



Murrumbidgee
Irrigation

Corporate Governance Statement

Murrumbidgee Irrigation (MI) has an organisation-wide commitment to continuous improvement and conducting business in accordance with best practice principles of corporate governance beyond mere legislative compliance. MI's approach is guided by Australian Standard AS8000: Good Governance Principles and is consistent with the ASX Corporate Governance Principles and Recommendations (CGPR), fourth edition.

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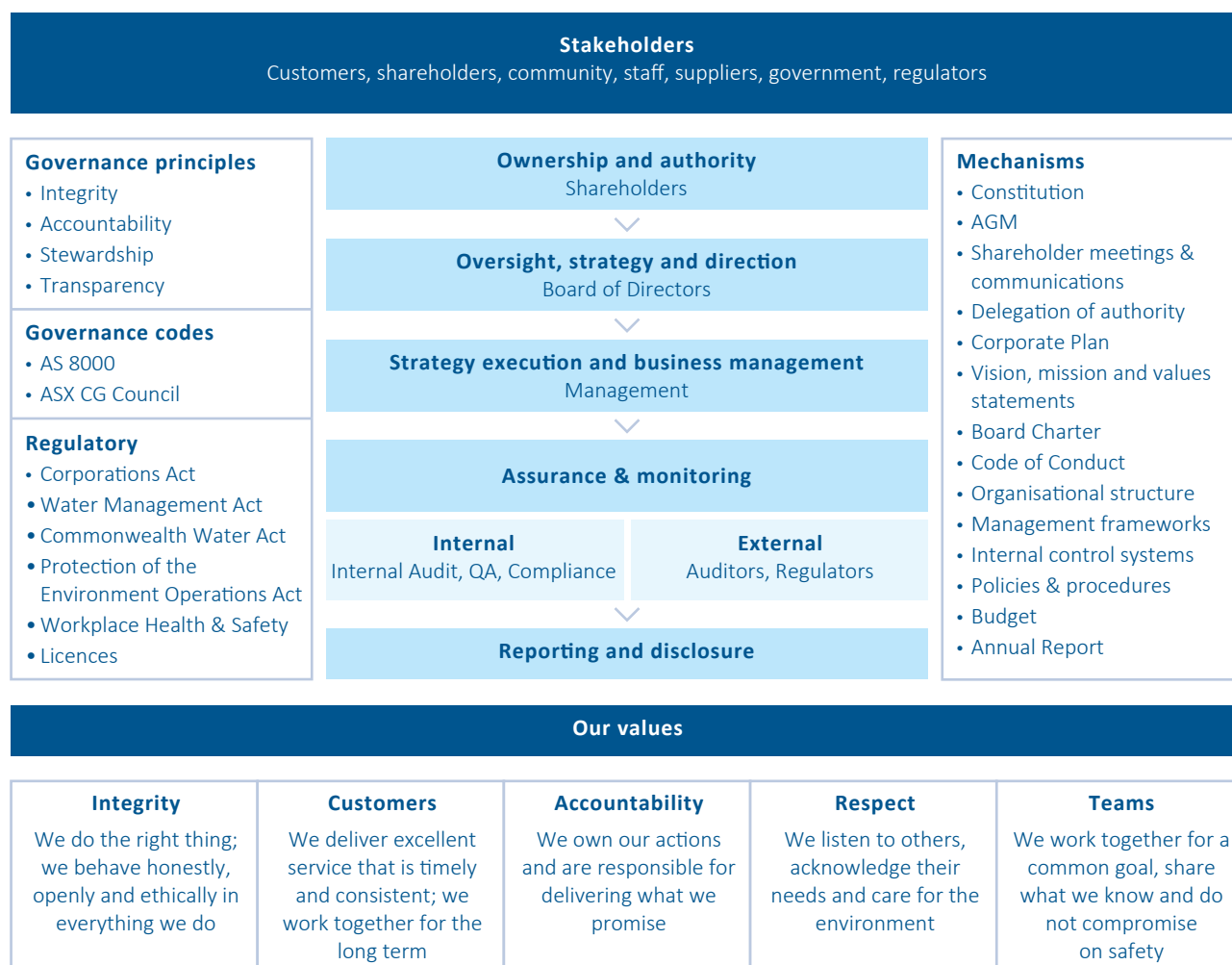
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Overview of governance framework

Ownership of the company vests in its shareholders, all of whom are company customers. Shareholders have adopted a Constitution which sets out the manner in which the company will operate in addition to regulatory requirements for incorporated entities. Shareholders have assigned responsibility for the company’s management to the shareholder appointed Board of Directors in the company’s Constitution.

