

# BOARD CHARTER

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## 1. PURPOSE OF THE CHARTER

This Charter sets out the functions and responsibilities of the Board of the Australian Energy Market Operator Limited (“AEMO” or “the Company”) within the governance structure of AEMO.

## 2. ROLE AND RESPONSIBILITIES OF THE BOARD

- 2.1. The Board is accountable to the Members for the performance of AEMO. The Board also has a responsibility to oversee the conduct of the affairs of AEMO consistent with the objects of its Constitution.
- 2.2. The Board is to manage the business of AEMO and may exercise all the powers of the Company that are not, by the *Corporations Act (Cth)* 2001 or by AEMO’s Constitution, required to be exercised by AEMO in general meeting.
- 2.3. The Board:
  - (a) approves AEMO’s corporate strategies including the annual corporate plan, the annual budget, fees, major capital expenditure and financial plans and monitors compliance with AEMO’s financial reporting obligations and financial performance;
  - (b) oversees and monitors organisational performance and the implementation of the AEMO’s strategic goals and objectives, instilling of AEMO’s values and performance generally;
  - (c) oversees the integrity of AEMO’s accounting and corporate reporting systems, including the external audit;
  - (d) appoints (and where necessary replaces), and assesses the performance of the Chief Executive Officer (CEO), develops succession plans for the CEO and oversees succession plans for the executive leadership team;
  - (e) monitors the culture of AEMO and approves AEMO’s code of conduct to underpin the desired culture within AEMO;
  - (f) monitors compliance with ethical, legislative and regulatory requirements including occupational health and safety, equal opportunity, environmental, corporate governance and reporting obligations;
  - (g) oversees the processes for identifying significant risks facing AEMO, and that appropriate and adequate control, monitoring and reporting mechanisms are in place;
  - (h) satisfies itself that AEMO has in place an appropriate framework for adequate and relevant information to be reported by Management to the Board;
  - (i) whenever required, challenges Management and holds it to account;
  - (j) satisfies itself that AEMO’s remuneration and people management policies are aligned with AEMO’s purpose, values, strategic objectives and risk appetite;
  - (k) monitors the effectiveness of AEMO’s governance systems and practices;
  - (l) approves the appointment and replacement of the company secretary; and
  - (m) regularly reviews the performance of senior executives against measurable and qualitative indicators.

### **3. THE ROLE AND RESPONSIBILITIES OF THE CEO**

- 3.1. The Board has delegated many of its powers to the CEO and may modify or revoke such a delegation at any time.
- 3.2. The CEO is responsible for implementing strategic objectives, policies, the Corporate Plan and the budget of AEMO approved by the Board.
- 3.3. The Board may approve that the CEO sub-delegate responsibility to the Management team.
- 3.4. The CEO must report material matters to the Board with accurate, timely and clear information.

### **4. ROLE AND RESPONSIBILITIES OF THE CHAIRMAN**

- 4.1. The Chairman is an Independent non-executive Director.
- 4.2. The role of the Chairman includes:
  - (a) leading the Board in its duties to AEMO and acting as Chair of Board meetings, managing and providing leadership to the Board, and creating an appropriate environment for robust Board discussion;
  - (b) acting as chairman for general meetings;
  - (c) being available to be consulted by the CEO on significant issues and important initiatives facing the Company between Board meetings;
  - (d) acting as a mentor and sounding board for the CEO, while monitoring his or her performance;
  - (e) oversight of the processes and procedures in place to evaluate the performance of the Board, its committees and individual Directors;
  - (f) responding promptly and comprehensively to concerns raised by other Directors;
  - (g) taking leadership on corporate governance issues, including making him or herself aware of Directors' and executives' conflicts of interests and managing any such conflicts;
  - (h) reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board;
  - (i) liaising with the CEO and Company Secretary to assist the Board in reviewing the information flow to the Board to assist the Board in effective decision making;
  - (j) leading the Board in succession planning and appointment and reappointment of directors;
  - (k) exercising such specific and express powers as provided under AEMO's constitution or delegated to the Chairman by the Board from time to time; and
  - (l) setting the agenda for Board meetings in consultation with the CEO.

