliance Plan;
- management of legal risk, programs and systems;
- management and improvement of disclosure and transparency processes;
- management and improvement of risk management and compliance programs;
- management of the Code of Conduct framework;
- review and improvement of the overall corporate governance framework; and
- establishing, maintaining and improving an integrated policies and procedures framework.

Each Executive Leadership Team member is to direct, control and hold to account the company resources, and processes for which they are responsible. In so doing they are to meet the requirements listed in this policy including:

- providing full co-operation to Head of Audit under the Internal Audit Plan and in implementing agreed or alternative recommendations of audits;
- implementing programs for legal risk management;
- providing full information and support to the board;
- implementing and improving the application of the company's business planning and reporting processes;
- implementing and improving the application of disclosure and transparency processes;
- implementing and improving the application of risk management and compliance programs;
- implementing and improving the application of the Code of Conduct;
- implementing and improving the application of the overall company governance framework;
- establishing, maintaining and improving an integrated policies and procedures framework;
- implementing Fraud and Corruption Control Plan responsibilities;
- developing, implementing and reviewing policies and procedures within the division to maintain sufficient internal control and clear accountability; and
- other requirements as may be directed by the board, Chief Executive Officer, legislation or company policy.

7.0 AUTHORITIES AND RESPONSIBILITIES

The **Board** has the authority and responsibility for:

- approving this policy; and
- all decisions relating to the operation of the company (as per the *Energy Services Corporations Act 1995 (NSW)*, *State Owned Corporations Act 1989 (NSW)*, the Constitution of the company, and within the parameters of the Annual Statement of Corporate Intent as agreed with the Shareholders).

Chief Executive Officer has the authority and responsibility for:

- approving minor changes to this policy;
- managing the company in accordance with the strategy, plans, practices and policies approved by the board to achieve the agreed objectives;
- leading the Executive Leadership Group management team;
- accountability to the board for the day-to-day management and governance of the operations of the company; and
- establishing committees so that the above responsibilities are exercised by management in a clear and understood governance framework. The functioning of those committees is to be stated in a charter for each committee which will meet the governance requirements stated in this policy.

Group Executive, People & Services has the authority and responsibility for supporting the board through the review and improvement of the company's governance framework.

Executive Leadership Team has the authority and responsibility for directing, controlling and holding to account the company resources, unit/s and processes for which they are responsible. In so doing they are to meet the requirements of this policy.

Managers, Employees and **Contractors** have the authority and responsibility for complying with the requirements of this policy.

8.0 DOCUMENT CONTROL

Content Coordinator : Manager Governance, Risk & Compliance

Distribution Coordinator : GRC Process Coordinator

ANNEXURE A - THE BOARD CHARTER AND BOARD COMMITTEE CHARTERS



Board and Committee Charters

April 2013

Table of Contents

1	Introduction	3
2	Objectives of the company	3
3	Role and responsibilities of the Board	3
4	Composition of the Board.....	5
5	Board Committees	5
6	Board Meetings.....	6
7	Role and Responsibilities of the Board Chairman	7
8	Role and Responsibilities of the Chief Executive Officer	8
9	Conflicts of Interest	9
10	Gifts, Benefits and Invitations	9
11	Lobbyists.....	10
12	Director Education.....	10
13	Director access to professional advice	10
14	Board Performance and Evaluation.....	10
15	Review of the Board Charter	10
	Audit & Risk Committee Charter.....	11
	Safety, Human Resources & Environment Committee Charter.....	15
	Nominations Committee Charter.....	17

1 INTRODUCTION

The company's board has adopted this Charter to guide the board and its committees in the exercise of their responsibilities 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 or interpret any laws or the application of the company's Constitution. The board will review this Charter at least annually and, if appropriate, revise this Charter from time to time.

The Charter delineates the functions and responsibilities of the board and management.

