

SDN CHILDREN'S SERVICES

BOARD CHARTER

Approved 6 September 2019



1. Background

The purpose of this Board charter is to promote high standards of corporate governance across SDN Children's Services (SDN) and its wholly owned subsidiary SDN Child and Family Services Pty Ltd (CFS).

The Board of SDN is accountable to its Members, and as a wholly owned subsidiary company, the Board of CFS is accountable to SDN. SDN and CFS operate their services in parallel, with a combined shared services function, however separate accounts are maintained. CFS delegates certain authorities to SDN, which are set out in the Delegation of Authorities Policy and associated Matrix. Both companies employ service delivery and shared services staff, who all ultimately report to the CEO of SDN. Collectively, SDN and CFS are referred to as the 'SDN group'.

This charter sets out the terms of reference and governance requirements for the SDN Board. The CFS Board has a separate Charter, however the underlying values, principles and approaches to key corporate governance matters are identical in both charters.

This charter operates in conjunction with the SDN Constitution, board policies and relevant laws. To the extent there is any inconsistency between this charter and SDN's Constitution, the SDN Constitution will prevail.

2. The SDN Board and the role of Management

The SDN Board is ultimately responsible for the performance of the SDN company. As the parent company of CFS, the consolidated performance of the SDN group is therefore the responsibility of the SDN Board. The SDN Board retains its authority to make decisions on certain matters, except for those matters and CEO operational limits that are determined from time to time by the Board and set out in the Delegation of Authority Policy and its associated Matrix.

The CEO of SDN has been delegated responsibility for the day to day management and operations of both SDN and CFS by their respective Boards.

The CEO is accountable to both Boards for the exercise of their delegated authority and, with the support of senior management, demonstrates fulfilment of 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 the performance of SDN, CFS and the SDN group.

3. The role of the SDN Board

The role of the SDN Board is to promote and protect the interests of SDN. The SDN Board is responsible for determining the combined strategic direction for the SDN group and for the overall governance and performance of both SDN and CFS.

The SDN Board is committed to quality services across the SDN group, and supports the rights of service users, funders and suppliers to raise complaints about any aspect of service delivery or administration.

The SDN Board's key responsibilities are:

- a. stewardship of the vision, purpose and values of the SDN group
- b. overseeing the governance of the SDN group
- c. identifying skills required for board directors and recruiting new directors
- d. maintaining succession plans for the position of President and committee chairs
- e. approving the establishment of Board committees and their Terms of Reference
- f. appointing and removing the Company Secretary
- g. approving (subject to member endorsement) the appointment of the external auditor
- h. reviewing and accepting delegations of authority from the CFS Board
- i. ensuring an engaged and active membership that is representative of all services offered across the SDN group
- j. approving applications for membership
- k. reporting to members
- l. providing strategic direction through approving and periodically reviewing the SDN group's strategy, business plans and performance objectives
- m. appointing and removing the Chief Executive Officer (CEO), and determining the terms and conditions of appointment, including the remuneration package
- n. determining and approving the authorities to be delegated to the CEO in relation to operational expenditures, capital expenditures, contracts and the operation of banking and credit facilities, and authorising any further delegations of those authorities by the CEO to other senior employees of the company
- o. agreeing performance targets with, and monitoring the performance of, the CEO
- p. approving the annual budget including targets for revenue, surplus or deficit, capital expenditure, and cash flows, as proposed by management
- q. approving and monitoring the progress of major capital expenditure, capital management, acquisitions, divestitures and mergers for the SDN group
- r. monitoring management's performance in the implementation of strategy, and allocation of resources including staff to achieve the business policies, strategies, objectives and budgets
- s. approving management's high level policies for the SDN group
- t. reviewing and ratifying systems of risk management to ensure business risks are identified, assessed and controlled by management, and ensuring appropriate compliance frameworks and monitoring are in place for internal compliance and control, legal compliance, and compliance with SDN's values and policies
- u. monitoring compliance with and performance against best practice corporate governance requirements.

