

**2023 – 24**  
**Corporate**  
**Governance**  
**Statement**

Sydney  
**WATER**



# Table of contents

<b>1 Purpose</b>	<b>2</b>
<b>2 Governance model</b>	<b>3</b>
2.1 Sydney Water’s Governance Model	3
<b>3 Principle 1 – Lay solid foundations for management and oversight</b>	<b>4</b>
3.1 Roles and responsibilities	4
3.2 Director appointment and selection	5
3.3 Corporate Secretary	6
3.4 Diversity and inclusion	6
3.5 Performance of the Board, Committees, and individual Directors	7
3.6 Senior executive evaluations	7
<b>4 Principle 2: Structure the board to add value</b>	<b>8</b>
4.1 Board composition	8
4.2 Director independence	9
4.3 Succession planning	9
4.4 Crisis management procedures	10
4.5 Director induction	10
<b>5 Principle 3: Act ethically and responsibly</b>	<b>11</b>
5.1 Directors’ code of conduct	11
5.2 Discouraging wrongdoing	11
<b>6 Principle 4 – Safeguard integrity in corporate reporting</b>	<b>12</b>
6.1 Board Committees	12
6.2 Financial reporting declarations	12
<b>7 Principle 5 - Make timely disclosures</b>	<b>13</b>
7.1 Continuous disclosure policy	13
<b>8 Principle 6 - Acknowledge the rights of shareholders</b>	<b>14</b>
8.1 Statement of Expectations and Statement of Corporate Intent	14
<b>9 Principle 7 - Recognise and manage risk</b>	<b>15</b>
9.1 Role of the Audit & Risk Committee	15
9.2 Enterprise risk management framework	15
9.3 Internal audit	15
<b>10 Reference material</b>	<b>16</b>



# 1 Purpose

The Board of Sydney Water Corporation (**Sydney Water**) is committed to conducting the business of Sydney Water in accordance with high professional and ethical standards of corporate governance.

*NSW Treasury Policy and Guidelines Paper – Commercial Policy Framework: Guidelines for Governing Boards of Government Businesses (TPP 17-10)* provides a framework for the standards of corporate governance that should be adopted by all governing boards of Government businesses. Sydney Water's Corporate Governance Statement (**Statement**) enunciates the structures in place to comply with TPP 17-10, using one chapter for each of the seven principles to outline the critical controls.

The Statement is reviewed annually and updated to ensure that it remains consistent with the Board's objectives, applicable law, and best practice corporate governance principles. It was most recently approved by the Board on 14 December 2023.

The Board is committed to periodically reviewing Sydney Water's corporate governance activities to determine whether they are still applicable to Sydney Water and in line with best practice.

# 2 Governance model

Sydney Water is established under the *Sydney Water Act 1994* (NSW) (**SW Act**) and operates under that Act and the *State Owned Corporations Act 1989* (NSW) (**SOC Act**).

