

SDN CHILDREN'S SERVICES

SDN BOARD CHARTER



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1. Purpose

The purpose of this Board charter is to promote high standards of corporate governance across SDN Children's Services and its wholly owned subsidiaries ("SDN"). The charter operates in conjunction with SDN's constitution, its board policies and relevant laws.

This charter sets out the Board's terms of reference and provides an explanation of the Board's approach to the following key corporate governance matters:

- Overview of the Board's role and responsibilities
- Board structure and composition and role of various parties
- Relationship between the Board, the CEO and management
- Powers retained by the Board
- Board meeting procedures
- Board evaluation
- Director protection and development

2. Introduction

SDN was established in 1905 and incorporated in 1924. SDN is a company limited by guarantee and is not for profit. SDN has a wholly owned subsidiary SDN Child and Family Services Pty Ltd that was registered in 2008. Except where expressly stated, the term "SDN" is defined to include all wholly owned subsidiaries of SDN Children's Services including SDN Child and Family Services Pty Ltd.

SDN's key objectives are to:

- Establish and carry on in Sydney or elsewhere in Australia services for the care and education of young children; and to
- Provide support to families and communities in Australia.

SDN Child and Family Services Pty Ltd's key objective is to provide relief of suffering, helplessness and distress to disadvantaged children and their families.

SDN's mission is to:

- Provide high quality inclusive early childhood education and care
- Strengthen families and communities
- Address inequalities faced by children

SDN's values are to be:

- Trustworthy and reliable
- Inclusive and respectful
- Creative and innovative

The Board carries out the legal duties of its role in accordance with these values and having appropriate regard to the interests of SDN's beneficiaries, members, staff and the broader community in which SDN operates.

3. Overview of the Board's responsibilities

The role of the Board is to promote and protect SDN's interests. The Board is responsible for determining SDN's strategic direction and for the overall governance and performance of the organisation.

The Board is committed to quality services within SDN and supports the rights of SDN's clients, consumers and vendors to raise complaints about any aspect of the service delivery or administration of SDN.

The Board has delegated to the CEO the day-to-day management of SDN including its childcare centres, programs, services and consultancy operations.

The Board's key responsibilities are to:

Organisational purpose

- Establish SDN's mission and ensure that it is developed and safeguarded in an integrated way through the governance and financial management structures of the organisation
- Oversee SDN's operations including its control, risk management and accountability systems

CEO

- Select, appoint and evaluate the performance of the CEO
- Set the limits of the CEO's authority to establish and administer the centres, programs, budget and finances, and otherwise manage the organisation
- Ensure an ongoing effective working relationship with the CEO and through him or her, to the rest of the organisation

Organisational sustainability

- Provide input into, and final approval of, management's development of corporate strategy and goals
- Monitor the implementation of the agreed strategy including the strategic plan and any associated business plans
- Approve and monitor the annual budget and financial performance against the approved budget
- Approve and monitor the progress of major capital projects, acquisitions and divestitures, encumbering of SDN's assets and raising of financial accommodation
- Ensure that SDN has adequate resources to carry out its activities including the employment and support of sufficient, competent, skilled staff
- Ensure that SDN complies with all statutory and regulatory requirements
- Review, ratify and monitor SDN's systems of risk management, internal control and legal compliance to ensure that SDN has adequate measures in place to manage risk
- Provide oversight and monitoring of WH&S issues across SDN
- Approve and monitor programs and services to ensure that these are consistent with SDN's objectives
- Review SDN's annual progress and performance in meeting its objectives and seek continuous quality improvement in all aspects of the organisation
- Enhance the public profile and reputation of the organisation

Communication with members

- Communicate with members as required including through the Annual General Meeting, any Extraordinary General Meeting and the Annual Report

Board effectiveness

- Ensure the Board's effectiveness and deliver best practice corporate governance

3.1. Risk management

The Board is responsible for ensuring adequate measures are in place to manage risk. The Board has approved a risk management policy and has established a Risk and Compliance Committee. The Board approves a risk management plan reviewed annually by senior management that identifies, assesses and prioritises potential risks and which enables the organisation to respond appropriately to monitor and to review risks. Risk information is regularly reported to the Board through the Board Papers including the CEO's reports and through the Risk & Compliance Committee's minutes and reports, as well as in the event of a serious incident or breach.

3.2. Financial management

The Board is responsible for ensuring that adequate measures are in place to manage SDN's finances. The Board has established a system of review and authorisation in order to independently verify and safeguard the integrity of SDN's financial reporting and to ensure the truthful and factual presentation of SDN's financial position. This structure includes the appointment of the Finance Committee that is responsible for the monthly review and consideration of the financial statements and a process to ensure the independence and competence of the company's external auditors.