2 OBJECTIVES OF THE COMPANY

In accordance with the Energy Services Corporations Act 1995, the principal objectives of the company are as follows:

- (a) to be a successful business and, to this end:
 - (i) to operate at least as efficiently as any comparable businesses,
 - (ii) to maximise the net worth of the State's investment in it,
 - (iii) to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates,
- (b) to protect the environment by conducting its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the *Protection of the Environment Administration Act 1991*,
- (c) to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates,
- (d) to operate efficient, safe and reliable facilities for the distribution of electricity and other forms of energy; and
- (e) to be an efficient and responsible supplier of electricity and other forms of energy and of services relating to the use and conservation of electricity and other forms of energy

The company strives to serve both its customers by containing electricity prices, and NSW taxpayers by maximising shareholder distributions, through containing the costs of its operations to the greatest extent possible consistent with long term efficient, reliable and safe distribution of electricity.

3 ROLE AND RESPONSIBILITIES OF THE BOARD

The board is responsible for governance and, ultimately, the performance of the company. The board gives direction and exercises judgment in setting the company's strategy and objectives, and for overseeing their implementation. The board's role is to govern the company rather than to manage it. The Chief Executive Officer is responsible to the board for the day-to-day management of the company.

The board is accountable to the voting shareholders, and through them to other stakeholders, for the performance of the company. In carrying out its responsibilities the board must act honestly, fairly, diligently and in accordance with the company's Constitution, all applicable laws and the Company's Code of Conduct. In governing the company the directors must act in the best interests of the company and its voting shareholders 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.

In discharging their obligations, directors should be entitled to rely on the honesty and integrity of the company's senior executives and its outside advisors and auditors. Directors must, however, satisfy themselves as to the relevant experience and competence of those persons.

The board's responsibilities encompass the following:

- setting the ethical tone of the company and determining, approving and keeping current the company's policy on fraud control, and for overseeing its application in the undertaking of the company's affairs;
- setting the company's strategic direction and monitoring management's implementation of that strategy;
- establishing committees to assist the board in carrying out its responsibilities;
- reviewing and approving the annual Statement of Corporate Intent on the recommendation of the Chief Executive Officer;
- declaring dividends to Shareholders;
- reviewing the effectiveness of audit, risk management and compliance systems to protect the company's assets and to minimise the possibility of the company operating beyond legal requirements or beyond acceptable risk parameters;
- through the Chairman, consulting regularly with Shareholder Ministers and the Portfolio Minister, and overseeing implementation by management of guidance and directions from the relevant Ministers;
- monitoring the operational and financial performance of the company and the integrity of internal and external reporting. In particular the directors are responsible for approving annual budgets and longer-term strategic and business plans;
- establishing strategic priorities and adopting appropriate financial and non-financial performance indicators;
- appointing the Chief Executive Officer after consultation with the voting shareholders;
- monitoring the performance of the Chief Executive Officer, and reviewing his or her performance at least annually;
- approving and determining clearly defined delegations of authority from the board to the Chief Executive Officer;
- reviewing and approving effective and timely reporting to the Voting Shareholders, Portfolio Minister and regulators;
- considering, approving and monitoring the progress of major capital expenditure projects and the capital budget;
- considering, approving and monitoring the progress of the company's industrial relations strategy;
- considering and approving significant regulatory submissions including regulatory proposals and annual pricing submissions;
- reviewing the performance of the board and its committees [and reviewing its charters] at least annually;
- jointly with the Chief Executive Officer overseeing the employment of those executives reporting directly to the Chief Executive Officer including approving their appointment; and if appropriate removal, and their remuneration, and reviewing their performance and succession planning in respect of those positions.

Under the *State Owned Corporations Act 1989* all decisions relating to the operation of a statutory State Owned Corporation are to be made by or under the authority of its board. To assist the board in exercising this responsibility, the board gives to the Chief Executive Officer by a formal written instrument of delegation the authority to exercise each and every function of the board subject to certain exceptions. The Chief Executive Officer's delegation is reviewed on an annual basis.