MI’s governance model enables the company to appropriately balance accountability, oversight and strategy execution, while operating within legal and social constraints.

The model, as outlined below, comprises the central governance structure and its supporting pillars, foundations and overarching stakeholder interests.



Responsibilities and composition of the Board

The Board is the principal governing body of MI. The Board objectively assesses the organisation's decisions and oversees the performance and activities of management against the company's Corporate Plan and Risk Management Framework, providing a disciplined process for effectively managing risk to enable the achievement of business objectives.

The Board's responsibilities include:

- Setting and approving the company's strategy, direction, budgets and financial objectives;
- Assessing MI's operations and performance against business plans and strategies, and effecting any changes required;
- Managing financial reserves and approving the annual financial statements;
- Appointing the CEO and evaluating management's performance;
- Ensuring suitable leadership and resources are in place;
- Appointing the Chair and Deputy Chair;
- Monitoring and improving the performance of the Board;
- Overseeing processes and controls to ensure the integrity of record-keeping, including financial records and reporting;
- Adopting and overseeing implementation of corporate governance practices; and
- Ensuring adequate policies and procedures are in place to monitor and manage risk.

All directors are appointed subject to the provisions of the Constitution of MI and the *Corporations Act 2001* (Cth). The Constitution provides that the Board may consist of up to eight directors (with a minimum of three). This includes four member directors, three independent directors and the Managing Director, if, by the Board's discretion, the Chief Executive Officer (CEO) has been appointed to the Board.

- Shareholder-elected directors are directly elected for four year terms¹ by shareholders in two voting classes, A class and B class.
- Directors appoint Independent Directors subject to shareholder confirmation at Annual General Meetings. Appointments are generally for three years however may be of shorter duration.
- At intervals not exceeding two years, all directors other than the Managing Director elect the Chair and Deputy Chair.

The Chair is responsible for leading the Board, ensuring proper briefing of directors, facilitating Board discussions, and managing the relationships between Board members and employees, particularly the Company's CEO.

The Board has adopted a formal Charter setting out its functions and responsibilities, which is reviewed annually. Matters specifically reserved to the Board are set out in its Charter. The Board has delegated a range of its powers, duties and responsibilities to its committees and management.

MI's Corporate Plan supports delivery of the commitments and expectations in the Constitution and Board Charter. It

sets the future direction for the company, helping to align all stakeholders in delivering a vision of 'Growing our future together – Customer, Company, Community'. The Board approves the strategy, priorities, direction and performance targets for the company. Management prepare monthly performance reports for ongoing Board monitoring against the set targets.

The Board and each Board Committee regularly conducts reviews of its past performance, future needs and succession plans. Periodically, these reviews are undertaken by an external party in order to provide an independent opinion of the Board's effectiveness and its governance practices.

Board Skills Matrix

The Board Skills Matrix summarises the range of essential knowledge, experience and skills assessed as ideal for the MI Board to collectively hold in order to drive the current strategic direction and effectively govern. The Board considers that its current members have an appropriate mix of skills and experience to discharge its responsibilities and deliver on MI's strategic objectives.

