

Aurora Energy Corporate Governance Disclosures 2017-18

Aurora Energy is a proprietary limited company enabled under the Electricity Companies Act 1997 (Tas) and incorporated under the Corporations Act 2001 (Cth). As a State-owned Company (SOC), Aurora Energy's Shareholders are the Minister for Energy (as the Portfolio Minister) and the State Treasurer, representing the State Government on behalf of the Tasmanian community.

Aurora Energy adopts both the Corporate Governance Principles (2008) issued by the Tasmanian Government and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition). If a contradiction arises between the two, Aurora Energy complies with the requirements of the Tasmanian Government Principles to reflect the design of these specifically for Government Business Enterprises (GBEs) and SOCs. Additional disclosures against ASX Principles are provided where relevant in this document.

Aurora Energy's Shareholders have issued a series of Guidelines designed to support and complement the Tasmanian Government Corporate Governance Principles. Where applicable, these are referred to in the following disclosures.

Both the Tasmanian Government and the ASX Corporate Governance Principles adopt the "if not, why not" philosophy. Necessary explanations are included in the disclosures along with information specifically recommended under various Principles. Other information Aurora Energy considers useful is also provided.

Both Corporate Governance Principles require certain disclosures in the Company's annual report, particularly in relation to whether the Company met the commitments articulated in its governance policies and charters during the year. These disclosures are included in the Corporate Governance section of the 2017-18 Annual Report which is available on Aurora Energy's website once published.

Similarly, other relevant information can be found on the Corporate Governance page of Aurora Energy's website. These include biographies of the Board and management, Code of Conduct and other relevant governance charters and policies.

Aurora Energy’s 2017-18 Disclosures in relation to the Tasmanian Government’s Corporate Governance Framework and the ASX Corporate Governance Principles and Recommendations.

Principle	Tasmanian Government Framework Descriptor	Application and Disclosures
Principle 1 – Lay solid foundations for management and oversight	Companies should recognise and publish the respective roles and responsibilities of Board and management.	<p><i>Roles and Responsibilities</i> The Board Charter articulates roles and responsibilities of the Board and Committees, each Director, the Chair, CEO and Company Secretary. It also confirms directors’ access to professional advice, corporate information, indemnity and insurance within the terms of the Constitution.</p> <p>Roles and responsibilities of both directors and management are also articulated in role statements or position descriptions respectively.</p> <p>Between the Board Charter and Directors’ letters of appointment, key information (as outlined in ASX Recommendation 1.3) is provided to directors. Similarly, management is appointed by written contract with key responsibilities, terms and conditions included.</p> <p>The Board’s Delegation Policy specifies Matters Reserved to the Board as well as the powers delegated to management and their respective limits.</p> <p><i>Company Secretary</i> Under the Constitution, the Board approves the appointment and removal of the Company Secretary. Under the Charter, the role of the Company Secretary is accountable to the Chair for all matters relating to the proper functioning of the Board and this is included in the Company Secretary’s annual performance assessment.</p> <p>Under the Board Charter and Directors’ appointment letters, all directors have ready access to the Company Secretary.</p> <p><i>Board and Management Evaluation Processes</i> The Board Charter recognises the value of annual reviews of the Board, its Committees and directors. The process for evaluations is in line with the Guideline, “Assessing Board Performance”, issued by Shareholders, and outlined in the Charter.</p> <p>Management is formally evaluated at least annually. Performance Plans, incorporating relevant performance indicators, for the CEO and the Leadership Team are agreed in July each year. Progress reports are provided mid-year and performance reported to the Board Appointments and Remuneration Committee at the end of each financial year.</p> <p><i>Public Accountability</i> Along with the Portfolio Minister, and in accordance with Aurora Energy’s Constitution, the Chair and CEO appear before and respond to Parliamentary Scrutiny Committee(s) as invited.</p> <p><i>Diversity</i> The Board Charter acknowledges the importance of diversity and the “Board Appointments Guideline” issued by Shareholders addresses the need for diversity to be considered as part of the Director selection process.</p>