The Board is able to access independent advice in order to carry out its work.

4. Board committees

The SDN Board may establish committees to assist it in carrying out its work. The CFS Board has delegated authority to the SDN Board to include CFS activities and services in the scope of the Terms of Reference for its committees.

Committees may be standing or appointed ad hoc for a specific purpose. The SDN Board will appoint the members of each committee, and the Chair of each committee.

The SDN Board currently has established three committees:

- *Risk and Audit Committee* – assists the Boards in the effective discharge of its responsibilities in the areas of statutory reporting, internal control systems, risk management systems, insurance, and the external audit functions.
- *Governance and Remuneration Committee* – assists and advises the Boards in fulfilling their responsibilities in governing both organisations and the SDN group and in reviewing SDN’s overarching remuneration policy and making recommendations on the CEO’s remuneration.
- *Research Ethics Committee* – reviews applications for research and evaluation in accordance with ethical principles identified in the Guidelines for Research and Evaluation at SDN, monitors compliance by those granted approval by the Committee, and provides advice on policies and procedures relating to research and evaluation at SDN.

Each committee has a Terms of Reference approved by the Board that outlines the committee’s purpose, duration of appointment, responsibilities, membership, meeting frequency and key objectives.

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 directors on a board committee (with the exception of the Research Ethics Committee).

Committees:

- operate as review and advisory committees to the Board, and do not operate at a management or operational level
- report to the Board on the outcome of their work and, where appropriate, make recommendations to the Board
- 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.

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

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

5. Delegations of authority

Delegations of Authority are formally approved and minuted by the SDN Board, and where the CFS Board has delegated authority to the SDN Board, the SDN Board has formally minuted its acceptance of that delegation.

SDN’s Delegations of Authority Policy and its associated Delegations of Authorities Matrix set out the authorities retained by the SDN and CFS Boards and those delegated to the CEO and management.

6. SDN Board structure

6.1 Number of directors

SDN's Constitution provides for a minimum of 8 and a maximum of 12 directors.

6.2 Types of directors

The SDN Constitution states that a director must be a Member of SDN or an employee of a Member at the time of their appointment or nomination.

The Board is comprised of a majority of non-executive directors judged to be independent. The Board chair is a non-executive director.

An independent director is a non-executive director who is not a current member of management or has not been a previous executive of SDN within the prior three years, 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 generally.

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.

The SDN Constitution requires the election of a President each year as an Office Bearer. The directors may elect a deputy chair or other office bearer roles as they see fit.

6.3 Board skills and diversity

Collectively board directors 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.

6.4 Terms and conditions of appointment

Directors can be either appointed or elected in line with the terms of SDN's Constitution. The members vote at each annual general meeting to elect or re-elect directors.

A director may be appointed directly to the Board, however they must stand for election at the next annual general meeting of members.

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

7. Role of individual directors

7.1 Directors' general roles

The SDN Board is responsible for the overall governance, management and strategic direction of the SDN group, and is ultimately accountable for its activities and performance. Directors can only act collectively as a Board, and individual directors do not have authority to act alone unless expressly authorised to do so. The circumstances under which individual directors may execute documents is set out in sections 113 to 116 of the SDN Constitution. Directors cannot speak on behalf of the SDN Board unless they have been authorised to do so.

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 stakeholders.

The sectors in which the SDN group 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 both SDN and CFS's purpose and the requirement to work in the best interests of children.

7.2 Directors' code of conduct

The SDN group has adopted a Code of Conduct that sets out the standards of personal and corporate behaviour required of all officers and employees. The Code of Conduct applies to all directors of SDN group companies, and reinforces the strong ethical culture for the benefit of all stakeholders.