Key skill	Demonstrated by these attributes and outcomes
Water and irrigation industries	Good working knowledge of, and ability to influence, the structure, operations and challenges of water policy and the irrigation industry.
Financial / commercialisation	Demonstrated achievements in financial management, commerce, investment management and internal control systems.
Engineering, infrastructure, construction and project management expertise	Knowledge and experience in infrastructure and engineering, including the prioritisation, delivery and management of investments in infrastructure assets.
Risk management and compliance	Proven knowledge, background and experience balancing commercial imperatives with the agreed risk appetite in delivering Company objectives.
Stakeholder engagement and communications	Contribute to the strategic positioning and profiling of MI and to assist MI in high level strategic industry and stakeholder engagement.
Organisational culture and strategic HR management	Experience and ability to promote and monitor MI's culture; and mentor, support and evaluate the performance of the CEO and oversee and provide input to strategic human resources management.
Corporate and business governance	Skills, knowledge and experience in contemporary corporate governance and ability to apply those skills, knowledge and experience to MI.

¹ The A class Member Directors elected in 2019 and 2021 will serve three-year terms to transition director elections to an annual cycle (from every two years). A class Member Directors appointed from 2022 onwards will revert to four year terms.

Directors

Directors' interests and independence

The four shareholder Directors have interests in contracts with Murrumbidgee Irrigation Limited to own and deliver water. These contracts are based on normal customer terms and conditions. The individual contracts are not subject to discussion at directors' meetings.

All Directors declare any interests in matters relevant to the Company as they arise, and formally table standing disclosures of their interests at least annually. When matters are discussed in which a material personal interest might exist or be perceived to exist for an individual Director, that Director will excuse him or herself from the meeting and take no further part in decisions relating to those matters unless the remaining Directors determine that it is in the Company's best interests for the Director to participate.

Directors acknowledge that their overriding duty is to the Company and that Board decisions must be made in the best long-term interests of the Company. Directors are required to place the Company's interests ahead of their personal business interests, and refrain from actions which constitute competing with the Company or taking personal advantage of information provided to them in their capacity as Directors. Our Constitution prohibits the Independent Directors and the Managing Director from holding voting shares in the Company.

In addition, the Board has determined that Independent Directors and the CEO may not own or trade water in the Southern Connected Basin. Leadership team members may only hold voting shares in the Company if formally approved.

Directors' remuneration

At the Annual General Meeting held on 7 November 2016, shareholders approved a change to the method of remunerating Directors. Aggregate remuneration is limited through an annual cap for Directors' fees, escalating by CPI at the start of each financial year. Within this pooled amount, directors will collectively determine the remuneration to be paid to each individual director, having regard to their duties and responsibilities. The amount of remuneration paid to, and divided amongst, the directors may be less than or equal to the pooled amount.

Director induction, continuing education and access to information

The Company has a formal induction process for new Directors, involving meetings with the Chair, CEO and Leadership team, as well as a general tour of operations.

Directors also undertake compliance training to ensure a high-level understanding of the organisation's key legal and compliance obligations. Directors regularly receive current knowledge updates including from external providers. Directors are required to become members of, and to undertake training provided by, the Australian Institute of Company Directors and other professional organisations, which add to the value, capability, and competency of directors.

Senior executives provide the Board with information to allow it to make decisions on an informed basis, and attend meetings at the request of the Chair. Directors are entitled to obtain reimbursement of the reasonable costs of any independent advice obtained in respect of their office. If a director wishes to obtain independent external advice, then they must notify the Board before seeking that advice and obtain the prior approval of the Chair, whose approval shall not be unreasonably withheld.

Board Committees

The Board has three standing committees: Audit and Risk Committee; Remuneration and Nominations Committee; and Infrastructure Committee. Each Board Committee has a Charter (approved by the Board) outlining its role and composition.

The Board annually reviews the effectiveness and composition of its committees. The Charters are reviewed annually to ensure that the role and responsibilities of each Committee are consistent with MI's strategic and operational objectives. The respective compositions and details of meeting attendance of the committees are set out in each Annual Report.

Audit and Risk Committee

This Committee assists the Board with financial reporting matters, internal and external audit processes, and oversight of risk management, governance and compliance. It also reviews and provides feedback on key areas of financial, operational and strategic risk. The company Chair is not eligible to chair this Committee.

Remuneration and Nominations Committee

This Committee advises the Board on strategic employment and remuneration issues. In particular, the Committee assists the Board with the recommendation on candidates for Chief Executive Officer, reviews leadership team succession planning and makes decisions on recruitment of other leadership team members.

