

Director's Handbook

Approved: 18 May 2017
By: Board of Directors



Director's Handbook

This document provides a reference source for Directors that describes Board operations and the conduct expected of Directors, along with procedures and protocols relevant to Board business and Directors' duties.

The handbook must be read in conjunction with the company's Corporate Governance Policy and related documents such as the Constitution, Risk and Compliance Management Policy, etc. These other documents are available on the company intranet.

All Directors and Managers are expected to follow the provisions set out in this handbook.

A significant contribution to the content of this handbook was provided by Trudeau and Associates as part of a consultancy engagement with the company.

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Fundamentals

*'The board is imbued with its exciting and daunting authority as a group, not as individuals. That is, the board as a body has both the right and the obligation to govern, but its constituent members have none. The board speaks as a group or not at all. The group 'qua' group is the source of all discipline and responsible behaviour that is not controlled by an outside authority such as the law. Most board members accept this precept in theory, but most boards violate in practice.'*¹

The Board's Authority and its Exercise

1. At law the authority of the Board derives from the Corporations Act 2001, Murray Irrigation Limited's own Constitution² and the State legislation governing the licences issued to Murray Irrigation to conduct its

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operations and related activities.

2. To assist it in the execution of its duties the Board has established Committees for the conduct of detailed work. Committee charters, or terms of reference, are an appendix to this handbook.
3. For Committees to serve the Board well, communication with the Board surrounding Committee activity must be swift, timely and effective. In that respect the Board seeks to ensure:
 - a) Adequate alignment between Committee and Board activities so that reporting from the former to the latter assists timely consideration of Committee matters and prompt decision-making by the Board on Committee requests and recommendations.
 - b) Active, on-going collaboration between the Chairman, the Committee Chairs and the Chief Executive Officer as a 'facilitating layer' in the communication process, designed to bridge potential time gaps in the formal reporting process.
4. The Corporate Governance Policy sets out detail in relation to the Board's authority and its exercise.

The Board and the Practice of Authority: Leadership, Decision-Making and Unity

5. Rules, guidelines, processes and structures notwithstanding, the Board recognises that, as a matter of practice, the moral licence to exercise its authority derives from the behavioural standards and professional integrity it demonstrates, as well as from its effectiveness as the organisation's foremost direction-setting and decision-making body.
6. Over and above its specific duties, the Board as a body is expected to provide and exercise leadership:
 - a) In setting the company's direction and articulating its vision, as they may find expression in the Strategic Plan for instance
 - b) On an on-going basis in the management and conduct of the Board's business, through sound, expeditious and consistent decision-making
 - c) In setting the behavioural and cultural tone of the Board and within the wider organisation – the latter in collaboration with Management.

*'Don't tolerate putting off the big issues forever. The really big issues will often be too intimidating for you to reach a solution comfortably. Yet in most cases, the decision is being made anyway by default. Board inaction can itself be a decision. Don't tolerate the making of big decisions by the timid action of not making them.'*³

7. It is a fundamental duty of the Board to make decisions on the matters presented to them for review and consideration. The Board and its Directors individually:
 - a) Have a duty of care in making their decisions (as well as a fiduciary duty in some instances)
 - b) Have the right (indeed the duty) to seek such information as they may require in order for them to exercise that duty of care
 - c) Should be clear as to the rationale for their decisions and follow an appropriately rigorous process in arriving at those decisions, i.e. one that rests on consistent principles

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- d) Should exercise leadership in arriving at decisions in a timely and forthright manner
 - e) Recognise the Board meeting as the only forum for Board decision-making.
8. In addition, Board and Management jointly and severally:
- a) Recognise the authority of the Board once a matter has been decided after an appropriate airing
 - b) Recognise their obligation to communicate, uphold and defend those decisions as decisions of the Board (and thus of the organisation), as part of their advocacy responsibilities – whether or not their personal view accords with the decision and whether or not their argument carried the day (and the vote).

*'Be responsible for group behaviour and productivity. While doing your job as a single board member is important, it does not complete your responsibility. You must shoulder the potentially unfamiliar burden of being responsible for the group. That is, if you are part of a group that doesn't get its job done, that meddles in administration, or that breaks its own rules, you are culpable.'*⁴

Board Culture

- 9. In attending to their joint business Board and Management together strive for best practice. To support that effort Board and Management have put in place processes and structures consistent with that aspiration. Nonetheless – and in acknowledgement of change and the on-going need for improvement, these processes and structures are reviewed regularly.
- 10. Board and Management alike recognise their duties to each other in the development, observance and maintenance of professional, harmonious and collaborative working relationships marked by respect and courtesy within their respective bailiwicks as well as in their joint dealings.
- 11. While the Chairman and the Chief Executive Officer have primary responsibility for supporting (and if the need dictates, enforcing) professional standards of behaviours within their respective areas of control, members of the Board and Management accept without reserve their joint and several responsibilities in upholding agreed behavioural standards, as reflected in the Directors' Code of Conduct contained within this handbook.