4 COMPOSITION OF THE BOARD

In accordance with the State Owned Corporations Act 1989 the board is to consist of:

- the Chief Executive Officer;
- one Unions NSW nominee; and
- at least two and not more than five other directors.

All members of the board (with the exception of the Chief Executive Officer) are appointed by the Voting Shareholders. The Voting Shareholders appoint the Unions NSW nominee on the recommendation of a selection committee comprising representatives of the Portfolio Minister and Unions NSW. The Nominations Committee of the board will provide advice to the Voting Shareholders (in respect of other directors) and to the Portfolio Minister (in respect of the Unions NSW nominee director) about proposed appointments to the board.

5 BOARD COMMITTEES

The board should establish committees to assist it in carrying out its responsibilities. Each such 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 with delegated authority from the full board of the company within the limits of the authority reserved by the board to itself.

The board has established the following three committees:

- Audit and Risk Committee;
- Safety and Human Resources Committee; and
- Nominations Committee.

The committees meet at least four times a year, except for the Nominations Committee, which meets when required. The committees assist in the good governance of the company by allowing for detailed consideration of important issues, by enabling the provision of detailed or specialist advice to the directors, and by providing advice to the board on matters of key importance or special sensitivity.

Each committee will keep written minutes of its proceedings in accordance with good board practice, and the minutes of all committee proceedings will be available to all directors except on the direction of the Chairman in accordance with Section 9 of this Charter - Conflicts of Interest. Directors receive a copy of the agenda and minutes of board committee meetings. All directors also receive copies of committee papers for all committee meetings.

The board reviews the composition and charters of the committees at least annually.

6 BOARD MEETINGS

Board meetings will normally be held 11 times per year at venues, date Annexure A - Page 4 of 18 advance. 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.

A quorum for each meeting will be not less than three directors that are not excluded from voting by virtue of declaring a material personal interest in the matter being considered. Where it is not possible for sufficient directors necessary for a quorum to attend the same location, the board may hold a meeting via tele or video-conference. 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 tele- or video- conference is permitted if necessary.

An agenda for each board meeting and briefing materials will be distributed to each director in sufficient time to enable directors to properly consider the agenda and briefing materials. This will normally be approximately five days prior to each meeting.

The Chairman will set the agenda for board meetings in consultation with the Chief Executive Officer, 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.

The proceedings and deliberations of the board and its committees are strictly confidential. 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 Shareholder Ministers and/or the Portfolio Minister information discussed at the board meetings that is relevant to their portfolio responsibilities.

The minutes of the board and board committee meetings will be circulated prior to the next meeting and will be signed by the Chairman of the relevant meeting when confirmed by the directors who were present at that meeting.

Senior members of management may be invited to attend board meetings to present reports on, or seek approvals within, their areas of responsibility. The internal and external auditors will meet with the Audit and Risk Committee at least once per year as part of annual financial accounts preparation and reporting.

The Board Secretary (Secretary) supports the effectiveness of the board by monitoring that board policy and procedures are followed and by co-ordinating the completion and despatch of board agendas, briefing papers and minutes of proceedings. The Secretary is responsible to the board, through the Chairman, for overseeing and reporting to the board on governance matters and for meeting statutory reporting requirements in accordance with relevant legislation.

7 ROLE AND RESPONSIBILITIES OF THE BOARD CHAIRMAN

The Chairman presides over the board and general meetings of the company. He or she 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 company.

