



# Board Charter

Waterco Limited

Adoption date: 1 July 2020

## 1. INTRODUCTION

### 1.1 ASX Recommendations

This charter has been drafted in accordance with the ASX Recommendations. In particular, this charter satisfies ASX Recommendation 1.1 which requires a listed entity to have a board charter that sets out the respective roles and responsibilities of its board and management, and those matters expressly reserved to the board and those delegated to management.

### 1.2 Purpose of the charter

This document sets out the key responsibilities and roles of the Board of the Company.

### 1.3 Who does the charter apply to?

This charter applies to the Company, its Directors and Employees.

### 1.4 Definitions

- (a) **ASX** means the Australian Securities Exchange.
- (b) **ASX Recommendations** means ASX Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition).
- (c) **Audit Committee** means the audit committee of the Board.
- (d) **Board** means the board of directors of Waterco Limited.
- (e) **Company** means Waterco Limited ACN 002 070 733.
- (f) **Directors** means officers of the Waterco Group.
- (g) **Employees** means any person employed by the Waterco Group on a full-time, part-time or casual basis.
- (h) **Remuneration Committee** means the remuneration committee of the Board.
- (i) **Waterco Group** means Waterco Limited ACN 002 070 733 and each of its wholly owned subsidiaries.

## **2. OVERRIDING RESPONSIBILITIES**

2.1 The Board is committed to:

- (a) protecting the interests of shareholders and other stakeholders in the Company (such as Employees, business partners, customers and the community as a whole);
- (b) promoting and maintaining good corporate governance structures throughout the entire Waterco Group to facilitate the growth of the Company while managing risks and being accountable to stakeholders;
- (c) acting ethically, responsibly, efficiently, honestly and fairly; and
- (d) acting in accordance with all applicable laws and regulations.

## **3. KEY ROLES**

3.1 The Board is ultimately responsible for the business and management of the Company. Taking into consideration the ASX Recommendations, the Board acknowledges that their key responsibilities are:

- (a) overseeing the business and strategic direction of the Company in order to maximise performance and generate appropriate levels of shareholder return;
- (b) defining the Company's purpose, setting its strategic objectives and defining the Company's culture and values;
- (c) appointment, evaluation and removal of:
  - (i) the chairman;
  - (ii) the chief executive officer;
  - (iii) the chief financial officer; and
  - (iv) the company secretary;
- (d) ensuring that management establishes and follows an appropriate system of internal controls, risk management and legal compliance;
- (e) reviewing the performance and implementation of corporate strategies by senior management and ensuring that senior management have the necessary resources to do so;
- (f) approving and supervising significant capital expenditure, capital management, acquisitions and divestments;
- (g) approving and monitoring annual budgets, major capital expenditure and strategic plans;
- (h) approving and monitoring financial, corporate and other reporting made to shareholders

and the ASX under the continuous disclosure regime, including the external audit;

- (i) ensuring that the Company has an appropriate risk management framework (for both financial and non-financial risk), setting the Company's acceptable risk appetite within which the Board expects management to operate;
- (j) satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board;
- (k) approving the Company's remuneration framework, ensuring that framework is aligned with the Company's purpose, value, strategic objectives and risk appetite and ensuring that remuneration package is sufficient to attract, retain and motivate senior executives;
- (l) where required, challenging management and holding it to account; and
- (m) monitoring the effectiveness of the Company's governance practices.

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

4.1 Certain decisions are expressly reserved to the Board as it is ultimately responsible for the growth, strategic direction and success of the Company. These decisions involve approvals and determinations relating to the following matters:

- (a) annual budgets and strategic plans;
- (b) extension into new areas of business;
- (c) annual reports and accounts;
- (d) major changes to capital structure;
- (e) dividend policy and the declaration of dividends;
- (f) significant capital expenditure, capital management, acquisitions and divestments;
- (g) major changes to the corporate structure, management and control structure;
- (h) appointment and removal of:
  - (i) the chairman;
  - (ii) the chief executive officer;
  - (iii) the chief financial officer; and
  - (iv) the company secretary;
- (i) the independence of Directors;
- (j) the Company's remuneration framework; and

- (k) the Company's statement of values and code of conduct.

## **5. ROLE OF COMPANY SECRETARY**

5.1 The company secretary is appointed by and accountable to the Board and has particular responsibility for:

- (a) advising the Board and its committees on governance matters;
- (b) monitoring whether Board and committee policy and procedure is being followed;
- (c) coordinating timely completion of Board and committee papers;
- (d) ensuring that business conducted at Board and committee meetings is accurately recorded in the minutes; and
- (e) helping to organise the induction and professional development of Directors.

## **6. ROLE OF THE CHAIRMAN**

6.1 The chairman is appointed by the Board in accordance with the Constitution and is responsible for:

- (a) leading the Board;
- (b) facilitating the effective contribution of all Directors in Board meetings;
- (c) promoting constructive and respectful relations between Directors and between the Board and management;
- (d) ensuring the efficient organisation and conduct of the Board's function; and
- (e) approving Board agendas and ensuring that adequate time is available for discussion of all agenda items, including strategic issues.

