

Board Charter



Board Charter

1. Introduction

This charter sets out the role, responsibilities and key processes for the operation of the Snowy Hydro Limited (ACN 090 574 431) and its controlled entities (**Snowy Hydro**) Board of Directors (**Board**).

2. Role and responsibilities

2.1 Role

The Board's role is to:

- (a) provide stewardship, strategic leadership, governance and oversight of Snowy Hydro;
- (b) ensure that Snowy Hydro's business objectives are aligned with shareholder expectations;
- (c) ensure that Snowy Hydro and its officers maintain the highest standards of integrity, accountability and responsibility;
- (d) guide and monitor Snowy Hydro's strategies, policies and performance to optimise performance and create shareholder value, while having regard to employee, community and other stakeholder interests; and
- (e) operate in accordance with the Snowy Hydro Constitution, the Statement of Expectations, this Charter, the relevant Snowy Hydro policies and applicable legal and regulatory requirements.

2.2 Responsibilities

In carrying out its principal function, the Board is responsible for:

- (a) providing leadership and strategic direction, including approving the Corporate Plan and annual budget;
- (b) oversight, and where necessary, challenge, of effective management and control of Snowy Hydro, including management's implementation of Snowy Hydro's strategic objectives, the appropriateness of people management systems, and Snowy Hydro's Values and performance;
- (c) approving the corporate goals and performance objectives relevant to the remuneration of the Chief Executive Officer (**CEO**) and direct reports to the CEO;
- (d) approving Snowy Hydro's remuneration framework to ensure it aligns with the Statement of Expectations, Values, Code of Conduct, strategic objectives, risk management, legal and regulatory obligations and remains appropriate within changing market conditions;
- (e) assessing the performance of the CEO and direct reports to the CEO;

- (f) approving and providing oversight of Snowy Hydro's Values and Code of Conduct;
- (g) approving the appointment and removal of the CEO in consultation with the Minister for Finance and the Minister for Energy and Emissions Reduction (**Shareholder Ministers**);
- (h) approving the appointment of the Company Secretary and direct reports to the CEO and reviewing the CEO's assessment of performance of direct reports to the CEO;
- (i) oversight of succession planning for the CEO and direct reports to the CEO;
- (j) approving the overall treasury policy of Snowy Hydro, including dividend payout ratio and payments pursuant to that policy;
- (k) approving and overseeing the effectiveness of Snowy Hydro's Public Interest Disclosure Policy and Whistleblower Procedure and receiving summaries of incidents, themes or trends disclosed under the policy or procedure, or serious breaches of the Code of Conduct, or Anti-Bribery Anti-Corruption Fraud and Sanctions Policy, or Conflicts of Interest, Gifts or Benefits Policy;
- (l) monitoring the processes in place to facilitate employee awareness of Snowy Hydro's Public Interest Disclosure Policy and Whistleblower Procedure;
- (m) approving and overseeing the effectiveness of Snowy Hydro's Portfolio and Trading Risk Management Framework and its related documents;
- (n) approving and overseeing the effectiveness of Snowy Hydro's Anti-Money Laundering and Counter Terrorism Financing Program and its related documents;
- (o) approving any expenditure exceeding \$20 million;
- (p) reviewing Snowy Hydro's base case assumptions pertaining to new investments and capital, including the progress of any major capital expenditures, acquisitions or divestitures;
- (q) overseeing the effectiveness of processes and controls to maintain the integrity of financial accounting and reporting;
- (r) oversight and review of the principal risks facing Snowy Hydro, including climate-related risks and opportunities to ensure that appropriate standards of accountability, risk management and corporate governance are in place;
- (s) approving Snowy Hydro's sustainability objectives, metrics, targets and sustainability-related disclosures;