3.3. Code of Conduct

SDN has adopted a Code of Conduct outlining the standards of personal and corporate behaviour required of all officers and employees. This Code reinforces an already strong ethical culture for the benefit of all stakeholders and has application to directors. A copy of the Code of Conduct and SDN's corporate vision and values are provided to all directors and employees when they join SDN. Refer to Clause 7 for Directors Roles and Responsibilities.

4. Board structure and composition

4.1(a) SDN Children's Services

SDN's constitution provides for a minimum of 8 and a maximum of 12 directors. Directors are appointed under the terms of SDN's constitution. A director must be a member of SDN. The members vote at each annual general meeting to elect or re-elect directors.

Unless required to vacate the office under SDN's constitution, directors remain on the Board for a term of 3 years after which directors are eligible for re-election by the members. There is no maximum term of office provided in the constitution.

4.1(b) SDN Child and Family Services Pty Ltd (“SDN C&FS”)

SDN C&FS’s constitution provides for a minimum of 1 and a maximum of 7 directors. Directors are appointed by SDN Children’s Services or by the directors of SDN C&FS under the terms of SDN C&FS’s constitution.

Directors remain on the Board until required to vacate the office as required by SDN C&FS’s constitution. There is no maximum term of office provided in the constitution.

4.2 Assessment of director independence

The Board must be comprised of a majority of non-executive directors judged to be independent in accordance with this charter. The Board chairman must be a non-executive director.

An independent director is a non-executive director who is not a member of management or a previous executive of SDN and who is free of any interest, position, association or other relationship that might influence, or could reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of SDN and its stakeholders generally¹.

The Board assesses whether each director is sufficiently independent. Each director will provide to the Board all information that may be relevant to this assessment.

4.3 The president

The directors will appoint a director as the president of SDN immediately after the annual general meeting each year (i.e. either at an Extraordinary Board Meeting on the day of the Annual General Meeting, or at the first Board Meeting after it), or to fill a casual vacancy. The president may hold office for no more than 3 consecutive annual terms as defined in the constitution but may be re-elected at a subsequent time.

The president acts as chairperson of the Board and provides representative and ambassadorial duties to SDN members and the broader community on behalf of SDN. The president has no capacity to make decisions on behalf of the organisation.

The president, in their capacity as chairperson of the Board:

- Chairs meetings of members and is responsible for the general conduct of general meetings
- Chairs board meetings
- Chairs the Executive Committee
- Is the conduit between the Board and the CEO
- Facilitates the board process ensuring it is effective in its role

4.4 Other office bearers

The president will nominate and seek the Board’s approval on two vice-presidents and an honorary treasurer immediately after the annual general meeting each year or to fill a casual vacancy.

¹ This definition has been extracted from the Commentary on Recommendations 2.3 in the ASX Corporate Governance Principles and Recommendations 2014

The role of **vice-president** is to:

- Support the president
- Serve as chairperson of meetings of members if the chairperson is unable or unwilling to serve
- Serve, if appropriate and in accordance with the relevant terms of reference, on the Executive Committee, together with the president.

At least one vice-president should sit on the SPC.

The role of **honorary treasurer** is to:

- Ensure that SDN's financial and accounting obligations are carried out responsibly and effectively
- Chair the Finance Committee
- Sign off the annual accounts
- liaise with the CFO as required.

A director appointed to the role of vice-president or honorary treasurer will remain in that role until the following annual general meeting unless he or she ceases to be a director or is removed from office by a resolution of directors.

5. Board Committees

The Board may establish board committees to assist it in carrying out its work. Committees may be standing committees or ad hoc committees appointed for a specific purpose.

The purpose of each committee is to undertake the activities defined in its Terms of Reference or delegated to it by the Board in writing. The terms of reference will outline the committee's purpose, duration of appointment, responsibilities, membership, meeting frequency and key objectives.

Committees will:

- Operate at board level, not at operational level
- Only make decisions on behalf of the Board if the Board has charged the committee with the authority to do so in a specific circumstance
- Prepare an annual budget

The standing committees of the Board are:

- Finance
- Governance
- Research Ethics
- Risk and Compliance
- Executive
- Remuneration

Each committee will have access to appropriate resources including senior management and, where necessary, independent advice in order to carry out its work.

Each committee will report to the Board on the outcome of its work and where appropriate will make recommendations to the Board.

Minutes of each committee meeting are provided to all directors and the committee chairperson reports to the Board on key recommendations and committee discussions.

