



SNOWY HYDRO LIMITED

STATEMENT OF EXPECTATIONS

28 October 2021

This Statement of Expectations is issued by the Shareholder Ministers of Snowy Hydro Limited ('SHL' or 'the Company'). This statement may be updated by the Government from time to time.

Policy Objectives

The Government acquired SHL to support the transition of Australia's energy system and, in particular, to support the expansion of pumped hydro in the Snowy Mountains Hydro-electric Scheme through 'Snowy 2.0'. This project is a unique opportunity to build national economic infrastructure with real and lasting benefits for Australia.

The objectives of the Company are to develop, operate and maintain the Snowy Mountains Hydro-electric Scheme and to construct, own and operate other facilities for the generation of electricity, supporting the delivery of reliable, secure and affordable energy in Australia. The Company also participates in wholesale and retail markets for the sale and purchase of electricity and gas, and markets for related contracts and services.

Role and Responsibilities of SHL

SHL is a wholly-owned Commonwealth company, bound by the *Corporations Act 2001*, and the *Public Governance, Performance and Accountability Act 2013*. The Company operates at arm's length from the Government. The Board of SHL has ultimate responsibility for the performance of the Company and is accountable to the Government as its sole shareholder. SHL should observe the principles and obligations as set out in the *Commonwealth Government Business Enterprises – Governance and Oversight Guidelines*.

Market Leadership

SHL is a commercial entity and is expected to operate on a commercial basis, with flexibility and discretion in its operational and commercial decisions within the bounds of the legislative and governance framework. This includes policy parameters set through the National Energy Laws, the Snowy Water Licence and the Government's Competitive Neutrality Policy.

The Government expects SHL to promote and display high standards of operating performance, capital management, project implementation, integrity, transparency and professionalism in all of the Company's dealings.

SHL should continue to operate as a leading participant in the National Electricity Market; promote competition in wholesale and retail energy markets, helping to lower prices for consumers; ensure that its retail businesses operate as exemplars in the market; and deliver financial returns consistent with its commercial operations.

Snowy 2.0

The Government will provide up to \$1.38 billion in equity for SHL to proceed with the Snowy 2.0 Project. SHL will:

- take all appropriate actions to ensure the project is delivered on-time and on-budget in accordance with agreed parameters;
- keep the Government regularly informed of the project's progress;
- work co-operatively with the Government in relation to transmission requirements; and
- ensure its procurement processes are open, transparent, competitive and reflect value for money.

Hunter Power Project

The Government will provide up to \$600 million in equity for SHL to progress the Hunter Power Project. SHL will:

- secure all planning and environmental approvals;
- take all appropriate actions to ensure the project is delivered on-time and on-budget in accordance with agreed parameters;
- keep the Government regularly informed of the project's progress; and
- ensure its procurement processes are open, transparent, competitive and reflect value for money.

Reliability, Energy Security and Affordability

The Government expects SHL to operate its business in a responsible way to enhance reliability and energy security and helping to lower prices for consumers through the promotion of competition in wholesale and retail energy markets. In addition, through its ownership and development of fast-start, dispatchable generation assets, Snowy Hydro is a key enabler of supporting a secure and reliable National Electricity Market as variable renewable energy generation continues to grow.

Community Engagement

In all its construction and development activities, and in asset operations, SHL is expected to foster and maintain working relationships with key stakeholders who may have a genuine interest including relevant Commonwealth, State and Local Government agencies, and Indigenous, community, business and environment groups.

Transparency, Governance and Accountability

The Government expects SHL's Board to meet the highest standards of transparency, governance and accountability for corporate and government-owned entities. SHL should adopt, as far as practicable, the prevailing version of the 'ASX Corporate Governance Principles and Recommendations'.

- SHL's Board is fully accountable to Shareholder Ministers for:
 - **the performance of SHL**, including (but not limited to) promoting: (1) the proper use and management of the economic resources for which the Board is responsible; (2) the achievement of the objects and/or purposes of the GBE; 3) a high standard of operating efficiency and effectiveness; and (4) financial sustainability;
 - **internal governance of SHL**, including (but not limited to) establishing and maintaining: (1) an appropriate system of risk oversight and management; and (2) an appropriate system of internal controls;
 - **setting strategic direction, organisational leadership and establishing and maintaining a culture** that meets the high standards expected by the public in relation to (but not limited to): (1) efficient, effective, economical and ethical expenditure of money; (2) proactive and open disclosure of information that is reasonably in the public interest; and (3) following best practice principles and guidelines that go beyond strict legal obligations (e.g. probity and value for money); (4) creates an engaged results-orientated staff culture than minimises unplanned turnover; and (5) setting a remuneration structure consistent with the Morton review that balances reasonable reward for meeting clearly defined objectives where achievement of any at-risk component is genuinely 'at risk', with public expectations for compensation.
 - **ongoing compliance with external governance frameworks**, including (but not limited to): (1) any governance documents that operate between the Government, as shareholder, and SHL; (2) the Commonwealth GBE – Governance and Oversight Guidelines (GBE Guidelines); and (3) the PGPA Requirements, including Corporate Planning and associated Key Performance Indicators; and
 - **timely, accurate and transparent provision of information**, including (but not limited to): (1) the obligation to keep Shareholder Ministers informed; and (2) advance notice of, and the opportunity to review, public statements and media releases.

- The Government expects that SHL representatives appearing before the Parliament have a detailed understanding of their duties per the Government Guidelines for Official Witnesses before Parliamentary Committees and Related Matters (Parliamentary Witness Guide).
- Where SHL engages a third-party (e.g. a contractor), it must take into account the risks associated with that approach and impose on them obligations in relation to the efficient, effective, economical and ethical expenditure of money.
- Where SHL's Board delegates its power (or authorises an employee or third-party to exercise its power) it must be clearly documented and recorded.
- The Board should have **access to a company secretary**, who reports to the Board (through the Chair) and is independent of company management and who Board members can raise matters with confidentially and seek advice from as a governance expert.

Senator the Hon Simon Birmingham
Minister for Finance

The Hon Angus Taylor MP
Minister for Industry, Energy and
Emissions Reduction