The specific roles of the board Chairman include:

- guiding the board's leadership and strategic vision for the company to achieve the objectives established for it by the Energy Services Corporation Act and by the Government from time to time;
- setting the agenda for board meetings in conjunction with the Chief Executive Officer and the 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 company;
- reviewing draft board minutes, and subject to the board's approval, signing them to confirm that they properly reflect the board's deliberations and decisions;
- developing and maintaining an effective working relationship with the Chief Executive Officer;
- facilitating an effective dialogue with the Chief Executive Officer, particularly between board meetings, about strategic matters and other issues that may be of interest to the board or Shareholder Ministers;
- acting as a sounding board and, where appropriate, an adviser to and/or a mentor for the Chief Executive Officer;
- liaising with the Shareholder Ministers, and where appropriate the Portfolio Minister, and their advisers, departments and other stakeholders on issues of a strategic or sensitive nature. The Chairman will normally advise the Chief Executive Officer about all significant communications with Government Ministers and/or their advisers or departmental officers, or other stakeholders;
- promoting constructive and respectful relations between board members and between the board and senior management;
- leading the annual assessment of the Chief Executive Officer's performance;
- leading and guiding succession planning and recruitment for the Chief Executive Officer's position;
- leading the annual process of the board performance reviews;
- leading and guiding succession planning and recruitment for the board;
- where appropriate, acting as a spokesman for the company. The Chairman will normally direct media enquiries to the Chief Executive Officer or consult with the Chief Executive Officer before speaking to the media or otherwise speaking publicly on behalf of the company or in relation to its business; and
- leading and guiding the ongoing effectiveness and development of the board and individual directors.

The board Chairman is subject to the same duties as all other directors, including complying with the Company Code of Conduct.

8 ROLE AND RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER

The board delegates to the Chief Executive Officer by formal written instrument full authority for the management of the company, and reserves to itself all other authority not expressly delegated. The instrument of delegation will be consistent with Section 3 of this Charter - Role and Responsibilities of the Board. The Chief Executive Officer must manage the company in accordance with the strategy, plans, practices and policies approved by the board to achieve the agreed objectives. The Chief Executive Officer must advise, and where appropriate consult with, the Chairman on matters that are sensitive, extraordinary or of a strategic nature.

In addition the Chief Executive Officer's responsibilities include:

- providing leadership to the company's employees and in respect of its stakeholders and the public generally, including fostering of a culture for employees that is supportive of the company's overall objectives, particularly for the safe and reliable supply of electricity to its customers at the lowest practicable cost;
- acting as the company's principal spokesman to the media and stakeholders. The Chief Executive Officer 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 authorities 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 delegation 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 company strategy and strategic issues and approval of quarterly and annual accounts and Statements of Corporate Intent to be provided to shareholders;
- liaising with the Portfolio Minister and his or her ministerial advisers, Government departments and other stakeholders. The Chief Executive Officer 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 company so as to achieve the performance targets agreed between the board and the Chief Executive Officer;
- ensuring the company'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 company's business, and ensuring the company's policies are complied with; and
- discharging any other responsibilities as may be determined by the board from time to time.

9 CONFLICTS OF INTEREST

In order to ensure their independent status all directors of the company are subject to the statutory duties and prohibitions regarding conflicts of interest. The company relies on the integrity of the each director to identify and disclose any issues which could, or could reasonably be expected to, give rise to an actual or potential conflict of interest. Directors should be aware that while the existence or otherwise of a conflict of interest is a factual matter, the perception of a conflict can be damaging to the company's interests regardless of whether a conflict actually exists, and that the other directors and not the affected director are in the best position to assess the existence or otherwise of an actual, potential or perceived conflict of interest.

Each director is required to complete a Directors' Disclosure on appointment to the board and to keep that disclosure current. The complete register will be provided to the board annually.

Directors are required to:

- advise the board of any actual or potential conflicts of interest as soon as they arise;
- comply with the provisions of the *State Owned Corporations Act 1989* regarding the disclosing of direct or indirect interests in matters being considered by the board; and
- advise the Chairman of any related party transactions involving the company (other than personal and domestic dealings with the Corporation that are undertaken on a normal commercial basis).

Directors should refer to the Company Code of Conduct for further information on the process for declaring and dealing with conflicts of interests.

