



Corporate Governance Statement

December 2020



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1 Overview

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.

The purpose of this document is to enable Directors to understand the corporate governance practices of Sydney Water at a strategic level and provide a gateway to access certain governance documents referred to in this document.

This document is reviewed 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 17 December 2020.



2 Legal framework

Sydney Water is a New South Wales statutory State Owned Corporation that supplies water, wastewater services, recycled water and some stormwater services to almost 5 million people in Sydney, the Illawarra and the Blue Mountains.

2.1 Main objectives of Sydney Water

The principal objectives of Sydney Water under section 21 of the *Sydney Water Act 1994* (NSW) (**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 following key documents apply to Sydney Water:

- Sydney Water's Statement of Corporate Intent
- Operating Licence
- Customer Contract.

2.2 Statement of corporate intent

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 staff performance objectives and targets. It states that the principal objectives are as set out under section 21 of the SW Act and section 20E of the *State Owned Corporation Act 1989* (NSW) (**SOC Act**).

The principal objectives under the SOC Act listed below are similar to those contained in the SW Act:

- to be a successful business and, to this end, to operate at least as efficiently as any comparable businesses and to maximise the net worth of the State's investment in the State Owned Corporation
- to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development
- to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.



2.3 Operating licence and customer contract

Sydney Water is granted an Operating Licence by the Governor. This Licence sets out the standards of service and some environmental performance requirements to be met in running the business. The Licence includes the Customer Contract, which establishes customer rights through performance targets for service delivery and redress for customers if these are not met.

The Independent Pricing and Regulatory Tribunal (**IPART**) regulates prices and reviews Sydney Water's compliance with its Operating Licence and reports on this to the Portfolio Minister

2.4 Voting shareholders

Under the SOC Act, Sydney Water must have two shareholders, and no more at any time. The shareholders are to be the Treasurer and another Minister for the time being nominated by the Premier as a Voting Shareholder. The two Voting Shareholders own their shares in Sydney Water on behalf of the State. The current Voting Shareholders of Sydney Water are the Treasurer and the Minister for Finance and Small Business.

The role of the Voting Shareholders under the SOC Act is to:

- appoint directors according to Sydney Water's Constitution
- negotiate with Sydney Water about the contents of the Statement of Corporate Intent each financial year
- receive from Sydney Water a half-yearly report on operational performance and information required to be included under the Statement of Corporate Intent
- receive from Sydney Water an annual report which includes financial statements audited by the NSW Auditor-General.

The Voting Shareholders may also direct that changes be made to the Statement of Corporate Intent and approve the creation of subsidiaries and the acquisition and disposal of certain property. Voting Shareholders also receive a dividend. The Board Charter lists numerous responsibilities to Voting Shareholders.

2.5 Portfolio Minister

The Portfolio Minister has a role in regulating the operations of Sydney Water under the SW Act. This is done through the Operating Licence. The Board Charter also includes responsibilities to the Portfolio Minister.

The Portfolio Minister cannot be a Shareholder Minister. The current Portfolio Minister is the Minister for Water, Property and Housing.



Relevant governance documents
2.a. Annual Report
2.b. State Owned Corporations Act 1989
2.c. Sydney Water Act 1994
2.d. 2019-2020 Statement of Corporate Intent
2.e. 2019-2023 Operating Licence
2.f. 2019-2023 Customer Contract

3 Corporate governance framework

The Board of Sydney Water has adopted the Australian Institute of Company Directors (**AICD**) Corporate Governance Framework (**Framework**) which outlines the practices of good corporate governance across four major quadrants as depicted in the diagram below:



Each quadrant is divided into a number of segments representing the practices essential to that quadrant. This is explained further below.

The Framework plays a critical role in helping Sydney Water deliver on its Strategy. It provides the structure through which business objectives are set, performance is monitored, and risks are managed. It includes a system for decision making across the business and provides guidance on the standards of behaviour expected of its people.