- (t) monitoring the implementation of strategy - including the integration of the corporate and sustainability plans - and the operational and financial position and performance of Snowy Hydro;
- (u) monitoring the integrity of Snowy Hydro's accounting and corporate report systems, including external audit;
- (v) reporting to shareholders on their stewardship of Snowy Hydro on a regular and timely basis;
- (w) reviewing and, to the extent necessary, amending, the Board and Committee Charters annually (by 1 December) or as required;
- (x) approving and monitoring the effectiveness of Snowy Hydro's governance practices and frameworks, including but not limited to its:
 - (i) governance framework;
 - (ii) Diversity and Inclusion Policy;
 - (iii) Environment Policy;
 - (iv) Health and Safety Policy;
 - (v) Privacy Policy;
 - (vi) Quality Policy; and
 - (vii) Whistleblower and Public Interest Disclosure Policy;
- (y) overseeing the management of Snowy Hydro's obligations as a Government Business Enterprise (**GBE**) under the *Public, Governance and Performance Accountability Act 2013* (Cth) (**PGPA Act**) and the *Public Governance Performance and Accountability Rule* (**PGPA Rule**) including:
 - (i) ensuring Snowy Hydro complies with any Government Policy Order;
 - (ii) consulting with the Shareholder Ministers in relation to Snowy Hydro's Corporate Plan;
 - (iii) notifying the Shareholder Ministers as soon as practicable after the Directors make a significant decision in relation to Snowy Hydro, or become aware of any significant issue that has or may affect Snowy Hydro;
 - (iv) providing progress reports to the Shareholder Ministers, including financial statements and key performance metrics against Corporate Plan targets;
 - (v) approving and giving to the Shareholder Ministers Snowy Hydro's Annual Report and Corporate Plan, or any other report as required; and
 - (vi) giving the Minister of Finance budget estimates covering Snowy Hydro's activities for each reporting period for Snowy Hydro.

3. Duties of Individual Directors

In addition to their collective responsibilities, Directors are required to:

- (a) act with reasonable care and diligence;
- (b) act in good faith and in the best interests of Snowy Hydro, having regard to both the interests of shareholders and the interest of employees, customers and other parties with whom Snowy Hydro is engaged;
- (c) avoid improperly using their position, or information gained by virtue of their position, to gain an advantage for themselves or someone else, or cause detriment to Snowy Hydro;
- (d) manage (and if necessary, avoid) conflicts of interest except in those circumstances permitted by the Corporations Act;
- (e) prepare for, and attend, scheduled and extraordinary meetings of the Board and relevant Committees;
- (f) positively contribute to formulating strategy and policy and actively participate in the decision making process of the Board;
- (g) make reasonable enquiries to ensure that Snowy Hydro is operating efficiently, effectively and legally towards achieving its goals;
- (h) abide by Snowy Hydro's Code of Conduct and Values; and
- (i) participate in all induction, orientation, and training programs, including those aimed at raising awareness and fulfilling specific obligations to stay informed about current developments and best practices related to Board functions, financial management and climate change and sustainability.

4. Conflicts of Interest

- (a) Directors are required to disclose the nature and extent of any material personal interest they have in relation to any specific matter affecting Snowy Hydro, unless permitted not to do so by the Corporations Act. A Director with a material personal interest in a matter to be considered by the Board or a Board committee should not receive Board papers or committee papers relating to that matter and should not participate in Board or committee meetings while that matter is being considered, unless permitted in accordance with the Corporations Act;
- (b) Details of material personal interests declared by a Director, and actions taken, will be appropriately recorded in the minutes of the Board meeting at which they are disclosed by the Company Secretary. Where a disclosure is made outside a Board meeting, such disclosure will be recorded in the minutes of the next Board meeting.

- (c) Directors should consider past employment, consultancy arrangements and related party issues in making a declaration and must not prioritise their own personal interest over those of Snowy Hydro. The Board must satisfy itself that there are sufficient processes in place to manage any actual or perceived conflict.

5. Composition of the Board

5.1 Structure of the Board

In accordance with Rule 6.4.1 of Snowy Hydro's Constitution, the number of Directors (not including alternate Directors) must be not less than five, nor more than nine.

The Board should comprise a majority of non-executive Directors; and a majority of these non-executive Directors should be independent as defined in Section 5.2 below.

The Board should comprise directors with the right skills, experience, knowledge, and relevant diversity characteristics to lead Snowy Hydro. The Board People and Culture Committee will assist the Chair to prepare an Annual Board Plan including Board Skills matrix to recommend appointments and composition to Shareholder Ministers in accordance with Section 10 below.

5.2 Independence

A Director is considered to be independent if if they are free of the influence of Management, the Shareholder Ministers and any other interest, position or relationship that might materially influence, or could reasonably be perceived to materially influence, the Director's capacity to bring an independent and unfettered judgment to bear on issues before the Board and the best interests of Snowy Hydro as a whole.