Dealing with a conflict of interest

- Details of any actual or potential conflict of interest of a director will be minuted along with any necessary action to be taken.
- Where a director has disclosed a conflict of interest, the Chairman may determine that the director is not to be provided with board papers or other material relating to the conflict. This determination may be recorded on the agenda, the relevant board paper and/or the minutes as the Chairman determines.
- A director with a declared and material conflict of interest shall not vote on any resolution concerning the issue and may only remain in the meeting during any discussion with the approval of the non-involved directors, which shall be minuted.

The Chairman will determine whether the discussion, outcome or resolution is to be shared with the director with a conflict of interest and if the information is not to be shared with the director the information will be redacted from that director's minutes.

10. GIFTS, BENEFITS AND INVITATIONS

Directors must not accept gifts or benefits in their capacity as directors of the company that could place them under an actual or perceived financial or moral obligation to other organisations or to individuals.

Directors may accept invitations in their capacity as directors of the company in circumstances that are consistent with the principles set out in the Company Code of Conduct, particularly in relation to conflicts of interest. Directors are to inform the Board Secretary of all invitations accepted in their capacity as directors of the company in order for the details to be entered into the Invitations Register held for the Board of Directors.

11. LOBBYISTS

Directors should be aware that the NSW Government has formulated a Lobbyist Code of Conduct. Details of the code and its operation are available from the Department of Premier and Cabinet website at www.dpc.nsw.gov.au/programs_and_services/lobbyist_register as is a copy of the register of lobbyists.

The NSW Government Lobbyist Code of Conduct regulates contact between registered lobbyists and Government representatives including directors of state owned corporations. Government representatives must not meet with a third party lobbyist who is not registered. The Code and Premier's Memorandum 2011-13 (M2011-13 Lobbying of NSW Government Officials) restrict the circumstances in which a lobbyist can be appointed to a Government Board or Committee.

12 DIRECTOR EDUCATION

Board members will be assisted by the company to fulfil their roles and responsibilities in ways which may include:

- an induction program for new directors in order to gain an understanding of the company'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 company and in the industry and environment within which the company operates; and
- the opportunity to visit the company's facilities and meet with management to gain a better understanding of business operations.

13 DIRECTOR ACCESS TO PROFESSIONAL ADVICE

In the discharge of their duties, directors have the right to seek independent professional advice at the expense of the company, 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. In addition, specific matters can be raised with management by arrangement through the Chief Executive Officer. The Chief Executive Officer should be advised of the outcome of those discussions.

14 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 company. 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.

15 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.

Audit and Risk Committee Charter

Purpose

The primary objectives of the Audit & Risk Committee are to:

- assist the board in discharging for the company and controlled entities its responsibility to exercise due care, diligence and skill in relation to:
 - The organisation's financial reporting process and policies;
 - Financial management;
 - Internal controls;
 - the Risk Management Framework;
 - Protection of the company assets; and
 - Compliance with applicable laws, regulations, standards and best practice guidelines.
- monitor and where possible improve the effectiveness of the internal and external audit functions;
- monitor and where possible improve the quality of internal and external reporting of financial and non-financial information, and the correlation between such information;
- foster an ethical culture throughout the company; and
- monitor fraud and corruption, and oversee management's efforts to contain and eliminate fraudulent and corrupt behaviour.

Membership

The committee shall consist of at least three non-executive directors. A quorum will consist of two members that are non-executive directors.

The committee Chairman shall be a non-executive director. The committee may elect an acting Chairman when required. The Chairman of the company board shall not be the Chairman of the committee.

The board will select the members of the Committee and determine who shall be its Chairman. The membership of the committee and the identity of its Chairman will be reviewed by the board on each occasion when its charter is reviewed.

The Chairman of the company board, Chief Executive Officer and other directors have the right to attend Audit and Risk Committee meetings except when the Committee Chairman determines that they have a conflict of interest in relation to matters to be discussed by the Committee. The Secretary and relevant senior finance and audit executives will normally be invited to attend meetings of the committee, in the capacity of observer.