In addition, the Framework serves as a basis for measurement and comparison of the activities of the Board and management with the best practices of corporate governance. Following an independent assessment, the Board agreed a desired maturity level for each segment in the Framework.

3.1 Quadrants of the Framework

Quadrant	Focus
Individual	The Individual quadrant reflects the practices every director brings as an individual to his or her role – for example, the responsibilities he or she has in relation to leadership both as a director and as a Chair. The main focus here is on individual director attributes including an understanding of role and duties, competence, leadership qualities and behaviours, and the responsibility and style of the Chair.
Board	The Board quadrant reflects the practices of individual directors in relation to the whole board – their commitment to the successful functioning of the Board and collegiate responsibilities. This quadrant's focus is on the qualities and operation of the Board as a combined team of directors including use of committees, effectiveness of meetings, competence of the group, and understanding of as well as establishment of compliance systems relating to legal standards.
Organisational	The Organisational quadrant focuses on the responsibilities of directors in relation to the performance of the organisation, including those of senior executives. There is a focus on relationships and critical areas of organisational functioning that should be led by directors as individuals within the whole Board. This quadrant also identifies the director level operations that underpin peak organisational performance, including governance, risk, strategy, finance and management relations.
Stakeholder	The Stakeholder quadrant focuses on the essential interaction between directors and stakeholders. This is the outward focus directors need to consider in carrying out directorship responsibilities. It reflects relationships beyond shareholders to a broader range of stakeholders. The focus here is on the approach taken by the Board concerning accountability to, and communication and engagement with, key stakeholders.



4 Roles and responsibilities of the Board

The Board sets the overall policy, strategy and direction 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 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 a 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, staff, 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 Board has delegated to the Managing Director (through the **Instrument of Conferral of Powers and Authority**), and through the Managing Director to other Executive team members (**Delegations Manual**), responsibility for the day-to-day management of Sydney Water. The scope of, and limitations to, these delegations are clearly documented and cover areas such as operating expenditure, capital expenditure and investments.

Relevant governance documents
4.a. Constitution
4.b. Board Charter
4.c. Instrument of Conferral of Powers and Authority
4.d. Delegations Manual



5 Duties of Directors

A Director's duty as a Director of Sydney Water is derived from the common law and from statute. In particular, Schedule 10 of the SOC Act sets out many of the same duties imposed on Directors under the *Corporations Act 2001*. Generally, Directors are required:

- to act honestly in the exercise of their powers as a Director
- to exercise reasonable care and diligence
- to avoid conflicts of interest and disclose conflicts of interest that may already exist
- not to make improper use of their position as a Director or information obtained by virtue of their position as a Director.

At common law, Directors are required to:

- act in good faith and in the best interests of Sydney Water as a whole
- exercise such a degree of skill and care as might reasonably be expected from someone of their skill and experience holding a directorship
- avoid conflicts of interest.

In addition, there is other legislation which may impose specific obligations on Directors. For example, the *Work Health and Safety Act 2011* imposes due diligence requirements on officers (which includes Directors) to take reasonable steps to ensure that Sydney Water complies with its work health and safety obligations.

5.1 Conflicts of interest

Schedule 10 of the SOC Act and Articles 17.2 and 17.3 of Sydney Water's Constitution deal with disclosure of Directors' interests and conflicts of interest. Generally, Directors are required to disclose direct or indirect material personal interests in matters being considered by the Board and remove themselves from decision-making on such matters.

"Material personal interest" is not defined in the SOC Act or the Constitution. It is intended to be a broad concept, which focuses on interests that either have the potential, or could be perceived as having the potential, to influence decision-making on matters that come before the Board for consideration and decision.

There is provision under Article 17.3 of Sydney Water's Constitution to allow the Board to pass a resolution which identifies a Director, their interest and the matter, and recording that the other Directors voting for the resolution are satisfied that the interest should not disqualify the particular Director from considering or voting on the matter.



6 Board structure and composition

6.1 Board structure

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.

The profiles of current Directors can be found on Sydney Water's website.