		<p>More broadly, the value of diversity is embedded in Aurora Energy’s policies and practices. Collectively, Aurora Energy’s Code of Conduct and human resources policies address the need for fair, equitable and merit-based appointments and access to opportunities.</p> <p><i>Reporting and Disclosure</i> The Governance page on Aurora Energy’s website contains the Board Charter, Committee Charters, Code of Conduct, Matters Reserved to the Board and relevant policies.</p>
<p>Principle 2 – Structure the Board to add value</p>	<p>Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</p>	<p><i>Board Composition</i> Aurora Energy’s Constitution prescribes the size of the Board to be a maximum of five directors. Under the Constitution, directors are usually appointed for terms of three years while the Chair is appointed by the Shareholders at the Annual General Meeting each year.</p> <p><i>Director Appointments</i> The Shareholders appoint directors to the Board on the recommendation of the Director Selection Advisory Panel. Typically, the Panel is established by the Shareholders under the “Board Appointments Guideline” and chaired by a Shareholders’ representative. The Board Chair is a member of the Panel for a new Director. An independent member with relevant governance, industry or Board appointment expertise can also be appointed to the Panel. In July 2018 a selection process is underway to recruit both a new Director and Board Chair, the current Board Chair is a member of this Panel.</p> <p>The Board Chair liaises with the Panel Chair regarding Board refreshment and succession requirements, as well as the optimal set of skills and experience required between Board members.</p> <p>The processes for appointment are specified in the Guideline and, amongst other things, include the consideration of diversity and independence, and requirements for conducting due diligence, probity and background checks. A separate “Guideline for Appointing the CEO as a Member of the Board” is also available to the Director Selection Advisory Panel.</p> <p>The Board, through the Chair, is consulted if an incumbent director is available for reappointment. Results of the Board evaluation process are provided to the Director Selection Advisory Panel as appropriate.</p> <p><i>Board Skills Matrix</i> The Board maintains a skills matrix outlining the mix of skills that the Board currently has. It is updated at least annually and shared with the Director Selection Advisory Panel as necessary. A ‘desirable’ skills matrix is a key input into the Board refreshment process.</p> <p><i>Director Induction and Continuing Professional Development</i> The Board Charter recognises the importance of effectively inducting new Directors and the value of continuing professional development for its members. The Board has developed a comprehensive induction program which is administered by the Chair with the support of the Company Secretary and CEO.</p>

		<p>A budget is provided for formal professional development of Directors and requests are discussed with the Board Chair. For the Board as a whole, briefings and presentations are provided during the year to ensure Directors are advised of relevant governance, industry, accounting or other developments.</p> <p><i>Board Independence</i> The Board currently comprises three independent, non-executive directors and one executive director/CEO. The Board Chair is an independent director and is not the CEO.</p> <p>From time to time, the non-executive directors confer without the presence of the executive director or other management.</p> <p>The Board formally assesses the independence of new directors on appointment. The assessment is recorded in the Directors' Standing Register of Interests and disclosed in the biographies of the Board in the Annual Report. Directors are obliged to manage their other interests to preserve their independence and to disclose any change in this status.</p> <p><i>Board Appointments and Remuneration Committee</i> Under its Charter, the Board Appointments and Remuneration Committee monitors succession planning of the CEO, Senior Leadership Team and other key personnel. Further information on the role of this Committee and its membership is included in Principle 8.</p> <p><i>Reporting and Disclosure</i> The Governance page on Aurora Energy's Website contains the biographies of current directors and relevant policies.</p>
<p>Principle 3 – Promote ethical and responsible decision making</p>	<p>Companies should actively promote ethical and responsible decision-making</p>	<p><i>Board Charter</i> The Board Charter commits the Board to maintaining the highest ethical standards. It expects that directors will demonstrate the spirit and intent of its Code of Conduct as well as comply with all applicable legislation, lawful directions from Shareholders and Company policies.</p> <p><i>Code of Conduct</i> Aurora Energy's Code of Conduct applies to all directors, management, employees and contractors and sets out Aurora Energy's values, responsibilities and ethical obligations. The Board Appointments and Remuneration Committee oversees the content of the Code and its integration into the culture of the Company.</p> <p>The Code is clearly referred to in the Directors' Introduction Letters which are signed by the Board Chair. Each director has personally committed to upholding the Code of Conduct.</p> <p>The Code of Conduct is underpinned by other policies and procedures that articulate the expectation to act ethically and responsibly, as well as comply with legislative and regulatory obligations. These include the Compliance Policy, Right to Information Policy, Privacy Policy, Procurement and Probity Policy, Public Interest Disclosures ('Whistleblowers') Policy and Recruitment and Selection Policy.</p> <p><i>Reporting and Disclosure</i> The Governance page on Aurora Energy's website contains the Code of Conduct and relevant policies.</p>

Board Charter

The Board Charter establishes that the Board is responsible for setting and monitoring the strategic requirements for effective corporate and financial reporting as well as ensuring that management has a robust risk management framework and system of internal controls in place to support these critical reporting systems.