The Remuneration and Nominations Committee assists the Board in determining the skills required on the Board and the criteria for appointment to the Board of Independent Directors, using the Board Skills Matrix as a benchmark.

In addition, the Committee manages the process for attracting and assessing suitable applicants for Independent Director positions with consideration for the Board's skills and experience requirements and succession planning needs; and oversees directors' remuneration arrangements.

Infrastructure Committee

The Infrastructure Committee oversees the Company's critical infrastructure assets strategy, planning and management functions, including planned asset maintenance and long-term infrastructure renewal and funding.

Other Committees

In addition to the standing committees, the Board establishes advisory committees or working groups from time-to-time if a particular need is identified.

Management, performance and remuneration

Chief Executive Officer (CEO)

The CEO is appointed by the Board and is responsible for the management of MI in accordance with the approved strategy, policies and delegated authority. The CEO is accountable for ensuring that the Board is provided with any relevant strategic options, policies and financial proposals on which to deliberate, and with the necessary administrative support to enable the Board to operate effectively.

The Board, at its discretion, may appoint the CEO to the Board as Managing Director. The Board may invite the CEO and management to attend Board or Committee meetings.

The Company Secretary

All directors have access to the Company Secretary who is appointed by the Board. The Company Secretary reports to the CEO and is accountable to the Board, through the Chair, on governance matters.

Team structure

MI's CEO is supported by a leadership team of six who assist in running the business and delivering on strategic objectives, along with their teams, under functional areas including Operations, Asset Delivery, Customer Service, Finance and ICT, People and Policy, and Corporate Services.

Performance management and remuneration

The CEO and all senior executives have written agreements with MI that set out the terms of their appointment and job descriptions.

All staff and management including the senior executives of MI are subject to annual performance planning and reviews. They are assessed against achievement of their job specifications and goals, contribution towards specific business and strategic objectives, and modelling MI's values and culture.

The CEO and direct reports' employment terms and arrangements, including remuneration, are ultimately approved by the Board, once assessed, advised and benchmarked. MI executives, including the CEO, have an at-risk component of their remuneration that is tied to both their own performance and that of the organisation.

Culture, values and diversity

Directors, senior executives, and employees of MI are required to act lawfully, ethically and responsibly in accordance with the highest standards of honesty and integrity in such a way so as to safeguard and protect the reputation of the organisation.

MI's culture and decision-making is underpinned by its corporate values and behaviours. MI has continued to invest in promoting its internal culture and corporate values, reflecting accountability to shareholders and the wider stakeholder community. This recognises that to support ethical codes, it is necessary to demonstrate and continually practice behaviour that reinforces its values.

The Remuneration and Nominations Committee of the Board also plays an important role in assisting the Board to fulfil its commitment to its statutory, corporate governance and oversight responsibilities relating to the people, remuneration and culture of MI.

Code of conduct

The Code of Conduct is approved by the Board, and sets out the behavioural expectations of all MI representatives from directors, right across the organisation. Along with MI's values and behaviours, the Code of Conduct underpins the corporate culture and is incorporated into new director and employee inductions.

Inclusion and diversity

MI promotes inclusion and diversity across the organisation with regard to age, gender, ethnicity and the cultural background of its directors, leadership team and employees.

MI is committed to gender balance within its operations and annually submits its Workplace Gender Equality Agency (WGEA) public report. A number of policies and strategies are deployed to encourage gender diversity in all areas of MI's operations including offering flexible working arrangements, parental leave and strategies to identify and develop high potential women, and 'gender blind' promotion and recruitment processes.

To maintain an environment conducive to women progressing within the organisation, a program of ongoing internal training and mentoring for emerging leaders is in place.

Whistleblower policy

MI is committed to providing a safe and transparent process for Whistleblowers to report potential instances of corporate misconduct, or an improper state of affairs involving MI as required by governing legislation. Details for hotline reporting are included on the company website for both internal and external contact. The hotline is managed by an external party for reporting of any suspected misconduct. All complaints are investigated, and whistleblower protections provided as per legislation requirements.