6.2 Director appointments

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

Prior to such an appointment, there is an extensive and robust process involving a number of key stakeholders in selecting and appointing the appropriate candidate to the role of Director, as explained below.

6.3 Chair

Appointed by the Shareholder Ministers, the Chair has stewardship of the Board and presides over Board meetings. The Chair takes the primary role in conducting the Board's relationship with the Shareholder Ministers and the Portfolio Minister.

During the time between convened Board meetings, the Chair keeps in contact with the Managing Director and keeps the Directors apprised of relevant information. The Chair consults with the Managing Director and Corporate Secretary to determine the Board's meeting agenda.

6.4 Managing Director

It is usual for the person who holds the office of Chief Executive Officer (**CEO**) (appointed on the recommendation of the Board) to also be appointed as a Director by the Voting Shareholders.

Under Sydney Water's Constitution, the CEO may be appointed as a Director, and may be known as the "Managing Director".

The Managing Director has day-to-day management of Sydney Water. The Managing Director is accountable to the Board through the Instrument of Conferral of Powers and Authority, an Employment Agreement and a Performance Agreement.



The Managing Director's performance is reviewed at least annually, by the Remuneration Committee.

The Managing Director's Employment Agreement and remuneration are set by the Portfolio Minister on the Board's recommendation.

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

6.5 Tenure of Non-Executive Directors

Under the Sydney Water Constitution, Directors are appointed for a fixed term, which is set out in an Instrument of Appointment. Under the SOC Act, the term of appointment is not to exceed five (5) years. Directors are generally appointed for terms usually of about three (3) years.

6.6 Retirement, re-appointment & removal of Non-Executive Directors

At the expiration of a term of appointment, a Director is eligible for reappointment. Directors are generally appointed for no more than a total of three (3) terms of about three (3) years each term.

Directors may retire from office before the expiration of their term of appointment upon giving notice in writing to Sydney Water.

The Governor, on the recommendation of the Voting Shareholders, may remove a Director from office before the expiration of their term.

6.7 Nominations committee

The Board of Sydney Water has established a Nominations Committee pursuant to article 19.11 of the Sydney Water Constitution with the objective and purpose to assist the Board in fulfilling its corporate governance responsibilities with regard to Director appointments and re-appointments.

The Board has also adopted a Nomination and Appointment Procedure which sets out the process, timeframes and accountabilities for the appointment or re-appointment of Directors. The objective of this procedure is to assist Sydney Water in making recommendations to its Voting Shareholders about appointment and re-appointment of Directors.

6.8 Induction of new Directors and ongoing development

New Directors are required to undergo an induction program to allow them to engage in decision-making at the earliest opportunity. To be effective, new Directors should have a good understanding of the business and its 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.



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.

6.9 Corporate Secretary

The Corporate Secretary is appointed by the Board in accordance with Article 23 of the Sydney Water Constitution. The Corporate Secretariat team is accountable for governance operations within Sydney Water. The Corporate Secretary has a separate reporting line to the Chair.

The Corporate Secretary and their team work in partnership with all areas of Sydney Water in order to deliver an effective and efficient corporate governance framework which supports the Corporate Strategy, and enables Sydney Water to achieve its objectives.

6.10 Board skills matrix

A skills matrix identifies the skills, knowledge, experience and capabilities desired of a Board to enable it to meet both the current and future challenges of an organisation. The creation of a matrix is also an opportunity for reflection on how the Board is constituted and also how it believes it should best be constituted in the future to align with Sydney Water's Strategy.

It is not expected that all Directors will have all specialist skills in all areas. Rather, the Board as a whole needs to have the specified skills identified as being necessary.

The Board has approved eleven (11) specialist skills¹, as follows:

- Stakeholder Engagement
- Digital Transformation
- Culture and People
- Regulatory and Law
- Innovation
- Corporate Board Experience
- Capital Management and Infrastructure Finance
- CEO Experience
- Health
- Environment
- Engineering/ Construction/ Safety.