Directors will comply with the following standards of conduct:

- a. The director will use the powers of office for a proper purpose, act honestly and in good faith, and in the best interests of the company as a whole
- b. The director will have a duty to use care and diligence in fulfilling the functions of office and exercising the powers attached to that office
- c. The director will 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
- d. The director will not make improper use of information acquired as a director
- e. The director will not take improper advantage of the position of director
- f. The director will properly manage any conflict with the interests of the company
- g. 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
- h. Confidential information received by the director in the course of the exercise of directorial duties remains the property of the company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or the person from whom the information is provided, or is required by law
- i. The director will not engage in conduct likely to bring discredit upon the company
- j. 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 the Code of Conduct
- k. The director will be mindful of and, to the extent necessary, comply with, the obligations of a 'Responsible Person' as set out in the ACNC Governance Standards.

8. Role of the President and Chair

The President will be the chair of the Board of SDN in accordance with the Constitution. The President may hold office for no more than three consecutive annual terms as defined in the Constitution but may be re-elected at a subsequent time.

9. Role of the Company Secretary

The Company Secretary is responsible to the Board, through the Chair, for corporate compliance matters, organises and attends the Annual General Meeting, and attends Board meetings by invitation.

The Board determines the appointment and removal of the Company Secretary in accordance with the Constitution. The Company Secretary's roles and responsibilities are detailed in a position description approved by the Board. The Company Secretary may be an employee of SDN or any other person.

10. Role of the CEO

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

The CEO manages the day-to-day management and operations of the SDN group in accordance with the strategy, business plans and policies approved by the SDN and CFS Boards and subject to specific delegations approved by both Boards and as outlined in the Delegations of Authority Policy and its associated Matrix.

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

11. Compliance, Risk Management and Internal Controls

The SDN Board is responsible for ensuring that management has adequate measures in place to identify, manage, monitor, and mitigate or control principal business risks for the SDN group. This includes ensuring compliance with relevant legislative and regulatory requirements.

The Board has systems of review and authorisation in place to verify and safeguard the integrity of the SDN group's operations and to ensure the truthful and factual presentation of the SDN group's performance.

12. Board Meetings

12.1 Quorum

The quorum as set out in the SDN Constitution is three directors, or another number as agreed by the SDN Board.

12.2 Disclosure of interest

Directors must disclose to the Board any 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 Chair 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 a 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 SDN and clearly states that the remaining Board directors 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 or CFS and will be reported in writing to the Chair.

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.

13. Board and CEO Evaluation

13.1 Board evaluation

The SDN Board conducts regular reviews of its performance, policies and practices to identify where improvements can be made in providing best practice corporate governance. The review may 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 also involves a review of how helpful Board decisions have been for the SDN group. The Governance and Remuneration Committee ensures that the review takes place, obtaining any assistance required.

13.2 CEO evaluation

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

14. Remuneration

14.1 Director remuneration

Directors on the SDN Board serve on a voluntary basis and do not receive remuneration. They can be reimbursed for a reasonable amount of expenses directly related to Board activities.

14.2 Executive remuneration

The Board approves the remuneration of the CEO, subject to the recommendation of the Governance and Remuneration Committee.

The Board reviews and approves changes to the remuneration structure and principles for the Executive team, as recommended by the CEO and in line with SDN's *Remuneration Policy*.

15. Director Induction and Development

The SDN Board will ensure that all incoming directors receive the necessary induction and mandatory training to enable them to discharge their duties. The Board has a formal induction program and required documentation is compiled and made available in the SDN group's online board portal, Board Effect.

In order to continually improve Board performance, all directors are supported to undergo regular professional development. SDN supports director development and education where appropriate by providing directors with resources, training and financial assistance to access training and through mentoring.

16. Review

The SDN Board will review this Charter every two years or as required. Any changes to this Board Charter must be approved by the Board.

17. Publication of Charter

This Charter will be made available to all SDN Board directors as part of their induction pack, and be available on SDN's website www.sdn.org.au.