Authority

The committee shall have the authority to seek any information it requires from any officer or employee of the company or its controlled entities.

The committee has the authority to require members of management or other employees to attend meetings and to provide advice or information.

The committee has authority to discuss any matters with the external auditor or other external party (subject to making appropriate arrangements to protect the confidentiality of the company information).

The committee may seek independent legal or other professional advice at the company's expense, as it considers necessary.

The committee shall have no executive powers with regard to its findings and recommendations other than powers delegated by the board from time to time.

Conflicts of Interest

Committee members will be invited to disclose conflicts of interest at the start of each meeting. Actual or potential conflicts of interest will be dealt with in accordance with the process outlined in the Board and Committee Charter.

Duties & Responsibilities

The duties and responsibilities of the committee are as follows:

External Audit

- Review the annual client service plan proposed by the external auditor, including the audit fee, and if necessary suggest potential additions to coverage;
- Liaise with the external auditors and oversee the conduct of the annual statutory audits;
- Review key issues in external audit reports (both statutory and performance audits) to monitor action taken by management in respect of audit report findings and/or recommendations;
- Seek the external auditor's assessment of the quality and coverage of Internal Audit work and the competence of Internal Audit staff; and
- Provide the external auditor with access to internal audit reports presented to the committee and provide an opportunity for external audit to be present for consideration of internal audit reports should they wish to do so.

Internal Audit

- Monitor the performance of the Internal Audit function, including any externally contracted Internal Auditor(s);
- Review and endorse annually the Internal Audit financial budget;
- Review and endorse any significant changes to the internal audit methodology, particularly the risk based audit approach;
- Approve the annual and consolidated internal audit plans and changes to the plans;
- Review internal audit reports and action taken on issues identified;
- Monitor management's implementation of internal audit recommendations;
- Review any representation letters concerning internal audit, including from management or the board to Auditor-General;
- Review and endorse the internal audit charter;
- Support the continued independence, objectivity and integrity of the internal audit function by endorsing the appointment or termination of the senior Internal Audit executive and the externally contracted internal auditor; and
- Require that an independent peer review of the internal audit function is conducted at least every three years, review the results of the peer review, and monitor the implementation of actions that the committee determines are necessary or appropriate.

Financial Statements and Reporting

- Review financial statements and other financial reports and information distributed externally and to the board, focusing particularly on:
 - any changes in accounting policies and practices;
 - key assumptions or matters of business judgement affecting the financial statements;
 - significant judicial matters affecting the company;
 - the results of the financial audit including significant adjustments resulting from the audit;
 - compliance with, and the process for ensuring compliance with, the accounting standards, Government, regulatory, legal and other requirements for the financial statements of the [and any related entities];
 - significant transactions that do not form part of the company's normal business;
 - representation letters, including from management to the board, and from the board to the auditors; and
 - related party transactions.
- Assess the performance of the financial management of the company.
- Monitor the establishment of an appropriate internal control framework, encompassing reports to the board.

Control Framework

- Review management's approach to maintaining an effective internal control framework including over external parties such as contractors and advisers;
- Review processes in place to ensure that policies and procedures are complied with and regularly reviewed and updated;
- Review procedures for the management and exercising of delegations; and
- Consider how management identifies and implements required changes to key internal controls.

Risk Management

- Review and approve the risk management framework and methodology;
- Review and approve the results of the annual risk identification and assessment activity as reflected in the company's risk management plan;
- Review the effectiveness and efficiency of the risk management function in the context of the company's size, scale and complexity of operations;
- Monitor identified and emerging business risk issues for ;
- Review and approve any statement of risk management initiatives, and monitor progress;
- Review the approach to establishing business continuity arrangements, including the currency and testing of business continuity and disaster recovery arrangements; and
- Review the company's insurance coverage on an annual basis, approve proposed insurance coverage and broker arrangements, and monitor insurance arrangements (including claim statistics, trends, and insurer credit-worthiness).