The Board approved four (11) qualifying skills, which are gateway skills required by **each** Director:

- Financial Literacy
- Risk Management

¹ The Board skills matrix does not specifically address the additional skillsets and experience that may be approved by the Nominations Committee from time to time

- Commercial/ Business Acumen
- Strategy Development

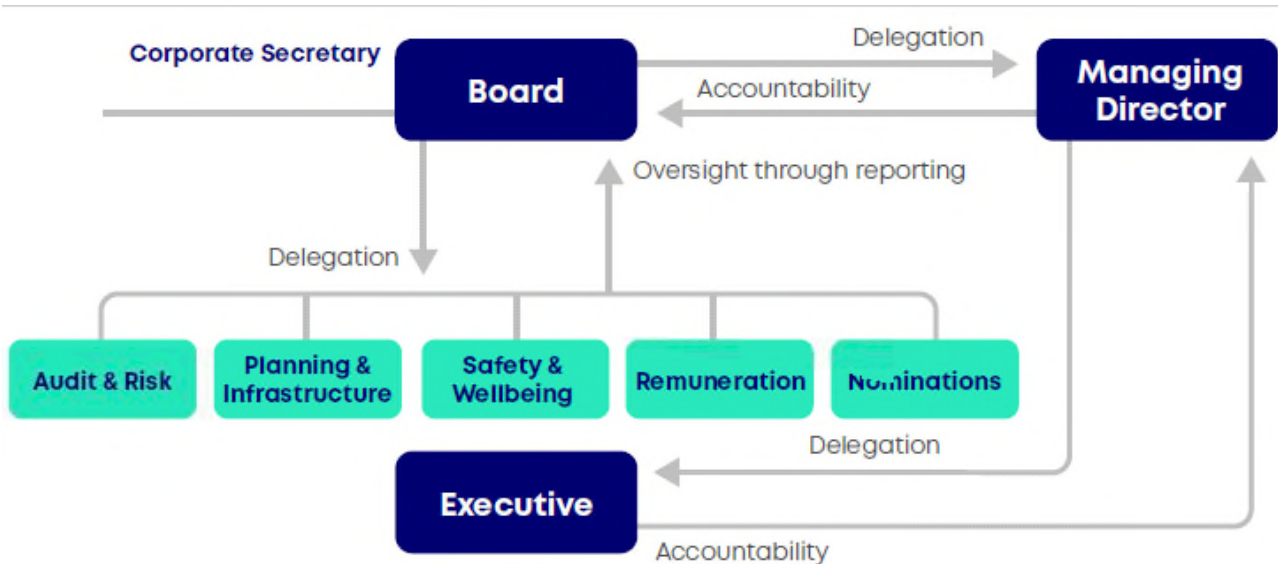
For each of the approved skills, the Board has:

- identified the desired level of competency for each skill. The competency level for each skill is on a scale from one (1) to five (5), with five (5) being considered an expert for that skill
- set a target for the number of Directors at the desired competency level for each skill
- undertaken a self-assessment against the approved skills based on each Director's knowledge, skills and experience.

Relevant governance documents
6.a. Board Nominations and Appointments Procedure
6.b. Induction Procedure for Directors
6.c Director Professional Development Policy

7 Operations of the Board

A graphical representation of Sydney Water's governance structure is set out below.



7.1 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 purpose of each Committee is set out below. The number of meetings held by each Committee during the financial year is set out in its respective Charter. All Directors are invited to attend Committee meetings.




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.
Remuneration (standing)	To assist the Board to oversee the remuneration of Sydney Water's senior executives (Managing Director, General Managers, and Individual Contract Employees).
Safety & Wellbeing (standing)	To assist the Board to oversee Sydney Water's safety and wellbeing strategy and performance.
Nominations (ad hoc)	To assist the Board to oversee the appointment and re appointment of directors.

7.2 Performance of the Board, committees and individual Directors

The Board acknowledges the importance of the regular review of its own performance and effectiveness, as well as the performance and effectiveness of its Committees and individual Directors.