The Board will regularly assess the independence of each Director in light of the interests they have disclosed and other factors as the Board determines appropriate, such as whether the Director:

- (a) is associated directly or indirectly with a substantial shareholder of Snowy Hydro;
- (b) has been employed in an executive capacity by Snowy Hydro or a related body corporate within the last three years;
- (c) within the last three years, has been a principal or consultant of a material professional adviser to Snowy Hydro or another group member or an employee materially associated with the service provided. For this purpose, a material professional adviser is one whose billings to Snowy Hydro exceed 5% of the adviser's consolidated gross revenue;

- (d) is a material supplier or material customer, or a partner in or controlling shareholder, or executive officer, of a material supplier or material customer of Snowy Hydro or a related body corporate. For this purpose, a material supplier is one whose revenues from the Snowy Hydro Group exceed 5% of the supplier's consolidated gross revenue. A material customer is one whose payments to the Snowy Hydro Group exceed 5% of the customer's total expenses;
- (e) has a material contractual relationship with Snowy Hydro or a related body corporate other than as a Director of Snowy Hydro;
- (f) has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Snowy Hydro; and
- (g) has any interest or business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Snowy Hydro.

The Company Secretary will maintain a formal register of any such factors and interests to ensure they can be identified and managed effectively.

5.3 Review of independence

The Board will undertake an annual review of the extent to which each non-executive Director is independent, having regard to the criteria set out in Section 5.2 of this Charter and any other relevant relationship that the non-executive Director may have. The Board will set out whether each non-executive Director is independent, and the underlying rationale, in the corporate governance statement in Snowy Hydro's Annual Report.

6. Term of Office

6.1 Snowy Hydro Constitution

Section 6.2 of this Charter applies in addition to the rules relating to the term of office of Directors in the Snowy Hydro Constitution. However, in the event of any inconsistency, the Constitution will prevail.

6.2 Executive Directors

Executive Directors must resign from the Board when they cease to occupy their executive position with Snowy Hydro.

7. Meetings

The Board will meet as required to facilitate the effective discharge of its duties, and will generally meet at least nine times each year. The Board will also hold periodic workshops and visits of Snowy Hydro's operations during the year.

Non-executive Directors will conduct closed sessions periodically to address succession planning, Board operation and effectiveness, and any other relevant matters.

8. Role of the Chair

The role of the Chair is to provide leadership to the Board, including encouraging a culture of openness and fostering a high-performing team of Directors who operate effectively. To discharge this role, the Chair is responsible for:

- (a) chairing Board meetings, approving agendas and papers for Board meetings and managing the efficient conduct of the Board's functions;
- (b) taking necessary measures to facilitate an effective contribution by all Directors;
- (c) promoting a constructive relationship between Board and management;
- (d) overseeing regular and effective evaluations of the Board's performance; and
- (e) preparing the Annual Board Plan for the Shareholder Ministers, including Snowy Hydro's medium-term goals for Board composition, anticipated vacancies, and the skills and diversity needed to meet policy objectives.

The Chairman of the Board should be an independent Director and will be appointed by the Shareholder Ministers in accordance with clause 7.3.1 of the Snowy Hydro Constitution.

9. Role of the Company Secretary

The Company Secretary is accountable to the Board, through the Chair, on corporate governance matters. Each Director may communicate directly with the Company Secretary, and vice versa. The Company Secretary is responsible for:

- (a) advising the Board and its committees on governance matters;
- (b) organising Board meetings in conjunction with the Chair, preparing agendas, and coordinating the preparation and timely delivery of Board papers and minutes;
- (c) monitoring compliance with Board and committee policy and procedures;

- (d) ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
- (e) helping to organise and facilitate the induction and professional development of Directors.

10. Delegations

The Board may delegate certain responsibilities to standing committees or the CEO as it considers appropriate. However, the Board retains ultimate responsibility for strategy and oversight of effective management of Snowy Hydro.

10.1 Board Committees

The Board may establish Committees from time to time to assist it in discharging its responsibilities. Current standing Committees established by the Board are:

- (a) the Board Audit and Compliance Committee;
- (b) the Board Portfolio Risk Committee;
- (c) the Board Safety, Operational and Environment Risk Committee; and
- (d) the Board People and Culture Committee.

Each standing Committee has a documented and Board approved charter setting out its role and responsibilities, membership requirements and the powers delegated to it by the Board. The Board may also delegate specific functions to Committees on an 'as needs' basis in accordance with the Snowy Hydro Constitution.

All Committees charters are reviewed annually (by 1 December), with changes subject to Board approval.

10.2 Reliance on Committee advice

The Board may rely on advice of a Committee provided the reliance was made in good faith and after making an independent assessment of the information or advice having regard to the Board's knowledge of Snowy Hydro and its structure and operations.