Each committee is made up of directors or such other persons as the Board thinks fit who are best suited to effectively participate in achieving the outcomes of the committee. The committee terms of reference sets out the specific membership requirements. The Board may invite a staff member to join a board committee because they have particular information and expertise that will assist the committee in its work. The number of staff members will not exceed the number of board members on a board committee (with the exception of the Research Ethics Committee).

The Board reviews and approves committees on an annual basis and their terms of reference are reviewed as required.

6. Board review, renewal and evaluation

Collectively board members should have a broad range of skills, competencies, experience and knowledge to ensure that the Board is best placed to direct SDN. The Board regularly reviews its composition to ensure that the mix of skills and experience and the cultural fit is appropriate having regard to SDN's history, philosophy and strategic direction.

To encourage board renewal, the Board has instituted succession planning in relation to the Board, the president, vice presidents and honorary treasurer. Succession planning is the responsibility of the Governance Committee, in consultation with the President.

The Board will conduct a regular review of its performance, policies and practices. The objective of this review is to identify where improvements can be made in providing best practice corporate governance to SDN. The review will include an evaluation of the board's role, key functions, composition, board committees, the flow of information, board processes and performance and interaction with management. It will also involve a review of how helpful board decisions were for the organisation. The Governance Committee will ensure that the review takes place, obtaining any assistance required.

The method of conducting the review and the extent of that review is for the Board to determine.

7. Role and responsibilities of individual directors

In carrying out their responsibilities and exercising their powers, directors will ensure they act honestly, fairly and diligently, in accordance with the law and, where appropriate may take account of the reasonable expectations of SDN's stakeholders.

Directors will comply with the following standards of conduct:

- (i) The director should act honestly, in good faith and in the best interests of the company as a whole.
- (ii) The director should have a duty to use care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- (iii) The director should use the powers of office for a proper purpose, in the best interests of the company as a whole.
- (iv) The director should recognise that the primary responsibility is to the company as a whole but may, where appropriate, have regard for the interest of all stakeholders of the company.
- (v) The director should not make improper use of information acquired as a director.
- (vi) The director should not take improper advantage of the position of director.

- (vii) The director should properly manage any conflict with the interests of the company.
- (viii) The director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board of directors.
- (ix) Confidential information received by the director in the course of the exercise of directorial duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorized by that company, or the person from whom the information is provided, or is required by law.
- (x) The director should not engage in conduct likely to bring discredit upon the company.
- (xi) The director has an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this Code.
- (xii) The director should be mindful of and, to the extent necessary, comply with, the obligations of a 'Responsible Person' as set out in the ACNC Governance Standards.

The sectors in which SDN provides services to children and to families are necessarily highly regulated. In exercising their responsibilities, directors will be aware of the laws with which they must comply and mindful of SDN's mission and the requirement to work in the best interests of children.

In addition, directors will:

- Use best endeavours to attend all board and committee meetings of which they are a member and behave in a manner that is consistent with generally accepted procedures for the conduct of meetings
- Be informed about SDN's mission, board policies and services
- Be fully prepared for each board and committee meeting having carefully reviewed all board or committee papers distributed in advance of the meeting and participate effectively in board discussions
- Keep up to date on developments in SDN's areas of service
- Serve on committees and offer to take on special tasks
- Make regular visits to SDN centres and programs
- Inform others about SDN and encourage membership of the organisation (see Guidance Note #1 for Directors)
- Suggest potential board members
- Ensure the Board's policies are regularly reviewed
- Maintain confidentiality as outlined in the constitution
- Keep confidential all board discussions and deliberations
- Use their own judgment to vote on any resolution
- Support the letter and spirit of board decisions outside the boardroom

Directors cannot speak on the Board's behalf unless they have been authorised to do so.

Conflict of interest

Directors must disclose to the Board actual or potential conflicts of interest which may exist or might reasonably be thought to exist between the interests of the director and the interests of any other parties in carrying out SDN's activities.

Directors will indicate to the chairperson any potential conflict of interest as soon as it arises. Directors' disclosure will be undertaken at the opening of each Board meeting and the Conflicts of Interest Register will be updated accordingly. It is the obligation of each Director to ensure that the particulars in the Register in respect of that director are current, complete and accurate in all material respects.

Any board member or committee member who is aware of an actual or perceived 'material personal interest' with respect to any matter coming before the Board or the committee must not be present for any consideration or discussion of that matter or vote in connection with that matter unless the interest falls under an exception stated by legislation, or the Board has passed a resolution that identifies the director, the nature and extent of the director's interest and its relation to the affairs of the company and clearly states that the remaining board members are satisfied that the interest should not disqualify the director from discussions or voting involving the conflict of interest. The minutes of the meeting should record the decision taken by the Directors (including details of the nature and extent of the conflicted matter).