Board Audit, Risk and Compliance Committee

The Board has established a Board Audit, Risk and Compliance Committee that assists the Board to discharge its duties in relation to its corporate and financial reporting processes, systems of risk management and internal control, internal and external audit, and compliance.

The Committee currently comprises three independent, non-executive directors. The Committee Chair is an independent Director and is not the Board Chair.

All directors are financially literate and at least two have extensive accounting and financial expertise.

Internal Audit Function

The Committee oversees the internal audit function which is undertaken by a specialist outsourced provider. The Committee approves the annual internal audit plan which includes the high level scope for the planned activities. All internal audit reports are tabled with the Committee and the internal auditors attend all meetings. At its discretion, the Committee consults with the head of internal audit and the outsourced audit provider without management present.

External Auditor

Under the Constitution, the members confirm the appointment of the external auditor at each Annual General Meeting. Under the Audit Act 2008 (Tas), the auditor is the Tasmanian Auditor-General. The auditor attends the Annual General Meeting to discuss any issues with members.

The Committee also meets with the external auditor without management present from time to time.

Approval of the Financial Statements

On behalf of the Board, the Committee reviews the Company's financial statements and associated reports. As part of the end-of-year processes, the Committee ensures the CEO and General Manager Commercial Services (CFO-equivalent) provide the required declarations under S295A of the Corporations Act and formally sign the accounts before it makes any recommendations to the Board.

Annual Reports

In accordance with the Constitution, the Company's Annual Report is provided to Shareholders before the end of October each year. In turn, Shareholders provide the Report to the Tasmanian Parliament.

Reporting and Disclosure

The Governance page on Aurora Energy's website contains biographies of current Committee members, the Committee Charter and relevant policies.

<p>Principle 5 – Make timely and balanced disclosure</p>	<p>Companies should promote timely and balanced disclosure of all material matters concerning the Company.</p>	<p><i>Matters Reserved to the Board</i> Under the Delegation Policy, the Board has specifically retained responsibility for maintaining the Company’s relationship with its Shareholders.</p> <p><i>Shareholder Communications Policy</i> The Board’s Shareholder Communications Policy incorporates underpinning principles for communicating with Shareholders, including the intention to provide timely, factual, complete and balanced information.</p> <p>Importantly, in line with Aurora Energy’s Constitution, it also reiterates the Board’s commitment to continuous disclosure of material matters and significant developments, and the manner in which these will be determined.</p> <p>The Board has processes in place to ensure such issues are recognised and escalated appropriately. The Policy also specifies roles and responsibilities of the Board and management in relation to communication, reporting and disclosure obligations.</p> <p>The Delegation Policy also addresses authorisations to speak to media or comment publicly. Where material matters are involved, protocols exist to ensure Shareholders are informed.</p> <p><i>Disclosure</i> The Shareholder Communications Policy is available on the Governance page of Aurora Energy’s website.</p>
<p>Principle 6 – respect the rights of shareholders</p>	<p>Companies should respect the rights of Shareholders and facilitate the effective exercise of those rights.</p>	<p><i>Constitution</i> Aurora Energy’s Constitution specifies the rights and powers of Shareholders. The Constitution is published on Aurora Energy’s website, on the Governance Page.</p> <p><i>Statement of Expectations</i> Under Aurora Energy’s enabling legislation Shareholders are required to issue a Statement of Expectations to the Board. They set out the Shareholders expectations in relation to the strategic priorities of the Company. Aurora Energy’s Portfolio Minister is required to table the Statement of Expectations in Parliament within 10 sitting days of it being signed and provided to the Board. The Expectations are taken into account in the annual Corporate Plan which is approved by Shareholders before the start of the financial year. The Shareholders and Board agree a set of performance criteria each year that is incorporated into the Statement of Corporate Intent. The Statement of Corporate Intent is published on Aurora Energy’s website, on the Governance Page.</p> <p><i>Shareholder Communications Policy</i> The Board’s Shareholder Communications Policy aims to ensure Shareholders are able to exercise their constitutional rights and powers effectively as well as reflects the Board’s commitment to effective communication with Shareholders.</p> <p>The Policy makes the Company Secretary available to Shareholders, or their representatives, to provide advice and guidance on matters relating to their shareholding and ownership rights.</p> <p><i>Access to Governance Information</i> Aurora Energy’s website contains an easily-accessible Governance landing page. The Governance page contains its corporate codes, charters and policies, director and senior management biographies, annual reports and other relevant governance disclosures.</p>