10.3 Delegation to the CEO

The Board has delegated to the CEO authority over the day to day management of Snowy Hydro, its subsidiaries and their respective operations within parameters set by the Board from time to time. This delegation of authority includes responsibility for:

- (a) developing business plans, budgets and strategies for the Board's consideration and, to the extent approved by the Board, implementing these plans, budgets and strategies;

- (b) operating Snowy Hydro's businesses within the parameters set by the Board from time to time and keeping the Board informed of all material developments relating to the businesses;
- (c) where proposed transactions, commitments or arrangements exceed the parameters set by the Board, referring the matter to the Board for its consideration and approval;
- (d) identifying and managing operational and other risks and, where those risks could have a material impact on Snowy Hydro's businesses, formulating strategies for managing those risks for consideration by the Board;
- (e) managing Snowy Hydro's current financial and other reporting mechanisms to ensure that these mechanisms are functioning effectively to capture all relevant material information on a timely basis;
- (f) implementing Snowy Hydro's internal controls and procedures for monitoring those controls and ensuring that they are appropriate and effective;
- (g) taking all reasonable steps to ensure that the Board is provided with accurate and sufficient information regarding Snowy Hydro's operations on a timely basis and, in particular, that the Board is made aware of all relevant matters relating to Snowy Hydro's performance (including future performance), financial condition, operating results and prospects and potential risks so that the Board is in an appropriate position to fulfil its corporate governance responsibilities; and
- (h) implementing all policies, processes and codes of conduct approved by the Board.

10.4 Reserved Powers

Any responsibilities not specifically delegated by the Board to the CEO remain the responsibility of the Board.

10.5 CEO's Power to Delegate

The CEO is authorised to delegate any of the powers conferred on the CEO as the CEO deems appropriate.

11. Access to information and advice

11.1 Access to information

Directors shall have access to records and information held by Snowy Hydro that is reasonably considered necessary to fulfil their obligations and exercise

independent judgment when making decisions, subject to any confidentiality, conflicts or other applicable law and governance requirements.

11.2 Access to and reliance on professional advice

- (a) Any Director may seek professional advice to assist them in carrying out their role as a Board member. Subject to this Charter, this advice may be obtained at Snowy Hydro's expense.
- (b) Directors can rely on information or advice from independent experts, external advisers, or management where the advice is within the management's area of responsibility, and the Director is not aware of any grounds that would make reliance inappropriate.

11.3 Chair's approval

- (a) If a Director wishes to seek external advice at Snowy Hydro's expense, the Director must obtain the approval of the Chair and provide supporting information including the reason for seeking advice, the person from whom advice will be sought, and an estimate for provision of such advice from that person.
- (b) The Chair must not unreasonably withhold permission to obtain the advice; and must inform the Board of the request as soon as practicable.

11.4 Use of advice

Advice obtained at Snowy Hydro's expense under this Charter must be made available to Snowy Hydro.

12. Indemnity and Insurance

In accordance with the deed entered into with each Director, Snowy Hydro will:

- (a) to the extent permitted by law (including the PGPA Act and the PGPA Rule), indemnify a Director against liability arising out of the discharge of their duties;
- (b) maintain an insurance policy against liability incurred in their capacity as a Director for the term of their appointment and for seven years following cessation of office; and
- (c) maintain all Board papers and other company documents relating to the Director's period of appointment; and make those papers available to the Director for a period of seven years following their cessation of office.

Unless the Board otherwise determines, each new Director will enter into a similar deed with Snowy Hydro, prior to their commencing office.

13. Performance Evaluation

- (a) The Board will review annually the performance of the Board as a whole, the Board Committees, the Chair, and the governance processes which support the Board. The Board as a whole will also review the performance of the Managing Director at least annually.
- (b) The Board will also review the performance of the CEO annually (by 1 December) against predetermined criteria, a record of which will be retained by the Board. This performance assessment will be used for the Chair's preparation of the Annual Board Plan in accordance with Section 8.
- (c) Unless otherwise directed by the Shareholder Ministers, a performance assessment of Snowy Hydro's Board is to be undertaken by an independent external party every two years. The Chair must provide both a report of the performance assessment, as well as written confirmation that the CEO's performance assessment has occurred, to the Shareholder Minister's once each assessment has occurred.
- (d) The Chair will conduct an evaluation of the performance and contribution to the Board of each Non-Executive Director. Similarly, the Chair of the People and Culture Committee will facilitate an evaluation on the performance of the Chair by Directors. Both these evaluations will be carried out annually (by 1 December).

14. Review of this Charter

The Board will review this Charter at least annually (by 1 December) and amend as required to ensure its relevance and effectiveness.