The same requirement of disclosure will exist for any related party transactions. Related party transactions include any financial transaction between a director and SDN and will be reported in writing to the chairperson.

In circumstances where a director has a significant, ongoing and irreconcilable conflict and where such personal or outside interest, relationship or responsibility significantly impedes the director's ability to carry out his or her fiduciary responsibility to the company, resignation from the Board due to the conflicting interest may be appropriate and/ or required.

8. Relationship between the Board and management²

The Board is ultimately responsible for SDN's performance. The Board has retained its authority to make decisions on matters specified in this charter, and except for those matters and CEO operational limits, determined from time to time by the Board, it delegates day to day management and operations to the CEO.

The Board maintains its independence from management through a number of measures, including appointing an independent chairperson, maintaining a majority of non-executive directors, identifying and defining the respective roles of management and the Board and by the exercise of independent thinking in decision making.

The CEO is accountable to the Board for the exercise of the delegated authority and, with the support of senior management, is to demonstrate progress in fulfilling this responsibility through the provision of reports, briefings and presentations on a regular basis.

The CEO is expected to provide candid reporting that accurately portrays company performance.

² This material has been extracted from the Company Directors Toolkit – The Essential Guide 2008 prepared by KPMG.

9. Role and responsibilities

9.1 The chairperson

The chairperson's principal role is to provide leadership to the Board and to SDN, and to ensure the efficient organisation and conduct of the Board.

The chairperson:

- Manages the relationship between the Board, the CEO and the organisation and is the major point of contact between the Board and the CEO
- Maintains a mentor relationship, regular dialogue and discusses issues confronting the organisation with the CEO
- Develops the annual board agenda for the Board's approval
- Chairs meetings of the Board after developing the meeting agenda with the CEO
- Ensures that the Board receives the information it requires for informed decision-making
- Fosters a positive boardroom dynamic, enabling open and robust debate of core issues facing the organisation
- Facilitates the effective contribution of all directors and promotes constructive and respectful relations between directors and between board and management
- Except where the chairperson is a member of a board committee, serves ex officio as a member of board committees and attends their meetings when appropriate
- Ensures that board and CEO evaluations are conducted in a professional and timely manner and guides and promotes on-going effectiveness and development of the Board and individual directors.
- Ensures board members are satisfied with their contribution to the Board
- Assumes the role of spokesperson on board policy matters
- Performs other responsibilities assigned by the Board

9.1(a) SDN Children's Services

The president will be the chairperson of the Board of SDN Children's Services in accordance with the constitution.

9.1(b) SDN Child and Family Services Pty Ltd

The Board of directors of SDN Child and Family Services Pty Ltd will elect a director to be the chairperson of its Board, in accordance with its constitution.

9.2 The CEO

The CEO, together with the senior management team, is accountable to the Board for the overall management, performance and health of SDN.

The CEO manages the day-to-day management and operations of SDN in accordance with the strategy, business plans and policies approved by the Board subject to specified delegations approved by the Board including the Delegated Financial Authorities policy and the Delegation of Board's Authority policy.

The CEO is responsible for fundraising in accordance with the fundraising policy.

The CEO's roles and responsibilities are detailed in a job description approved by the Board and outlined as relevant in board policies.

The Board regularly evaluates the CEO's performance against the achievement of agreed goals, targets and performance indicators.

9.3 The company secretary

The company secretary is responsible to the Board, through the chairperson, for corporate compliance matters, organises and attends the Annual General Meeting and attends board meetings by invitation.

The directors determine the appointment and removal of the company secretary in accordance with the constitution. The company secretary's roles and responsibilities are detailed in a role description approved by the Board.

9.4 Patron

The directors may nominate any person to be a patron of SDN. A patron is not an office-bearer or director. The patron is a titular position invited to attend and contribute to significant events.