## 2.1 Sydney Water’s Governance Model

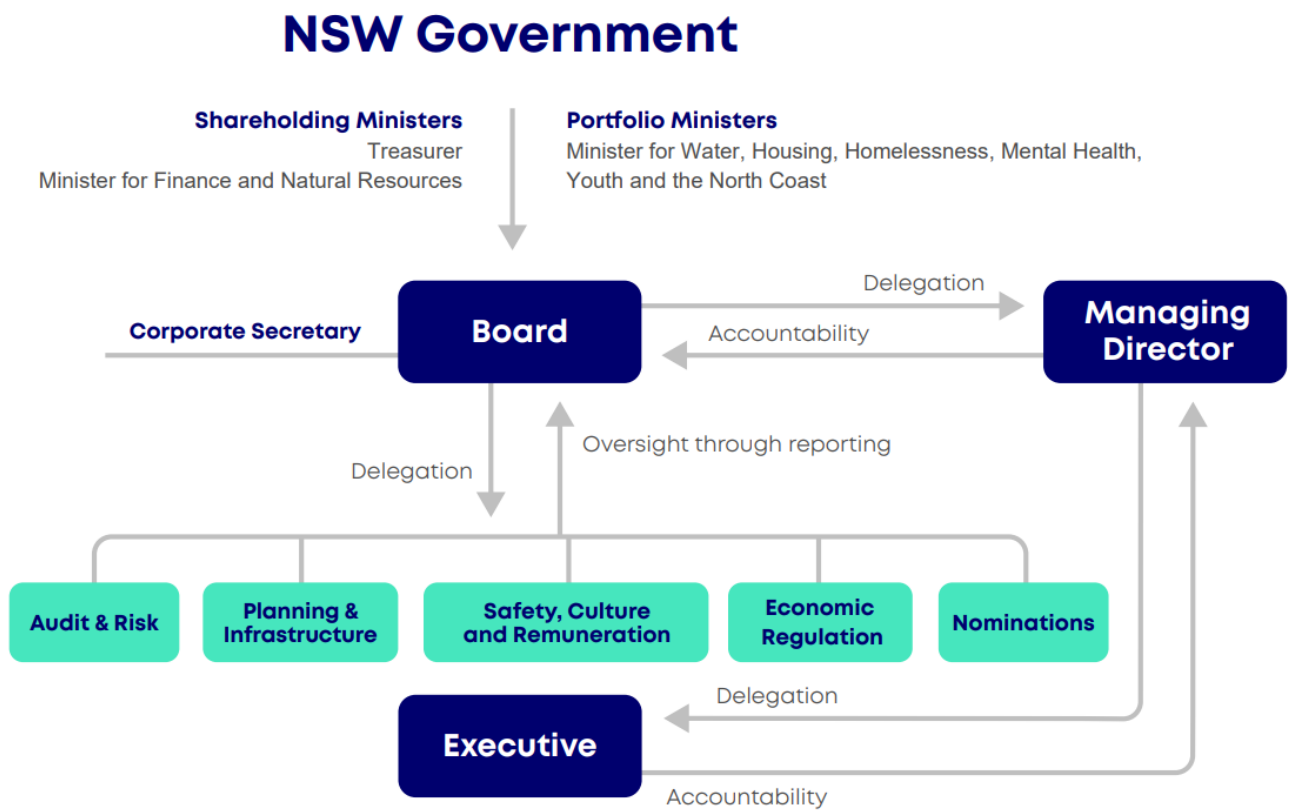


Figure 1 - Sydney Water’s governance framework



# 3 Principle 1 – Lay solid foundations for management and oversight

## 3.1 Roles and responsibilities

Sydney Water’s Constitution sets out the procedures to be followed by the Board and Management in the conduct of the affairs of Sydney Water and reflects the requirements of the SW Act and SOC Act.

The principal objectives of Sydney Water under section 21 of the SW Act are:

- to be a successful business and, to this end, to operate at least as efficiently as any comparable businesses, to maximise the net worth of the State’s investment in Sydney Water and to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- to protect the environment
- to protect public health.

The Board approves the overall strategy and policies of Sydney Water.



Under section 20L of the SOC Act, all decisions relating to the operation of Sydney Water “*are to be made by or under the authority of the board*”; and the Chief Executive Officer / Managing Director is responsible for the day-to-day management of the operation of Sydney Water “*in accordance with the general policies and specific directions of the board*”.

The Directors, acting as the Board, have the ultimate power and authority for the management of Sydney Water, subject to the power of the State to direct the Board.

The powers of the Directors, acting as a Board, are effected by resolutions made by the Board. To this end, the Board has reserved for itself the specific responsibilities set out in the Board Charter (**Charter**). The Charter:

- outlines the roles, powers and specific responsibilities of the Board
- details key stakeholders such as customers, employees, the Shareholder Ministers, the Portfolio Minister, regulators and the community (and the Board’s responsibilities towards each)
- outlines Board operations such as the conduct of meetings, committees and assessment of Board performance, including appropriate procedures to resolve and record concerns by individual Directors
- articulates the strategic character of the Board’s business and clarifies the Board’s role in approving high-level policies and strategies.





The Sydney Water Board Charter is reviewed annually by the Board, reflects the Sydney Water Constitution and sets out the duties, independence requirements, ethical standards, and expectations of individual Directors, including procedures for declaring conflicts of interest.

The Board has authorised the Managing Director (through the **Instrument of Conferral of Powers and Authority**), and delegated through the Managing Director to other managers (**Delegations Manual**), responsibility for the day-to-day management of Sydney Water.

### 3.2 Director appointment and selection

Under the SW Act, the Board may consist of up to ten (10) Directors, including the Chair. Appointments are made on the basis that the Board includes Directors with separate expertise in at least the areas of:

- business management
- protection of the environment
- public health.

