

# STATEMENT OF CORPORATE GOVERNANCE DISCLOSURES

Although not mandatory, the Corporation's corporate governance framework aligns with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition).

In accordance with ASX Corporate Governance Principles, disclosures are recommended on a range of governance practices.

This statement contains all those disclosures not otherwise articulated in separate policies and available on the Corporation's Website.

## ***Performance Evaluations – CEOs & Senior Executives***

The Board reviews and manages the CEO's performance. Formal performance management reviews occur annually, however the Board has set aside time to discuss the CEO's performance at least quarterly. The Chairman and the Board can initiate reviews at any other time.

## ***Performance Evaluations – Board, Committees & Directors***

As stated in the Board Charter evaluations of the Board as a whole, its Committees and individual directors are conducted at least annually as are the respective Charters.

The review of Board Committees commences in 2010-11 once each has been operating for a year.

In these formative years, the evaluation process involves a comprehensive questionnaire completed by each director and the CEO together with a self-assessment of each director's performance and an individual discussion with the Chairman.

The Board Charter allows for changes to the evaluation process to ensure it remains relevant and effective. It also allows for externally-conducted evaluations from time to time. The Board Charter is available on the Corporation's website.

## ***Board Nominations and Appointments***

The Water & Sewerage Corporation Act 2008 (Tas) (WSCA) prescribes the membership of the directors' Selection Committee to be two members appointed by member councils statewide and the Secretary of the Department of Treasury and Finance. The Board Chairman is also a member for appointments other than for his/her own as a director or the position of Chairman.

The Board has the capacity to assess the mix of skills and expertise it requires from time to time and provide such input to the directors' Selection Committee.

The Board has agreed with statewide Owners' Representative Groups that directors will generally be appointed for terms of three years, with reappointment for a second term to be subject to Board endorsement and based on performance. Directors may nominate for a third or subsequent terms, but these will be subject to competitive appointment processes.

The Department of Premier and Cabinet (DPAC) guidance on the operations of the Selection Committee, consistent with that for State-Owned Corporations and Government Business Enterprises, is used as the framework for the Selection Committee's operations.

Reflecting our Council ownership, Owners' Representative Groups ultimately appoint directors, based on the recommendation of the Selection Committee.

The CEOs of Regional Corporations are automatically appointed as directors of Onstream under the WSCA.

### ***Remuneration Policies - Directors***

The remuneration structure for non-executive directors is different from that applying to management and staff. Under the WSCA, the Selection Committee provides advice to the Owners' Representatives regarding appropriate remuneration and allowances payable to directors. This advice is based on the remuneration structure for State-Owned Corporations and Government Business Enterprises as promulgated by DPAC.

Non-Executive Directors are remunerated by way of fixed fees and superannuation payments as required by legislation. No other termination or retirement benefits are accrued or paid to directors.

The CEOs of Regional Corporations are automatically appointed as directors of Onstream under the WSCA. They are not entitled to additional remuneration as directors.

Directors are also entitled to reimbursement of expenses incurred while attending to Corporation business. The Directors' Travel and Expense Reimbursement policy covers these arrangements.

Directors' appointment letters currently provide for a CPI adjustment in July 2010. They also provide for the Selection Committee to review the level of remuneration in November 2010 and recommend any amendments to the Board. The Board will discuss any planned actions with Owners' Representatives before they are implemented.

The Board has elected to produce an annual Remuneration Report, similar to that required of listed Companies.

### ***Remuneration Policies - CEO and Senior Management***

The Safety, Human Resources, Environment and Public Health (SHREP) Committee of the Board oversees the Corporation's remuneration policies and practices relating to the CEO, executive management teams and all other staff. The Committee makes recommendations to the Board regarding the CEO's remuneration and appropriate structures for all other levels within the Corporation. Its Charter is available on the Corporation's website.

The Board has approved a remuneration framework developed in conjunction with independent remuneration specialists, Mercer, and benchmarked nationally. The framework will apply to senior managers, line managers and specific professional or expert positions.

The remuneration framework seeks to balance the attraction and retention of people with the necessary skills and expertise against a structure that is fair and reasonable.

For non-EA employees, remuneration is based on Total Employment Cost to the Corporation. Components of remuneration can include cash and non-cash alternatives as well as any fringe benefits tax incurred.

An 'at risk' element in addition to Total Employment Cost has been introduced for executive management with a maximum possible amount determined by the Board.

SHREP will oversee the implementation plan for the remuneration framework and its link with the future performance management system.

### ***Remuneration – Limiting Economic Risk***

The Corporation's remuneration components do not include any elements that enable any employees to limit their economic risk.