### **5. ROLE AND RESPONSIBILITIES OF THE COMPANY SECRETARY**

- 5.1. The Company Secretary is accountable directly to the Board, through the Chairman, on corporate governance matters and all matters to do with the proper functioning of the Board.

- 5.2. The role of the Company Secretary is to:
- (a) advise the Board and its Committees on governance matters;
  - (b) act as the representative of the Company with ASIC;
  - (c) monitor that the Board and Committee policies and procedures are followed;
  - (d) coordinate the timely completion and dispatch of Board and Committee papers;
  - (e) retain master copies of all Board business, including agendas, Board reports, minutes and all statutory and other filings relating to the Board and company administration;
  - (f) capture the business of Board and Committee meetings in minutes;
  - (g) organise and facilitate the induction and professional development of Directors as directed by the Board; and
  - (h) facilitate the flow of information to the Board.
- 5.3. All Directors are entitled to direct access to the Company Secretary and vice versa.

## **6. MATTERS RESERVED TO THE BOARD**

- 6.1. The following matters are reserved to the Board:
- (a) appointment, remuneration and where necessary replacement of the CEO;
  - (b) provide selection documentation, with advice on the desired skills and selection criteria for candidates to fill director vacancies, to the Board Selection Panel;
  - (c) establishment of Board Committees, their membership, charters and delegated authorities, and appointment of Board Committee chairs;
  - (d) approval of corporate governance principles, policies and related public documents;
  - (e) approving AEMO's code of conduct;
  - (f) approval of AEMO's annual budget and financial statements;
  - (g) delegation of authority to the CEO and Management and any changes to the authority delegated;
  - (h) calling meetings of members;
  - (i) approval of AEMO's strategic objectives and approval of the Corporate Plan;
  - (j) recommending the Annual Directors' Remuneration Pool to Members and annual remuneration for each Director;
  - (k) assessment of the performance of the Board, Directors and CEO;
  - (l) appointment of the external auditor; and
  - (m) any other specific matters nominated by the Board from time to time.

## **7. COMPOSITION OF THE BOARD**

- 7.1. The Constitution governs the appointment and reappointment of Directors.
- 7.2. The Board is comprised of a minimum of five and a maximum of 10 Directors.
- 7.3. The Board must comprise a majority of Independent Directors.

7.4. The Constitution requires that the Board comprise Directors having certain skills and experience and that a minimum of three Directors and a maximum of six non-executive Directors must have industry experience.

7.5. The Chairman of the Board must not be the CEO or Managing Director of AEMO.

## **8. DIRECTOR APPOINTMENTS**

8.1. The Constitution governs the appointment and reappointment of the Chairman and all other Directors except the CEO.

8.2. New Directors are provided with formal letters setting out the key terms and conditions of their appointment.

## **9. INDUCTION & CONTINUING PROFESSIONAL EDUCATION**

9.1. New Directors are required to undertake induction training, tailored to their existing skills, knowledge and experience on AEMO's strategy, structure, operations, culture, key risks and material sites.

9.2. Directors are required to undertake periodic continuing professional education to deal with new and emerging business and governance issues.

## **10. INDEPENDENCE**

10.1. A Director is considered to be Independent if the Director satisfies the criteria for Independence as set out in the Constitution.

10.2. Directors must regularly assess the Independence of each Director in light of the interests disclosed by them, and will conduct a formal review at least annually.

10.3. Each Independent Director must provide the Directors with all relevant information for this purpose.

10.4. The Directors must disclose to Members, in a timely fashion, any matter or circumstance which may affect a Director's status as an Independent Director.

## **11. CONFLICT OF INTEREST**

11.1. The Board has adopted a Directors' Interests Protocol (Protocol) which sets out guidelines for managing conflicts of interests.

11.2. Directors must disclose interests in accordance with the Protocol.

## **12. PERFORMANCE EVALUATION**

12.1. The Board will conduct an annual evaluation of its performance, which review may be conducted internally or by an external facilitator.

- 12.2. The review will be of the Board as a whole, individual Directors and the governance processes which support the Board. Board Committees will be reviewed every second year.