## **7. ROLE OF MANAGEMENT**

7.1 The key responsibilities of management are:

- (a) managing and administering the day-to-day operations of the Company and its businesses in accordance with the purpose, values, strategy, business plans and policies approved by the Board;
- (b) reporting regularly to the Board with accurate, timely and clear information about the Company's operations to enable the Board to perform its responsibilities;
- (c) developing strategies for the Company, its businesses and management, and make recommendations to the Board on such strategies;
- (d) developing the Company's annual budget and conduct the Company's activities within the approved annual budget;

- (e) developing strategies for the Company to maintain a strong balance sheet and sound credit rating over time;
- (f) developing and maintaining the Company's risk management systems, including internal compliance and control mechanisms and ensure the Company is operating within the risk appetite set by the Board;
- (g) ensuring compliance with the Company's continuous disclosure obligations;
- (h) recommending to the Board significant operational changes, and major capital expenditure, acquisitions or divestments, which are beyond delegated thresholds;
- (i) implementing the policies, processes and codes approved by the Board;
- (j) exercising such additional powers as are delegated to management by the Board from time to time; and
- (k) instilling and reinforcing the Company's purpose and values to support a culture that promotes ethical and responsible behaviour.

## **8. BOARD COMMITTEES**

8.1 The Board may from time to time establish committees to assist in the discharge of its responsibilities. As at the date of this charter, the Board has established:

- (a) an Audit Committee, which is responsible for overseeing the external and internal auditing of the Company's activities; and
- (b) a Remuneration Committee, which is responsible for making recommendations to the Board on remuneration packages for the executive Directors and senior management and undertaking the functions of a nomination committee in making recommendations to the Board for election of new Directors to the Board, re-election of incumbent Directors and for appointment to the committees of the Board.

8.2 The ASX Recommendations recognise that nomination committees may not be required for smaller companies. Due to the size of the Company and its Board, the Board does not consider it necessary to establish a nomination committee. The Board as a whole is responsible for ensuring that the Board has the appropriate size, the balance of skills, knowledge, experience, independence and diversity on the Board that promotes good decision-making for the benefit of the Company as a whole.

## **9. BOARD SKILLS MATRIX**

9.1 The Board recognises that having a diverse range of different skills, backgrounds and experience among its Directors is important for robust decision-making and effective governance of the Company. Below is the matrix of skills and attributes that Waterco seeks to achieve across its Board membership. The matrix is regularly reviewed to ensure it covers the skills needed to address existing and emerging business and governance issues.

General	Governance
<ul style="list-style-type: none"> <li>• Executive and non-executive experience</li> <li>• Leadership</li> <li>• Strategic thinking</li> <li>• Industry experience (local &amp; global)</li> <li>• People and culture</li> </ul>	<ul style="list-style-type: none"> <li>• Governance committee experience</li> <li>• Risk management experience</li> <li>• Knowledge of ethical and fiduciary duties</li> <li>• Commitment to environmental protection and sustainability</li> <li>• Corporate responsibility, health &amp; safety</li> <li>• Stakeholder engagement</li> </ul>
Technical knowledge	Diversity
<ul style="list-style-type: none"> <li>• Legal</li> <li>• Financial</li> <li>• Engineering</li> <li>• Human resources</li> <li>• Regulatory &amp; compliance experience</li> </ul>	<ul style="list-style-type: none"> <li>• Female</li> <li>• Male</li> <li>• Different ethnicities and cultures</li> <li>• Languages other than English</li> </ul>

## 10. BOARD MEMBERSHIP

10.1 The Board is committed to ensuring that there will be at least five Directors of whom a majority will be non-executive Directors, (and where possible independent). The Board will ensure that the gender ratio of the Directors will always be at least 20% female. Consistent with ASX Recommendation 2.3, a director is regarded as independent if that director is free of any interest, position, association or relationship that might influence, in a material aspect, his or her capacity to bring an independent judgment and to act in the best interests of the Company and its shareholders. Examples of interests, positions, associations and relationships that might cause doubts about the independence of a Director include if the Director:

- (a) within the last three years has been employed in an executive capacity by the Company or another Waterco Group member, or has been a Director after ceasing to hold such employment;
- (b) within the last three years has been a partner, director or senior employee of material professional service provider to the Company or another Waterco Group member. At present an advisory relationship or contract where the Company pays in excess of

\$100,000 in a year is regarded as material;

- (c) within the last three years has been in a material business relationship (e.g. as a supplier or customer) with the Company or other Waterco Group member, or an officer of or otherwise associated directly or indirectly with that supplier or customer. At present an advisory relationship or contract where the Company pays in excess of \$100,000 in a year is regarded as material;
- (d) is a substantial shareholder of the Company or an officer of, or otherwise associated with, a substantial shareholder of the Company;
- (e) has material contractual relationship with the Company or another Waterco Group member other than as a Director of the Company. At present an advisory relationship or contract where the Company pays in excess of \$100,000 in a year is regarded as material;
- (f) receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- (g) has close family ties with any person who falls within any of the categories described above; or
- (h) has served on the Board for a period which could compromise his or her independence. The Board has set 10 years as an indicative period for considering this issue, but does not believe that it is appropriate to fix a maximum term as the key issue is the ability of the Director to continue to bring an independent point of view to their role.

10.2 The Board is also committed to ensuring that its members have a broad range of skills, experience, expertise and diversity. This will assist the Board to maximise performance and ensure appropriate levels of shareholder return.

## 11. INDEPENDENT ADVICE

11.1 The Board collectively, and each Director individually, may obtain independent professional advice at the Company's expense, as considered necessary to assist in fulfilling their relevant duties and responsibilities.

11.2 Individual Directors who wish to obtain independent professional advice should seek the approval of the Chairman (acting reasonably), and will be entitled to reimbursement of all reasonable costs in obtaining such advice.

## 12. REVIEW

The Board reviews its performance annually to ensure its effectiveness. This charter will be reviewed periodically as and when necessary to meet the operational requirements of the Company and changes in the law (including the ASX Recommendations).

**13. REFERENCES**

- 13.1 Statement of values
- 13.2 Risk management framework
- 13.3 Remuneration policy
- 13.4 Remuneration committee charter
- 13.5 Audit committee charter
- 13.6 Code of conduct
- 13.7 Diversity and equity policy