In line with the Board Charter, the Board assesses its performance, including the performance of its Committees, at least annually. An external facilitator will be engaged to assist with the review every third year.

As required by NSW Treasury, the Board discloses whether an evaluation was conducted and how, each year in its Annual Report.

7.3 Remuneration of Directors

The Shareholder Ministers determine Director remuneration. In November 2019, the Premier reclassified Sydney Water Board in accordance with the *Classification and Remuneration Framework for NSW Government Boards and Committees* (the Framework) to A6.

7.4 Board access to information and independent professional advice

Directors have access to Sydney Water management via the Corporate Secretary. Management is expected to provide regular detailed financial and operational reports in a form and timeframe and of a quality that enables the Board to discharge its duties effectively. Directors may request additional information where necessary to make informed decisions.

The Board Charter sets out the circumstances and procedures pursuant to which a Director may seek independent professional advice at Sydney Water's expense.



7.5 Meetings

7.5.1 Board meetings

The Constitution allows Directors to meet and regulate their meetings and proceedings, as they think fit. With the exception of January and June, the Board usually meets monthly. The schedule of Board meeting dates is settled annually in advance. Board meetings are generally located at the Parramatta Head Office unless agreed otherwise. From time to time, the Board holds offsite meetings, such as at a Sydney Water operational site.

A quorum for Board meetings is established by four (4) Directors being present in person or by proxy (see Article 19.6 of the Constitution).

Agendas and papers are published through an electronic Board paper application and minutes are recorded for all Board meetings.

7.5.2 Committee meetings

Each Standing Committee meets three (3) to five (5) times a year, or as otherwise deemed appropriate. Each ad hoc Committee meets as required. The quorum for each Committee is set out in its Charter.

Similarly, agendas and papers are published through an electronic Board paper application and minutes are recorded for all Committee meetings.

7.6 Participation in meetings

Directors may participate in meetings by telephone, video or other means of instantaneous communication. Questions arising at Board and Committee meetings are usually decided by discussion, consensus and formal resolution.

Specifically for the Board, there is also provision in the Constitution for decisions to be determined by a majority of votes. In the event of an equality of votes, the Chair has a casting vote. The Chair has discretion as to whether or not to use the casting vote and the way that it is to be used.

The record of attendance at Board and Committee meetings is disclosed in the annual Financial Statements and Annual Report.

7.7 Written Resolutions

Decisions of the Board are normally reached at a Board meeting. However, Article 19.14 of the Sydney Water Constitution allows for a resolution in writing to be signed out of session by all the Directors who are for the time being in Australia or all the members of a Board Committee who are in Australia. These decisions are known as written resolutions.

It is considered good corporate governance for written resolutions to be used sparingly and be limited for matters that are not controversial and do not require Board discussion.

7.8 Strategy days, workshops and offsite visits

The Board may from time to time hold strategy days and workshops to assist Sydney Water setting and adopting objectives, goals, management plans and overall strategic direction. Attendances at



strategy days and workshops are not characterised as a meeting of the Board or Committee. No formal minutes are recorded.

Further, the Board may visit Sydney Water operational assets, and these are usually arranged in conjunction with Board or Board Committee meetings.

Relevant governance documents
7.a. Audit & Risk Committee Charter
7.b. Planning & Infrastructure Committee Charter
7.c. Remuneration Committee Charter
7.d. Safety & Wellbeing Committee Charter
7.e. Nominations Committee Charter

8 Stakeholder engagement

Sydney Water's focus is on customers and the community in which it operates.

Face-to-face interaction, communication, negotiation, shared thinking and planning, and collaborative action are the things Sydney Water does to support the health and growth of its strategic long-term relationships.

Sydney Water's approach is outlined in the Policy and Guidelines for Community and Stakeholder Relations. There is also an overarching strategy and tailored engagement plans for projects and key partnerships. These plans have been based on several years of stakeholder perception planning and align to Sydney Water's Strategy.