Compliance

- Review whether the company has an effective and efficient compliance management framework in place;
- Consider processes in place to support compliance with laws, regulations, standards, statutory requirements, and best practice guidelines;
- Review summary reports of compliance with statutory requirements including non-compliances, reportable breaches or incidents;
- Review representations to regulators including compliance with licence conditions and the reliability of information provided; and
- Monitor any current or pending litigation or dispute that has a material financial risk exposure for the company.

Probity, Ethics & Corruption Prevention

- Foster a culture of ethics in the organisation by setting a 'tone at top' that contributes to a culture of healthy questioning, continuous improvement, strategic thinking and informed judgement;
- Oversee the level of compliance to the company's Code of Conduct and review the content of and communication strategy for the Code;
- Review and approve the company's plan to control fraud and corruption, and monitor progress; and
- Review reports on fraud and corruption, monitor trends, and monitor the appropriateness of preventative strategies.

Administration

- Meet 'in camera' (without management present) with the external auditor and the Internal Auditor at least once each year.

Procedures

Reporting

The Chairman of the committee shall report the findings and recommendations of the committee to the board of directors of the company. The minutes of all committee meetings shall be circulated to members of the board, except as noted in the Board Charter. Such minutes or reports are to describe major matters considered by the committee and any recommendations to management or the board.

Meetings

Meetings of the committee shall be held at least four times a year. The Secretary (or delegate) will act as minute secretary at each committee meeting. Minutes will be circulated to the Chairman promptly after the meeting and confirmed at the next meeting of the committee.

Review

This Charter shall be reviewed and approved on an annual basis by the board. The board shall review the performance of the Audit and Risk Committee annually, with particular attention being paid to the extent to which it has met its responsibilities in terms of this Charter.

Safety, Human Resources and Environment Committee Charter

Purpose

The purpose of the Safety, Human Resources and Environment Committee is to assist the board in fulfilling its responsibilities with regard to Work Health and Safety (WHS) and environmental practices and assist directors to discharge the board's responsibilities of oversight and corporate governance in relation to human resources and environment matters.

Membership

The committee shall consist of at least three non-executive directors. A quorum will consist of two members that are non-executive directors.

The committee Chairman shall be a non-executive director. The committee may elect an acting Chairman when required. The Chairman of the company board shall not be the Chairman of the committee.

Members and the Chairman are selected by the board, and the make-up of the committee is reviewed by the board on each occasion when its charter is reviewed.

The Chairman of the company board, Chief Executive Officer and other directors have the right to attend Safety, Human Resources and Environment Committee meetings except when the Committee Chairman determines that they have a conflict of interest in relation to matters to be discussed by the Committee. The Secretary, along with relevant senior executives will normally be invited to attend meetings of the committee in the capacity of observer.

Authority

The Safety, Human Resources and Environment Committee will have the authority to seek any information it requires from any officer or employee of the company or its controlled entities.

The committee has the authority to require members of management or others to attend meetings and to provide advice or information.

The committee may seek independent legal or other professional advice at the Company's expense, as it considers necessary.

The committee shall have no executive powers with regard to its findings and recommendations other than powers delegated by the board from time to time.

Responsibilities

The Safety, Human Resources and Environment Committee's responsibilities are to monitor whether corporate governance and reporting requirements with respect to WHS, human resources and environment are addressed and whether internal structures, processes and controls are appropriate. The committee's focus is on the following areas:

Strategic focus

- Oversee the implementation and effectiveness of the company's WHS management systems.
- Oversee the implementation and effectiveness of any strategic human resources plan.
- Oversee the implementation and effectiveness of the company's environmental management systems.

Performance and Operational focus

- Review the appropriateness of WHS risk management and risk monitoring processes and programs as they are developed, implemented and maintained.
- Review the development, implementation and effectiveness of board policies on human resources, including related remuneration policies, principles and guidelines.
- Review the appropriateness of environmental risk management and risk monitoring processes and programs as they are developed, implemented and maintained.