Directors are appointed by the Shareholder Ministers under section 5A of the SW Act. The appointment is effected by an “Instrument of Appointment”.

Selection of a new director is conducted in accordance with Board Appointments for State Owned Corporations and Other Commercial Government Businesses (**TPG23-06**). The process involves a review of the Board Skills Matrix to consider the experience of current Directors, identifying gaps in the Board’s skills and engaging with NSW Treasury and the appointed recruitment consultant to identify and present appropriately skilled and experienced candidates.

The candidates undergo a thorough process including comprehensive background and probity checks, and formal interview with a Board Candidate Assessment Committee panel convened by NSW Treasury. This panel includes Sydney Water’s Chair, NSW Treasury representative and the recruitment consultant as an independent member. If the panel determines a candidate is suitable for appointment to the Board. the candidates are recommended to the Shareholder Ministers following consultation with the Portfolio Minister. This recommendation is then considered by Cabinet prior to any appointment.

At the expiration of a term of appointment, a Director may be eligible for reappointment. Directors are generally appointed for no more than two (2) terms of about three (3) years each term, except in exceptional circumstances. The profiles of current Directors can be found on Sydney Water’s website.

Sydney Water’s non- Executive Directors are remunerated in accordance with the *Classification and Remuneration Framework for NSW Government Boards and Committees*. Sydney Water is classified as a Level A6 entity, and set rates apply for the Chair and non- Executive Directors based upon this classification.



### 3.3 Chief Executive Officer/ Managing Director

When appropriate the Board will commence a formal and thorough recruitment process for the role of Chief Executive Officer of Sydney Water. In accordance with section 20K of the SOC Act, the Board will select and recommend to the Portfolio Minister a candidate for the position of Chief Executive Officer.

On the recommendation of the Portfolio Minister the Chief Executive Officer will be appointed to this role by the NSW Governor. In accordance with section 20J (5) of the SOC Act, the Chief Executive Officer may be appointed to the Board, as the Managing Director.

The Managing Director's performance is reviewed at least annually, by the Chair and the Safety, Culture & Remuneration Committee and approved by the Board. The Managing Director's Employment Agreement and remuneration are set by the Portfolio Minister on the Board's recommendation. Organisational performance and personal performance are factors considered during the appraisal process.

The Managing Director is the sole Executive Director on the Board of Sydney Water.

### 3.4 Corporate Secretary

The Corporate Secretary is appointed by the Board in accordance with Article 23 of the Sydney Water Constitution. The Corporate Secretary is supported by the Corporate Secretariat team and together they are accountable for governance operations within Sydney Water. The Corporate Secretary has a separate reporting line to the Chair and is directly accountable to the Board on matters to do with the proper functioning of the Board. The Board may appoint a standing acting Corporate Secretary to perform the functions of the Corporate Secretary when the appointed Corporate Secretary is unavailable.

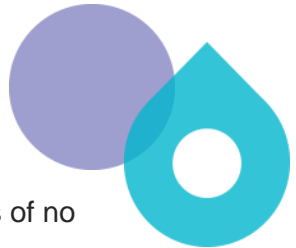

### 3.5 Diversity and inclusion

Sydney Water is committed to building an inclusive workforce that embraces and promotes diversity, that reflects the community it serves and recognises a diverse and inclusive workforce will contribute to a high performing culture, employee engagement and improved safety, customer and commercial performance.

Sydney Water's diversity and inclusion objectives include to:

- Embed inclusive behaviours, so that everyone has a voice and belongs.
- Ensure its policies and practices are fair, equitable and contemporary.
- Support the attraction and retention of diverse talent.

Performance against diversity and inclusion targets are included in the Annual Report, which measure multiple diversity dimensions relevant to Sydney Water, including creating opportunities for First Nations Australians.



Sydney Water complies with the NSW government gender target for SOC Act boards of no less than 40% of roles being filled by women.

### **3.6 Performance of the Board, Committees, and individual Directors**

The Board acknowledges the importance of the regular reviews of its own performance and effectiveness to achieve continuous improvement. In line with the Board Charter, the Board assesses its performance, including the performance of its Committees, at least annually. An external facilitator is engaged to assist with the review every third year.

A summary Board evaluation report is provided to NSW Treasury, as the shareholders representative.

### **3.7 Senior executive evaluations**

The performance of senior executives is reviewed annually, including the setting of Key Performance Indicators (KPIs) which are measurable, quantifiable and align to the goals of the organisation. These KPIs are assessed during interim six-monthly reviews and regular check-ins.