8.1 Benefits of engagement

Engagement helps Sydney Water align its decision-making with societal needs and expectations, helping it to build trust and acceptance within the communities in which it operates, and to exert influence at the policy level.

8.2 Customer

Customers are naturally one of our key stakeholders. A customer is anyone who interacts with Sydney Water's products and services.

Customer-led organisations know who their customer are, apply a customer lens to everything they do and can clearly articulate customer outcomes and benefits. To improve the customer experience, Sydney Water puts itself in the shoes of its customers, listens to our customers' needs, wants and expectations and then designs solutions with these in mind. We asked our customers what they valued and expected from us and they told us. From this, we developed our Customer Promises to meet the needs and expectations of customers, now and in the future.

Sydney Water's Customer Promises are:

We'll keep services
reliable and **affordable**



We'll be **proactive**
and **easy to deal with**



We'll **involve you** and
plan for our future



Being a **customer centric organisation** means keeping and delivering these promises



8.3 Community advisory committee

Sydney Water's Customer Council was established in accordance with Sydney Water's Operating Licence. Sydney Water's new Operating Licence 2019-23 mandated a review of the established Customer Council be completed by 30 June 2020. Following the review, it is proposed that the Community Advisory Committee ('the Committee') was established to replace the Customer Council.

The Committee acts as the main indirect engagement channel within Sydney Water's broader customer engagement portfolio, in addition to the direct engagement activities with customers and other end users and other customer insights activities. This program aims to bring the voice of our customers into our corporate, business, and strategic planning processes so that decisions and outcomes are shaped by our customers' priorities and preferences.

The committee meets four times a year and currently includes key organisations that represent our customers. Sydney Water, at its discretion, may also invite a customer engagement expert to advise Committee members on best practices in customer engagement and provide independent quality assurance for Sydney Water's engagement methodology.

8.4 Customer engagement

The *Operating Licence 2019-23* also requires Sydney Water to conduct direct customer engagement with our customers that is relevant, representative, proportionate, objective, clearly communicated, and accurate.

In 2018, we conducted a year-long, comprehensive engagement program to inform our regulatory proposals with and ongoing business decisions, as well as to build our customer engagement capability we need to meet this requirement. The engagement was conducted across three phases. To capture the views of as broad a range of customers as possible, the engagement was conducted through:

- deliberative forums;
- focus groups with businesses, culturally and linguistically diverse (CALD) customers, and financially vulnerable groups;
- interviews with significant business customers and members of the Customer Council; and
- online surveys.

We listened to our customers and adapted our plans to align with what they want and are willing to pay for. Information from customer engagement was a key input to decisions on regulated service standards, proposed pricing structures and specific projects.

We will continue to engage and collaborate with our customers to inform our future business decisions and regulatory proposals.

8.5 Sydney Water's other key stakeholders

Sydney Water tracks its strategic stakeholder relationships through an online tool called Consultation Manager. All Sydney Water staff who have stakeholder engagement responsibilities are given access to this tool, and are expected to capture significant stakeholder engagement. Access to Consultation Manager is managed by the Media and Government Relations team (StakeholderEngagement@sydneywater.com.au).

Our stakeholders are organised into the following segments:

Stakeholder Segment	Examples of Stakeholder Segments
Customers	Customer Council, Deliberative forums
Council	Officers in local councils, including communications contacts
Council (Elected Official)	Mayors and councilors
Regulator	EPA, IPART, NSW Health
Member of Parliament	Member of Parliament
Member of Parliament (Officer)	Staff in MP offices
Social Advocacy Group	Organisations advocating for social and environmental issues
Industry Association	Organisations representing peak bodies of industries relevant to Water, including stormwater/catchment groups and council associations
Utilities and Water Authority	Entities similar to Sydney Water, plus gas and power companies
Developer	Major private sector developer companies
Policy Network	Organisations Sydney Water partners with or are members of to further policy thinking on water and wastewater
Education Institutions	Academic institutions Sydney Water has partnerships with
Media	Journalists, reporters and editors
Sponsorship Partner	Organisations Sydney Water sponsors/partners with
State Government	NSW Govt departments and agencies excl Regulators
Union	Union representing Sydney Water staff

Every year, Sydney Water measures feedback from these stakeholder segments through the Annual Stakeholder Perception Audit.