10. Powers retained by the Board

In addition to the matters expressly required by law to be approved by the Board, powers specifically reserved to the Board are as follows:

Mission

- Formulating of SDN's mission
- Ensuring that the mission is integrated into all aspects of the organisation

Strategy and sustainability

- Approving SDN's corporate objectives and corporate strategy
- Approving the annual operating and capital budgets and any material changes
- Reviewing corporate performance and progress towards strategy implementation
- Approving related business plans in accordance with board policies

Oversight

Oversight of SDN's operations ensuring:

- Robust planning
- Competent and prudent management
- Appropriate systems of risk oversight and internal control
- Appropriate accounting systems, records and reporting systems
- Adherence to statutory and regulatory requirements

Structure and capital

Approval of:

- Major changes to SDN's corporate structure
- Creation of subsidiary companies
- Changes to the company's management and control structure
- Changes to the company's legal status
- Major capital expenditure, capital management and acquisitions and divestitures
- Major capital projects

Financial reporting and controls

Approval of:

- Statutory reporting
- Annual accounts
- Any significant changes in accounting policies
- Any raising of financial accommodation

Fundraising

Approval of the Fundraising policy and the final recipients of fundraising efforts

Contracts

Approval of major contracts

Communication

Approval of:

- Announcements relating to a decision of the Board
- Any major public announcement that may pose a reputational risk to the organisation
- Resolutions and accompanying documentation to be put forward to a meeting of members

Board membership

Approval of:

- Changes to the composition, structure and/ or size of the Board
- Appointments to the Board (subject to members' approval) in the case of SDN Children's Services
- Selection of the Board chairperson
- Membership of board committees, including the appointment of the committee chairperson

Local management

Establishment of local boards, management committees or agencies and appointment of the relevant members, managers or agents to those boards, committees or agencies

Company membership

Approval of all membership applications in accordance with the constitution (see Guidance Note #1 for Directors).

Senior management

- Appointment and removal of the CEO and determination of the CEO's terms and conditions of employment (including remuneration).
- Significant changes to organisational structure.

Corporate governance

- Conduct of an annual performance appraisal of the Board, its functions and its committees
- Assessment of the independence of directors
- Review of the overall governance practices and procedures
- Approval of this charter and board committee terms of reference

Policies and procedures

Approval of all high-level policies. Operational policies and procedures are management's responsibility. The Board has approved a policy framework which distinguishes high-level and operational-level policies. The policy register is provided to the Board annually.

Other

- Appointment of the company's major professional advisers
- Decisions relating to litigation
- Acquisition, establishment, disposal or cessation of any significant business of the company
- Changes to delegated authorities from the Board

11. Board meeting procedures

The company's constitution governs the Board's meetings and proceedings.

The Board will meet as required from time to time but no less than once every quarter. For those months when the Board does not meet, the CEO will distribute a report as necessary to the Board informing the Board of progress of the implementation of the strategic plan and to explain major variances and actions taken to ensure the planned outcomes are achieved.

Senior executives scheduled to give presentations and other parties needing decisions to be taken by the Board will be invited for the relevant part of the meeting.

The Board meeting schedule is determined annually in advance by the Board. To assist in planning the Board's calendar, the Board adopts an annual agenda detailing the items to be considered at each board meeting. The agenda will set out the reports to be provided by the senior management team.

In certain circumstances, additional unscheduled meetings may be called to deal with urgent business.

The chairperson, working with the CEO and company secretary will normally set the agenda for each meeting, although any director may request that an item be included on the Board's agenda. The Board will allocate sufficient time during the meeting to discuss and monitor strategic issues.

The CEO and company secretary attend board meetings by standing invitation, but may be asked to absent themselves at any time. The Board may invite other persons to board meetings as it thinks fit.

Directors should make every reasonable effort to attend each board meeting and each meeting of committees on which they serve. Attendance in person is preferred, however, participation by tele-conference is permitted, if necessary.

12. Director protection and development

12.1 Director and officer insurance

SDN will provide each director with access to a copy of the directors' and officers ("D&O") policy and any changes to that policy. SDN will maintain each director's D&O insurance for seven years from the date at which they ceased to be a director.

12.2 Director deed of access, insurance and indemnity

SDN will offer to each director to enter into separate deeds of access, insurance and indemnity with each director.

12.3 Access to board papers and SDN records

Directors are entitled to access the records of SDN in accordance with the law. The complete set of board papers held by the company secretary is held on behalf of each director individually for a period of at least seven years from the date that director resigned.

12.4 Right to seek independent advice

Directors, with the chairperson's agreement, have the right to seek independent professional advice at SDN's expense in furtherance of their duties as directors. The advice will normally be made available to all directors, unless the chairperson decides otherwise.

12.5 Director development and education

In order to continually improve board performance, all directors are encouraged to undergo continual professional development. SDN will support director development and education where appropriate by providing directors with resources, training and financial assistance to access training and through mentoring.

12.6 Induction of new directors

The Board will ensure that all incoming directors receive the necessary induction and ongoing training to enable them to discharge their duties.

References

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