During 2022-23, all employees participated in mandatory performance reviews and setting of individual performance and professional development plans for 2023-24.



# 4 Principle 2: Structure the board to add value

## 4.1 Board composition

The Board considers that its membership should comprise Directors who collectively bring a broad range of technical skills, expertise and experience. The Board, through the Nominations Committee, has identified its desired collective skillset and the target number of Directors who should be specialists in each of these areas. It is not expected that Directors will possess the specialist skills in all areas but collectively the Board will possess all desired Specialist, Experiential and Qualifying skills required on the Board of Sydney Water.

The skills matrix enables the Board Nominations Committee and Chair to identify any gaps in the Board's collective skills that require consideration.

Table 1: Board of Directors Skills matrix at 30 June 2023.

Skills and experience	Type	Explanation	Status
Accounting, financial management, reporting and auditing	Specialist	Given the complexity around Sydney Water's financial operations and performance, and the requirement to operate as a successful business, director expertise around technical accounting, financial management and auditing are important.	▲
Capital Management and Infrastructure Finance	Specialist	Technical expertise in capital transactions, debt capital markets, funding strategies and investments are critical to achieve an appropriate balance between shareholder returns and long-term capital needs.	▲
Digital Transformation	Specialist	Expertise in developing, selecting, and implementing leading business transformational technology, including responding to digital disruption.	▲
Engineering/ Construction and Safety	Specialist	Technical and professional expertise in safety, water infrastructure and the engineering behind it is a key enabler. Understanding its complexities is central to safely oversee the development, construction, and maintenance of Sydney Water assets	▲
Environment	Specialist	Technical and professional expertise in water resource management and practices to protect the environment.	▲
Health	Specialist	Technical and professional expertise in protecting public health as it relates to water.	▲

Regulatory and Law	Specialist	Expertise in regulatory environments and experience with interpreting and applying relevant legislative frameworks within a complex business	▲
CEO Experience	Experiential	Prior Chief Executive Officer experience leading an organisation comparable to Sydney Water	▲
Corporate Board Experience	Experiential	Prior experience on Corporate or Commercial Boards, of comparable size and complexity	▲
Innovation	Experiential	Experience with facilitating successful innovation within a large organisation to deliver new products, services and outcomes	▲
Stakeholder Engagement	Experiential	Experience managing reputational risk including stakeholder management, influence, and positioning.	▲
Commercial/ Business Acumen/ Leadership/ Transformation *	Qualifying	Experience at senior executive level within a large and complex corporate or commercial enterprise with proven ability to make informed decisions and think strategically	▲
Culture and People*	Qualifying	Ability to understand, assess and drive the desired organisational culture in a corporate context	▲
Financial Management*	Qualifying	Experience with financial statements and drivers of financial performance including finance controls in a large organisation	▲
Risk Management*	Qualifying	Experience in applying and overseeing risk management frameworks including settling the Board's risk appetite	▲
Strategy Development*	Qualifying	Experience in developing, setting and implementing clear strategic direction including performance monitoring	▲

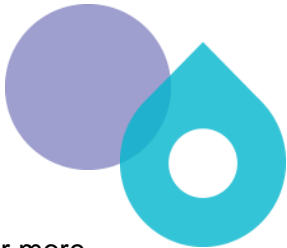

## 4.2 Director independence

All Non-executive Directors on the Board are independent. They are subject to duties and responsibilities regarding conflicts of interest, including a disclosure requirement. The Corporate Secretary maintains a Register of Disclosures and Interests, which is reviewed at each Board meeting. Directors are invited to declare any conflicts of interest (perceived or actual) at the start of each Board meeting.

Sydney Water does not see merit in limiting Directors to three government boards and will always gravitate towards exceptional Directors provided they have the skills and capacity to contribute.

## 4.3 Succession planning

The Nomination Committee has a comprehensive Charter outlining its responsibilities for Director succession planning, ensuring the necessary and desirable competencies are on the Board and to satisfy the obligations of the SW Act.



Sydney Water’s nominations and re-appointment process is merit based and the Nominations Committee will only nominate exceptional Directors for reappointment for more than two terms but for no more than three terms, if appropriate.

#### **4.4 Crisis management procedures**

Crisis Management is the responsibility of Management with clear procedures governing the management of crises, including communication with the Chair and Board.