Relevant governance documents
8.a. Enterprise Stakeholder Engagement Plan
8.b. Community Advisory Committee Charter
8.c. Reputation Framework



9 Ethical conduct and responsible decision making

The Board leads by example and sets the tone from the top when it comes to acting ethically and responsibly and has charged management with the responsibility for creating a culture within Sydney Water that promotes ethical and responsible behaviour. Ethical and responsible behaviour is characterised by decisions that are made in the best interests of Sydney Water that are aligned to our values and consistent with our legislative obligations and commitment to our customers.

9.1 Sydney Water's ethical framework

Sydney Water is an important custodian of public trust. Sydney Water's customers rely on it to provide essential services across a large and complex network. With this trust comes an expectation that Sydney Water and its staff will meet certain standards of behaviour and operate as a responsible business.

The Ethical Framework provides the structural foundations to support ethical behavioural standards. The principles for ethical decision-making support staff in making difficult decisions.

9.2 Sydney Water's values

Sydney Water's values are embedded in its Principles for Ethical Decision Making. The values demonstrate what Sydney Water stands for and guides behaviours and decisions at work.

9.3 Sydney Water's signature behaviours

The Signature Behaviours are what Sydney Water expects to see and hear as people live the values. The Signature Behaviours were developed by staff for staff, and if lived, will support Sydney Water's desired constructive culture.

9.4 Directors' code of conduct

The Board has adopted a Code of Conduct based on the principles developed by the AICD and *NSW Treasury Policy and Guidelines Paper – Commercial Policy Framework: Guidelines for Governing Boards of Government Businesses (TPP 17-10)*. It includes alignment with Sydney Water's values, content on personal and professional behaviour, reputation management and, gifts and benefits. The Code of Conduct is reviewed annually.

9.5 Fraud and corruption prevention

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. This supports business efficiency and is consistent with the expectation that staff, suppliers and contractors act honestly and with integrity in their Sydney Water dealings. These expectations on suppliers are detailed in our Supplier Code of Conduct.

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. Sydney Water's disclosure officers are:

Disclosure Roles	Organisation Position
Principal Officer	Managing Director
Disclosures Coordinator	Head of Internal Audit
Disclosures Officer	General Manager, Governance & Assurance
Disclosures Officer	Internal Audit Specialist – Investigations
Disclosures Officer	Corruption Prevention & Ethics Manager

9.6 Diversity and inclusion

Sydney Water is committed to building an inclusive workforce that reflects the multicultural society in which it operates and recognises that this will contribute to a high performing culture, staff satisfaction and improved safety, customer and commercial performance.

Sydney Water's diversity and inclusion objectives include:

- a commitment to increase the participation of diverse groups in our workforce including women, people from culturally and linguistically diverse backgrounds, Aboriginal and Torres Strait Islanders, people with disability and LGBTIQ+.
- supporting the recruitment and retention of Indigenous Australians, providing economic opportunities through procurement activities and embedding respect of Aboriginal and Torres Strait Islander cultures, peoples and knowledge through the implementation of our Reconciliation Action Plan
- build an inclusive workplace that encourages participation and allows staff to fully contribute to the success of the organisation
- harness diversity of thought, experiences and perspectives to build organisational capability and enhance decision making
- to be recognised both internally and externally as a great place to work offer flexible work options to support the workforce participation of diverse groups and help staff manage their personal responsibilities and business and customer needs

9.7 Safety, health & wellbeing

Sydney Water recognises that people are the solution and trust their expertise to work safely. Through integrating safety and wellbeing into business practices and learning from what is done well, Sydney Water drives continuous improvement in safety, health and wellbeing.