### **13. BOARD PROCESS**

#### 13.1. Board meetings

- (a) The Board will meet as often as Directors consider necessary to fulfil their duties and responsibilities and to meet the demands of the business. The Board will usually meet at least eight times each year.
- (b) The meetings can be held by technological means consented to by all Directors (such as via telephone or video conference).
- (c) A Director may at any time convene a meeting of the Directors.
- (d) Notice must be given to all Directors specifying the time and place of meeting. Such notice may be given immediately before the meeting. However, preferably notice will be given not less than 48 hours prior to the meeting.
- (e) Directors should attend all Board meetings and their designated Committee meetings. If a Director is unable to attend a meeting they should inform the Company Secretary that they should be recorded as an apology. If they are unable to attend a number of consecutive meetings then leave of absence should be sought from the Chairman.
- (f) The agenda and Board papers will usually be provided to Directors at least five days prior to the relevant Board meeting.
- (g) Decisions are made by a majority of Directors present and entitled to vote.

- 13.2. Notwithstanding rule 9.7 in the Constitution, a quorum for a meeting of Directors is a majority of Directors present in person or by technology. The quorum must be present for the entire meeting.

- 13.3. Non-Executive Directors will meet periodically without the presence of Executive Directors or Management to address such matters as succession planning, Board operation and effectiveness.

#### 13.4. Board Committees

The Board may from time to time establish committees to assist in carrying out its responsibilities and adopt charters setting out matters relevant to the composition, responsibilities and administration of such committees.

As at the date of this charter, the Board has established the following Committees:

- (a) Risk and Audit Committee which assists the Board in satisfying itself that AEMO is complying with financial management, risk oversight and management, internal control and compliance with relevant laws and policies;
- (b) People and Remuneration Committee which assists the Board in fulfilling its responsibilities for people management, remuneration, diversity and culture;
- (c) Technical and Regulatory Committee which assists the Board in oversight and governance of technical and regulatory matters, emerging and future technologies and general technical issues; and
- (d) Nomination Committee which assists the Board in fulfilling its responsibilities in relation to the appointment, induction, ongoing skills and experience of Directors, Board composition, CEO recruitment, and succession planning for Directors.

An AEMO Director is also appointed as Chairman of the Information Exchange Committee which is a statutory body established under the National Electricity Rules responsible for developing and making recommendations on changing B2B Procedures.

- 13.5. The Board may also delegate specific functions to ad hoc committees from time to time. The powers delegated to such committees will be described in board resolutions.
- 13.6. Directors are encouraged to attend meetings of Committees of which they are not a member in an *ex officio* capacity.

## **14. CODE OF CONDUCT**

- 14.1. The Company's code of conduct sets out required standards of behaviour, and legal and other obligations applicable to Directors, employees and contractors.
- 14.2. Directors, employees and contractors will be given a copy of the code of conduct when joining AEMO.

## **15. INDEPENDENT PROFESSIONAL ADVICE**

- 15.1. The Board or a Committee may seek independent professional advice at the Company's expense whenever the Board or Committee (as applicable) determines that such advice is necessary for the Directors to discharge their responsibilities as Directors.
- 15.2. A Director may individually seek independent professional advice at the Company's expense where:
- (a) the Director reasonably considers, after consulting with the Chairman, that obtaining independent advice is appropriate;
  - (b) the Chairman consents to the Director obtaining the advice (such consent not to be unreasonably withheld); and
  - (c) advice obtained at the Company's expense must be made available to the Company except where the advice is obtained in respect of CEO or his or her role.

## **16. COMMUNICATION OF INFORMATION**

- 16.1. The Board will determine a communications framework to provide for effective communication between the Board and AEMO's members and stakeholders.
- 16.2. Communications between the Board and stakeholders will occur via the Chairman or CEO (as appropriate). Other Directors should not assume this role without prior approval from the Chairman.

## **17. CHARTER REVIEW**

- 17.1. The Board will review this Charter annually, after the annual Board performance assessment.
- 17.2. Any amendments to this Charter, other than updates for branding or position titles, must be approved by the Board.