Shareholder Meetings

In addition to the Annual General Meeting, an extensive calendar is maintained that details meetings with and reporting to Shareholders each year. As part of this, the Board Chair and CEO meet with either or both Shareholders, usually monthly. Senior management also meets with Shareholders’ representatives regularly. Topics typically include current strategic matters, business performance and forecasts, and emerging risks and opportunities.

The Annual General Meeting is chaired by the Shareholders, ensuring they actively participate in the business of the meeting.

Reporting

Reporting is governed by the “Reporting Guidelines” which are issued by the Shareholders. The reporting and monitoring framework is based on timely reporting on a quarterly basis, at least. Formal reports with prescribed content are required half-yearly and annually.

Capital Investments

Major capital investment decisions are governed by the “Capital Investment Guidelines” which, amongst other things, require reporting of these decisions to the Shareholders. This ensures these decisions are have undergone a rigorous assessment and approval process and align with the Government’s risk appetite.

Disclosure

The Shareholder Communications Policy is available on the Governance page of Aurora Energy’s website.

Board Charter

Under the Board Charter, the Board commits to ensuring Aurora Energy effectively manages its strategic, financial, operational, reputational and emergency risks. The Board also ensures that an effective system of risk management and internal control operates within the Company and that it regularly monitors the performance of that system.

Board Audit, Risk and Compliance Committee

As stated under Principle 4, the Board Audit, Risk and Compliance Committee assists the Board to discharge its duties in relation to systems of risk management and internal control, internal and external audit, and compliance.

Internal Audit

Details of the Committee’s role regarding Internal audit is included under Principle 4.

Risk Management

The Board Audit, Risk and Compliance Committee oversees the risk management functions, particularly the strength and reliability of the risk management framework. The risk management framework addresses all emerging and actual risks in the Company’s external and internal environment, including economic, environmental and social sustainable risks.

The Committee regularly reviews the current and emerging risks facing the business and monitors the status of plans and controls to manage those risks. The Committee reports at least annually to the Board on the status of risk.

Communicating Risks to Shareholders

In accordance with the Shareholders Corporate Planning Guideline, the Board ensures that the annual Corporate Plan details key financial and operational risks and includes risk treatments and strategies to manage any residual exposure.

Rather than recount any commercially sensitive risk information in the Annual Report, risks are discussed directly with Shareholders at regularly scheduled meetings throughout the year.

Reporting and Disclosure

The Governance page on Aurora Energy’s website contains biographies of current Committee members, the Committee Charter and relevant policies.

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Matters Reserved to the Board

Under the Delegation Policy, the Board has specifically retained responsibility for approving the overarching remuneration framework and employment conditions for the Company.

Board Appointments and Remuneration Committee

In relation to remuneration, the Board Appointments and Remuneration Committee's Charter explains the Committee's role as assisting the Board to meet its responsibilities by monitoring and reporting to the Board on the Company's remuneration strategies and related policies that achieve the Company's objectives and comply with the Shareholders' expectations. The Committee also ensures remuneration reports are provided to Shareholders as required.

The Committee currently comprises three independent non-executive directors.

Director and Executive Remuneration Policies

The Shareholders' Director and Executive Remuneration Guideline addresses the composition of executive remuneration, termination payments and links to performance. The Guideline does not permit 'sign on' incentives but does prescribe the required disclosures in the Annual Report as well as additional reporting to the Government's Executive Remuneration Advisory Panel each year.

Aurora Energy's Shareholders themselves set Board remuneration under the Government Board and Committee Remuneration Framework and the Company is advised accordingly. Therefore, any change to Board remuneration is at the discretion of the Shareholders.

Aurora Energy's Executive Remuneration Policy complies with the Director and Executive Remuneration Guideline. As Aurora Energy is not a listed company, no equity-based components are included in remuneration, nor are any clawback arrangements in place.

Reporting and Disclosure

The Committee's Charter is available on the Governance page of Aurora Energy's website along with committee membership and relevant policies.