

SDN CHILD AND FAMILY SERVICES PTY LTD

BOARD CHARTER

Approved
October 2019



1. Background

The purpose of this Board charter is to promote high standards of corporate governance across SDN Child and Family Services Pty Ltd (CFS).

CFS is a wholly owned subsidiary company of SDN Children's Services (SDN), and the Board of CFS is accountable to its member, being SDN.

CFS operates its services in parallel with those of SDN and 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 operationally report to the CEO of SDN. CFS maintains separate accounts.

This charter sets out the terms of reference and governance requirements for the CFS Board. The SDN 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 CFS Constitution, board policies and relevant laws. To the extent that there is any inconsistency between this charter and the CFS Constitution, the CFS Constitution will prevail.

2. The CFS Board and the role of Management

The CFS Board is ultimately responsible for the performance of the CFS company. The CFS Board has retained its authority to make decisions on certain matters, however it has delegated certain responsibilities to SDN, which are set out in the Delegation of Authority Policy and its associated Matrix.

Historically, the CFS Board has consisted of directors who are also directors of SDN, with the chair of CFS being a different director to the chair of SDN. The CEO of the SDN group also sits on the Board of CFS as an executive director.

The CEO of SDN has been delegated responsibility for the day to day management and operations of CFS by the CFS Board. The CEO is accountable to the CFS Board for the exercise of this 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 CFS.

3. The role of the CFS Board

The role of the CFS Board is to promote and protect the interests of CFS, however under the CFS Constitution, directors of CFS are also able to act in the best interests of the parent company, ie SDN.

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

The CFS Board's key responsibilities are:

- a. Stewardship of the vision, purpose and values of CFS, as part of the SDN group
- b. overseeing the governance of CFS
- c. identifying skills required for board directors and inviting directors to join the Board
- d. approving the establishment of any CFS Board committees and their Terms of Reference
- e. determining and monitoring any delegations of authority to the SDN Board, its committees and management
- f. providing strategic direction through periodically reviewing the SDN strategic plan to ensure it meets the objectives of CFS and its services
- g. approving the authorities to be delegated to the CEO of SDN as they apply to CFS 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 either SDN or CFS
- h. approving management's strategy and performance objectives as they apply to CFS and its services, and monitoring management's performance against these objectives
- i. approving the annual budget for CFS including targets for revenue, surplus or deficit, capital expenditure, and cash flows, as proposed by management
- j. approving and monitoring the progress of major capital expenditure, capital management, acquisitions, divestitures and mergers for CFS
- k. approving management's high level policies as they apply to CFS
- l. reviewing and ratifying the SDN group's systems of risk management to ensure CFS' 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 CFS' values and policies
- m. 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 CFS Board may establish committees to assist it in carrying out its work, however 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. The CFS Board retains the authority to review its own accounts and resourcing including staffing.

5. Delegations of authority

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

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

6. CFS Board structure

6.1 Number of directors

CFS's Constitution provides for a minimum of 1 and a maximum of 7 directors.

6.2 Types of directors

The CFS Constitution allows any 'natural person' to be appointed as a director.

The CFS Constitution does not include any requirement for office bearers. The directors may elect a Chair and a Deputy Chair as they see fit.

6.3 Board skills and diversity

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

6.4 Terms and conditions of appointment

Directors are appointed by resolution of the CFS Board under the terms of the CFS Constitution.

Directors remain on the Board until required to vacate the office as required by the CFS Constitution. There is no maximum term of office provided in the CFS Constitution.

7. Role of individual directors

7.1 Director's general roles

The CFS Board is responsible for the overall governance, management and strategic direction of CFS 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 59 and 60 of the CFS Constitution. Directors cannot speak on behalf of the CFS 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.

Under the *Corporations Act*, directors of CFS as a wholly owned subsidiary can act in the best interests of the parent company, ie SDN, and the CFS Constitution expressly authorises this.

The sectors in which the organisation 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 CFS' 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, and the CFS Board has endorsed this. The Code of Conduct applies to directors of both companies, and reinforces an already 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, with directors of CFS authorised to act in the best interests of SDN
- 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 Chair

The Board of CFS will elect a director to be the chair of its Board, in accordance with its Constitution. In practice the Chair of CFS is not also the President and Chair of SDN.

9. Appointment of Executive Officers

The CFS Constitution allows for the appointment of various Executive Officers if desired, including:

- appointing a director as Managing Director

- appointing an employee of CFS or a related company as an executive director (or other title as preferred)
- appointing one or more secretaries or assistant secretaries.

It is not a requirement for any of these roles to be appointed.

10. Role of the CEO

The CEO of the SDN group is currently an Executive Director on the CFS Board, and has been delegated responsibility for the day to day management and operations of CFS.

11. Compliance, Risk Management and Internal Controls

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

The SDN 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.

The CFS Board reviews and ratifies the SDN group's risk management systems insofar as they relate to CFS, and has delegated the administration of these systems to SDN.

12. Board Meetings

12.1 Quorum

The quorum as set out in the CFS Constitution is two directors, or another number as determined by either the CFS Board or SDN Board. If CFS has only a single director, then that director makes the quorum.

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 CFS' 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 CFS 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 CFS Board conducts regular reviews of their 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 were for the organisation.

The CFS Board may choose to delegate coordination of this review to SDN's Governance and Remuneration Committee, to be conducted in conjunction with the regular review of the SDN Board. In this case, the SDN Board will formally report to the CFS Board on the outcomes of the review as they relate to CFS.

13.2 CEO evaluation

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

14. Remuneration

14.1 Director remuneration

Directors on the CFS Board serve on a voluntary basis and do not receive remuneration. There is no additional remuneration to the CEO of the SDN group when acting as an executive director of CFS. Directors can be reimbursed for a reasonable amount of expenses directly related to Board activities.

14.2 Executive remuneration

The CFS Board has delegated to the CEO of the SDN group the day to day operations of the company. Approval of the remuneration of the CEO has also been delegated to the SDN Board, subject to the recommendation of its Governance and Remuneration Committee.

15. Director Induction and Development

The CFS 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. CFS 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 CFS 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 CFS Board directors as part of their induction pack, and be available on SDN's website www.sdn.org.au.