#### **4.5 Director induction**

New Directors are required to undergo an induction program to allow them to engage in decision-making at the earliest opportunity. A “buddy” can be nominated for each new Director to support them during their first twelve months on the Board. To be effective, new Directors should have a good understanding of the business and water industry.

The Board has adopted an Induction Procedure for Directors which has been designed to enable new Directors to gain an understanding of the:

- business’ financial, strategic, operational and risk management positions and policies
- rights, duties and responsibilities of directors and senior executives
- roles and responsibilities of senior executives and the role of Board committees
- operations at key sites and within the community through site visits.

Enhancing skills and knowledge as a Director is the personal responsibility of each Director. With approval from the Chair, Sydney Water will contribute to the cost of professional development or whole of Board training for Directors in accordance with the Director Professional Development Policy.

# 5 Principle 3: Act ethically and responsibly

## 5.1 Directors' code of conduct

The Board has adopted a Code of Conduct (**CoC**) based upon statutory and common law obligations and the principles outlined in TPP 17-10. It includes alignment with Sydney Water's values, content on personal and professional behaviour, reputation management and gifts and benefits.

The Board annually reviews the CoC, and each Director is required to declare that they understand and abide by the obligations of the CoC.

## 5.2 Discouraging wrongdoing

Sydney Water does not tolerate fraud or corruption. It is committed to reducing the opportunity for this behaviour by taking a holistic approach to fraud and corruption risk management.

As a State-Owned Corporation, Sydney Water is considered a public authority for the purposes of the *Independent Commission Against Corruption Act 1988* (ICAC Act) and the *Public Interest Disclosures Act 1994* (PID Act). The PID Act places obligations on the Managing Director to comply with the obligations of the Act, which includes protecting public officials who report wrongdoing (including but not limited to corruption) from reprisal and maintaining confidentiality of person who report wrongdoing.

Section 11 of the ICAC Act places an obligation on the Managing Director to report to the Commission any matter where there is a reasonable suspicion that corrupt conduct has occurred.

**Table 2: Sydney Water's disclosure officers**

Disclosure Roles	Organisation Position
Principal Officer	Managing Director
Disclosures Coordinator	Corruption Prevention & Investigations Manager
Disclosures Officer	General Manager, Governance & Assurance
Disclosures Officer	General Manager, People & Culture
Disclosures Officer	Head of Risk & Assurance
Disclosures Officer	Head of Legal, Compliance & Secretariat
Disclosures Officer	Head of Workplace Relations & Policy
Disclosures Officer	Corruption Prevention Lead
Disclosures Officer	Incident Investigations Lead

# 6 Principle 4 – Safeguard integrity in corporate reporting

## 6.1 Board Committees

The Board has established Committees pursuant to Article 19.11 of Sydney Water’s Constitution.

The role of Committees is to advise and make recommendations to the Board. The Committees do not have decision making authority except as expressly stated in their Charter or as authorised by the Board. The Committee Charters are reviewed every two years.

The Committees are a key component of good corporate governance and promote accountability between the Board and Management. The purpose of each Committee is set out below.

Table 3: Board Committees

Committee	Purpose
Audit & Risk (standing)	To assist the Board to oversee Sydney Water’s financial reporting, audit processes, risk management framework, and corporate compliance framework.
Planning & Infrastructure (standing)	To assist the Board to oversee Sydney Water’s strategic approach to planning for Greater Sydney, asset investment, and its environment and regulatory strategies.
Safety, Culture & Remuneration (standing)	To assist the Board to oversee Sydney Water’s safety and wellbeing strategy and performance, its approach to managing its people and delivering the desired culture, and remuneration of Sydney Water’s senior executives (Managing Director, General Managers, and Individual Contract Employees).
Economic Regulation (standing)	To assist the Board to oversee and ensure the organisation makes compelling and high-quality regulatory review submissions to the Economic Regulator.
Nominations (ad hoc)	To assist the Board to oversee the skills required on the Board, and the appointment and re appointment of directors.

## 6.2 Financial reporting declarations

Following conclusion of a comprehensive due diligence process, the Managing Director and General Manager, Finance & Business Performance execute declarations to the Audit & Risk Committee and Board confirming the financial records meet relevant standards and controls. The declarations form part of the end of financial year reporting processes.