Identifying and managing risk

Risk management is a key aspect of MI's governance practices. The goal of MI's risk management processes and structures is to maximise opportunities to achieve objectives and goals without exposing the organisation to unnecessary risk. MI's risk framework is based on ISO 31000 and compliance framework ISO 19600.

The Board has overall responsibility for the oversight of risk management including determining the risk appetite for MI and the approval of the Risk Management Framework and related policies. The Framework ensures appropriate management of opportunities, while taking into account actual or potential risks. It considers legal and regulatory, strategic, financial, reputational, people and culture, and business / operational aspects.

The Audit and Risk Committee assists the Board in providing objective, non-executive review and oversight of the approved Risk Management Framework and related policies, to ensure risks are being actively managed within the risk appetite. The Committee also ensures that compliance obligations are met, and that the company's insurance program is adequate given the insurable risks associated with its business.

MI has a Board approved Risk Appetite Statement that articulates the amount of risk, acceptable or to avoid, in pursuit of the strategy and the approach taken to meet this risk appetite. The Risk Appetite Statement enables the Board and management of MI to be aligned on risk management and to identify, assess and treat risks related to the achievement of objectives whilst remaining within the Board's approved appetite for these risks.

This includes:

- Making decisions that reflect the taking of appropriate risk for appropriate reward, leveraging the right controls;
- Creating a sound risk culture that is embedded throughout the organisation;
- Continually improving and maturing the management of risk; and
- Satisfying corporate governance at all times.

MI adopts a risk-based approach to managing its legal and regulatory obligations and seeks to build positive relationships with regulators. It has no tolerance for intentional breaching of laws and regulations.

The Internal Audit function reports directly to the Audit and Risk Committee.

Financial management and reporting

The Board reviews regular financial reports to monitor budget compliance and MI's financial status, and responds as required to ensure the continued financial strength of the company. The Board has processes to verify the integrity of its corporate reports.

The Audit and Risk Committee assists the Board with financial reporting matters. The Committee's work on the verification of the integrity of the Company's corporate reports may also include examining non-financial reporting on matters such as failure to promote continuous improvement or manage the health and wellbeing of MI employees, privacy breaches, legal or regulatory action. Non-financial reporting ensures greater transparency and leads to improved management and operational decisions.

Receipt of financial statements

Each year, before financial statements are approved, management provides representation letters to both the Board and external auditors expressing an opinion as to whether, in accordance with the *Corporations Act 2001* (Cth), the financial records have been properly maintained; and whether the financial statements (and notes) for the financial year comply with Australian Accounting Standards – Reduced Disclosure Requirements (RDR) and Interpretations; and give a true and fair view of MI's financial position and performance; and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External Auditors

Grant Thornton was appointed external auditor in 2014. The performance of the external auditor is reviewed annually by the Board with advice from the Audit and Risk Committee. A breakdown of fees paid or received by the external auditor, including non-audit fees, is provided in the notes to the financial report in each Annual Report.

The Audit and Risk Committee has developed principles for the supply of non-audit services. The external auditor provides an annual declaration of their independence to MI. A representative from the external audit firm attends the Annual General Meeting and is available to answer audit-related questions.

The Audit and Risk Committee undertakes a review of the terms of engagement of the external auditor and the rotation of external audit engagement partners, before deciding to re-appoint the existing audit firm or seek tenders on the open market.

Shareholder Communication

The Board is committed to improved disclosure and communication to provide greater transparency to Shareholders.

MI provides shareholders with timely access to information about performance, governance, activities, and changes in legislation that may impact on the effective operation of the organisation. Primary communication channels are direct letter and email, as well as via regular customer newsletters and website updates.

The Notice of Annual General Meeting is provided to all members via postal mail. Letters sent from MI are primarily distributed via email.

Shareholders may elect to receive information from, and send information to, MI electronically. This has been further facilitated by the info@mirrigation.com.au inbox.

Information about the organisation including the Constitution, Annual Reports, this Corporate Governance Statement, the Board, Committees and profiles of the directors and senior executives are available on the company website, in addition to other shareholder specific information including fact sheets. Annual Reports include detailed financial and non-financial reporting.



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