Control and Compliance focus

- A safety management system is established to facilitate continuous improvement
- Oversee the governance arrangements for the organisation's remuneration and superannuation arrangements.
- Monitor staff behaviour and organisational culture to confirm that they underpin effective Code of Conduct compliance.
- An environmental management system is established to facilitate compliance with relevant laws and regulations and continuous improvement in the organisation's performance of its environmental responsibilities.

Reporting

The Chairman of the committee shall report the findings and recommendations of the committee to the board of directors of the company. The minutes of all committee meetings shall be circulated to members of the board. Such minutes or reports are to describe major actions undertaken by the committee and any recommendations to management or the board.

Meetings

Meetings of the committee shall be held at least four times a year. The Secretary (or delegate) will act as minute secretary at each committee meeting.

Review

This Charter shall be reviewed and approved on an annual basis by the board.

The board shall review the performance of the Safety, Human Resources and Environment Committee annually, with particular attention being paid to the extent to which it has met its responsibilities in terms of this Charter.

Nominations Committee Charter

Purpose

The purpose of the Nominations Committee is to assist the board in fulfilling its responsibilities with regard to director appointments and re-appointments.

Membership

The Nominations Committee shall consist of the Chairman of the board and two non- executive directors. The committee Chairman shall be the Chairman of the board. Should the Chairman of the board be absent or unable to act, one of the committee members present shall be appointed Chairman of the meeting.

A quorum for a committee meeting shall be two members including the Chairman. Directors who are not members of the committee may attend committee meetings at the invitation of the committee Chairman.

The Secretary will normally attend meetings and be responsible for providing administrative assistance to the committee.

Authorities

The Nominations Committee is authorised by the board to take all necessary steps to assist the board in fulfilling its responsibilities to advise the Shareholder Ministers and the Portfolio Minister as appropriate in relation to the appointment and re-appointment of directors.

The committee will also consider any other matters referred to the committee by the board. The Nominations Committee is authorised to seek any information it requires from any company officer, and if necessary to obtain external advice and assistance in relation to its responsibilities.

Responsibilities

In assisting the board in the appointment and re-appointment of directors, the committee will:

- assess the necessary and desirable competencies and personal qualities for members of the board of the company having due regard to its statutory objectives and service of its customers;
- assess whether directors have the appropriate mix of competencies to enable the board to discharge its responsibilities effectively;
- make recommendations to the Shareholder Ministers for the benefit of the Selection Panel established by NSW Treasury on behalf of the Shareholder Ministers relating to the appointment and re-appointment of non-union directors;
- make recommendations to the Portfolio Minister for the benefit of the Selection Panel established in relation to the appointment and re-appointment of directors nominated by Unions NSW; and
- develop and maintain board succession plans to support relevant Ministers to maintain an appropriate balance of skills, experience, expertise and diversity on the board of the company.

Reporting

The Chairman of the Nominations Committee shall report, as appropriate, to the board of directors of the company regarding committee activities and recommendations relevant to the committee's purpose.

The report by the committee Chairman to the board of directors shall be made at the next board meeting after the meeting of the Nominations Committee.

Meetings

Meetings of the committee shall be held as and when required in order to discharge the committee's role.

Conflicts of Interest

Unless invited to be present by the committee Chairman, directors (including members of the committee) who are being considered for re-appointment must not be present for relevant discussion or decisions at meetings and must not participate in any other decision making process in relation to their re-appointment.

The Nominations Committee will maintain a process that allows for the members of the committee to declare any conflicts of interest at the start of each meeting.

Review of Nominations Committee Charter

This Charter shall be reviewed and approved on an annual basis by the board.

The board shall review the performance of the Nominations Committee annually, with particular attention being paid to the extent to which it has met its responsibilities in terms of this Charter.