# 7 Principle 5 - Make timely disclosures

## 7.1 Continuous disclosure policy

Sydney Water will make timely, proactive disclosure to its Shareholder Ministers and/or Portfolio Minister of all material information relating to its commercial performance and/or which may raise community concerns that may affect the NSW Government's reputation or negatively impact its policy objectives.

*NSW Treasury Policy and Guidelines Paper – Commercial Policy Framework: Performance Reporting and Monitoring Policy for Government Businesses (TPP 18-02)* provides a framework for the timely reporting to strengthen transparent decision-making which Sydney Water adopts and has documented in the Continuous Disclosure Policy.

The Managing Director is responsible for determining matters required to be disclosed to the Shareholder Ministers and/or the Portfolio Minister. The disclosure must be approved by the Board Chair, or in his or her absence, the Chair of the Audit and Risk Committee. The Managing Director will advise the Board of disclosed matters.

Disclosure of information will be managed through the Government Relations team (for disclosure to the Portfolio Minister), Corporate Finance and Major Project Delivery teams (for disclosure to NSW Treasury for the consideration or information of the Shareholder Ministers) and the Corporate Secretariat team.





## 8 Principle 6 - Acknowledge the rights of shareholders

### 8.1 Statement of Expectations and Statement of Corporate Intent

The Statement of Expectations is issued by NSW Government to Sydney Water at least once every three to five years to complement its long-term planning cycle.

The Statement of Corporate Intent is an annual agreement laid before both Houses of Parliament by the Voting Shareholders. It sets customer service, environmental, public health, commercial and employee performance objectives and targets.



# 9 Principle 7 - Recognise and manage risk

## 9.1 Role of the Audit & Risk Committee

The Audit and Risk Committee assists the Board in overseeing the integrity of financial reporting, the effectiveness of systems of financial risk management and internal controls, the internal and external audit functions and the effectiveness of the risk management framework and supporting risk management systems.

The Committee has access to management and the auditors, and rights to seek explanations and additional information.

## 9.2 Enterprise risk management framework

The Board is responsible for overseeing the implementation of an effective system of risk management and internal controls, and setting the risk appetite for the business through Risk Appetite Statements.

Risks at Sydney Water are managed using the principles, framework and process set out in Australian and New Zealand Standard (AS/NZS) ISO 31000:2018 - Risk management principles and guidelines.

Risk management at Sydney Water is applied continuously and pervasively, at all locations and levels and at all times, to all enterprise, corporate and operational functions, projects and activities.

The framework is overseen by the Audit & Risk Committee, is actively managed by the Executive and reviewed annually.

## 9.3 Internal audit

The Internal Audit team provides an independent third line of assurance and evaluates the effectiveness of risk management, control and governance processes (including financial accuracy of audited matters) in Sydney Water. It proactively and independently provides analysis and advice on the adequacy of the three lines of assurance across the organisation, results of the audit (third line) program, and issues and risks of enterprise significance.

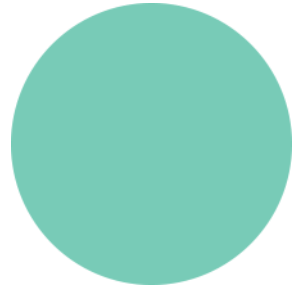
Internal Audit conducts audits (including probity audits), investigations, and provides advice on internal controls. Under its charter, Internal Audit has a right to access all information in Sydney Water. The Managing Director requires all managers and employees to fully cooperate with Internal Audit. The Internal Audit Manager has a reporting line to the Chair of the Audit & Risk Committee.

The annual program of audits is determined by the Audit & Risk Committee. Senior management can make special audit requests in their area.

# 10 Reference material

Table 4 Schedule of key reference material

Document	Next review
Board Charter	October 2024
Instrument of Conferral of Powers and Authority	October 2024
Audit & Risk Committee Charter	May 2024
Planning & Infrastructure Committee Charter	May 2024
Safety, Culture & Remuneration Committee Charter	May 2024
Economic Regulation Committee Charter	May 2024
Nominations Committee Charter	May 2024
Directors' Code of Conduct	October 2024
Board Nomination and Appointment Procedure	October 2025
Induction Procedure for Directors	October 2025
Director Professional Development Policy	October 2025
Continuous Disclosure Policy	October 2025
Director Communication Policy	October 2025



SWXXX XX/XX Insert a publication number.  
For more info email [multimedia@sydneywater.com.au](mailto:multimedia@sydneywater.com.au)

© Sydney Water. All rights reserved.