The current Safety, Health and Wellbeing Plan focuses on:

- Providing an end-to end approach to developing safety capability, resilience, and recovery from workplace injury
- Utilising a centre-led business partnering model to support internal and contracting stakeholders through coaching and providing expertise
- Understanding Sydney Water's risks and effectively managing them, as well as providing robust lines of assurance
- Fit for purpose systems and processes that consider the requirements of the user and place a strong emphasis on safe work design and safe plant design.

Relevant governance documents
9.a. Living our values: Principles for ethical decision making
9.b. Sydney Water's Ethical Framework
9.c. Directors' Code of Conduct
9.d. Reporting corrupt conduct and ICAC
9.e. Reconciliation Action Plan
9.f. Safety & Wellbeing Policy



10 Integrity in corporate reporting

10.1 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 control, the internal and external audit functions and the effectiveness of the risk management framework and supporting risk management systems.

The Managing Director, the General Manager Finance & Business Performance, General Manager Governance & Assurance, Head of Internal Audit, and representatives from the Audit Office of NSW attend these meetings. Other members of management and advisers may also be invited to attend meetings.

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

10.2 Independence of the external auditor

Sydney Water's external auditor is the Audit Office of NSW who is a statutory authority established under the *Public Finance and Audit Act 1983*.

The Audit Office of NSW conducts financial and performance audits together with examinations of allegations of serious and substantial waste of public money under the *Public Interest Disclosures Act 1994*.

11 Risk Management

11.1 Enterprise risk management framework

The Board is responsible for overseeing the implementation of an effective system of risk management and internal control.

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.

By conforming to the international principles and guidelines Sydney Water is able to manage all forms of risk in a systematic, transparent and coherent manner, and within any scope and context.

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 and is actively managed by the Executive team. The framework structure includes the following:

Document	Purpose
Risk Management Policy	• Defines our approach to protect value from threats and create value from opportunities • Encourages a risk-aware culture • Provides detailed accountabilities for risk
Enterprise Risk Management Framework	• Defines a supporting structure within which risk management is conducted in Sydney Water • Describes how risk management fits into the business
Risk Appetite Statements	• Defines a basis for determining what level of risk is acceptable when making risk-based decisions
Risk Management Standards	• Defines minimum performance requirements for risk management in Sydney Water • Sets out mandatory requirements
Risk Management Guidelines	• Details how to perform individual parts of the risk management process • Provides supporting information/explanation

11.2 Audit and assurance

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, in a business environment of transformation and change. 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 staff to fully cooperate with Internal Audit. The Head of Internal Audit reports to the Chair of the Audit & Risk Committee.

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

Internal Audit operates in compliance with international and professional standards. It uses a mix of a small team of in-house senior auditors and external specialists. Audits are scheduled to minimise any disruption to the business.

Relevant governance documents
11.a. Enterprise Risk Management Framework
11.b. Risk Management Policy

12 Public interest disclosure

Sydney Water is committed to an open and accountable workforce where staff can raise concerns about suspected wrongdoing in Sydney Water without fear of unfair treatment. Staff who allege wrongdoing can help promote integrity, accountability, efficiency and effective management within Sydney Water.

Sydney Water has a policy in place which establishes an internal reporting system for staff to report alleged wrongdoing without fear of reprisal. The policy sets out to whom staff can report wrongdoing in Sydney Water, what they can report and how Sydney Water will deal with the report.

Sydney Water encourages staff to raise concerns at any time with their supervisors and to be aware of all reporting options available, including their rights under the *Public Interest Disclosures (PID) Act 1994*. Sydney Water's PID Disclosure Officers are:

PID Role	Organisation Position
Principal Officer	Managing Director
Disclosures Coordinator	Head of Internal Audit
Disclosures Officer	General Manager, Governance & Assurance
Disclosures Officer	Internal Audit Specialist – Investigations
Disclosures Officer	Corruption Prevention & Ethics Manager



13 Review of corporate governance activities

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.



14 Further information

If you require any further information on the above, please contact the Corporate Secretary c/o corporatesecretariat@sydneywater.com.au



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