*'Though the chairperson bears particular responsibility with respect to the governance process, the entire board cannot avoid its share of responsibility. In other words, the existence of a chairperson does not relieve other board members from contributing to the integrity of the process. If the board as a whole does not accept responsibility for the governance process, the best the chairperson can achieve is superficial discipline.'*⁵

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*'Support the chair in board discipline. Although the board as a whole is responsible for its own discipline, it will have charged the chair with a special role in the group's confronting its own process. Don't make the chair's job harder, rather ask what you can do to make it easier.'*⁶

Directors' Code of Conduct

*'Conduct in any job is important, of course, but board conduct requires more than the usual vigilance for several reasons, First, because the board is a group of individuals, questions of group conduct versus individual conduct are confounded under the best of conditions. Second, because the board is a group of peers, the board must learn to govern itself before presuming to govern others. Third, because other people depend on the board's style of operating, there must be some predictability and stability.'*⁷

Duties of Directors: General Expectations

In matters of general conduct Directors are expected to:

12. In addition to the specific code of conduct for Directors set out below, to 'set an example' following the organisation-wide code of conduct as it applies to staff.
13. Understand their professional duties and responsibilities and to discharge them in a responsible and proactive manner.
14. Ensure that they give to these duties and responsibilities the time and attention they require. Directors are required, in particular:
 - a) To evaluate the number of boards on which they serve
 - b) To seek approval from the Chairman prior to accepting an invitation to become a director of any corporation; and, in the case of the Chairman, to seek approval from the Chairman of the Finance, Audit and Risk Management Committee.
15. Behave at all times, both within Board meetings and outside of them, in a professional, civil and constructive manner with their fellow Directors and with Management.
16. Assist and support the Chairman actively in upholding Board discipline, both professional and behavioural.

*'Support the chair in board discipline. Although the board as a whole is responsible for its own discipline, it will have charged the chair with a special role in the group's confronting its own process. Don't make the chair's job harder, rather ask what you can do to make it easier.'*⁸

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17. Protect and enhance, by their behaviours and actions, the reputation and standing of Murray Irrigation within the organisation, among its shareholders and customers and in the wider community.
18. Exercise independent judgement in the matters brought before the Board.
19. Respect the confidentiality of matters brought before the Board, of the Board's deliberations, of the outcomes of those deliberations and, generally, of the organisation's affairs. This means Directors may not discuss confidential Board matters with anyone outside the Board without explicit authorisation by the Board.
20. Behave honestly and ethically, observing – among other things – Murray Irrigation's policy regarding the receiving of gifts, the acceptance of hospitality or other benefits and inducements.
21. Attend scrupulously to the disclosure of their interests and to abide by the spirit and the letter of the company's policy governing the declaration and management of real or potential conflicts of interest. Under this heading, Directors are required to:
 - a) Disclose any material contract or relationship – including relevant interests of spouses and family companies, and involvement with other companies, professional firms or other related parties
 - b) Adhere strictly to the constraints on their participation in deliberations and their voting on matters in which they have an interest, in accordance with the Corporations Act, the company Constitution and the organisation's policies
 - c) Update the information contained in the register of interests as and when required
 - d) Ensure, where directors are involved with other companies and related parties that have dealings from time to time with Murray Irrigation, that any dealings take place at arm's length and on a commercial basis.
22. Facilitate the transaction of business at Board meetings by:
 - a) reading their Board papers attentively;
 - b) conducting appropriate research before meetings and acquainting themselves fully with the issues confronting the Board (e.g. by seeking clarification from Management where matters raised in the papers require it);
 - c) attending Board meetings regularly and punctually;
 - d) behaving responsibly and professionally throughout;
 - e) participating actively and constructively in the Board's deliberations; and
 - f) supporting effective decision-making.

Duties of Directors: Specific Expectations

In addition to meeting general expectations as to their conduct, Directors and Management also recognise and agree that:

Exercise of Independent Judgement

23. It is a function of Murray Irrigation's role and Constitution that the organisation in general – and thus its Board in particular – must take account of (and reconcile, wherever possible) the interests of different

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groups (such as customers and shareholders), as well as those of Murray Irrigation as an entity.

24. While these interests tend to overlap by and large, they can (and do) diverge, sometimes materially, among the groups involved.⁹ This divergence of interests can be the source of significant pressure on Management, on the Board as a whole and on individual Directors, the majority of whom are elected to their positions.
25. Board and Management acknowledge the tensions and conflicts that the divergent interests can excite. By extension, both bodies acknowledge also the importance that attaches to:
 - a) Identifying clearly the interests at play in any matter put before the Board
 - b) Ensuring that decision-making surrounding those interests is marked by intellectual rigour and independent judgement
 - c) Displaying integrity and constancy in supporting the decision the Board arrives at, whether or not it agrees with a Director's personal view or interest.
 - d) Speaking with one voice on that decision, putting stock by the rigour of the decision-making process to explain and advocate the outcome the deliberations have produced.

*'Represent the ownership, not a single constituency. You will understand and personally identify with one or more constituencies more than others. That provincial streak is natural in everyone, but your trusteeship obligation is to rise above it. If you are a teacher, you are not on the board to represent teachers. If you are a private person you are not there to represent that interest. You are a board member for the broad ownership. There is no way that the board can be big enough to have a spokesperson for every legitimate interest, so in a moral sense you must stand for them all. Think of yourself as being from the constituency, but not representing it.'*¹⁰

Advocacy

26. The Board and its Directors have a duty to inform and educate Murray Irrigation's constituency¹¹ about the role of Directors (and the consequential obligation to balance the interests of all constituents when making decisions); and about the wider (i.e. strategic) direction of Murray Irrigation and the policies that flow from it.
27. When attending to that duty Directors will be seen to represent the organisation more than they do the Board *per se* – let alone themselves. In their words and actions, they cannot usurp the power of the Board as a body. A Director cannot enter into undertakings, commitments or promises that engage the organisation, Management or the Board. A Director is only permitted to represent the Company when specifically authorised by the Board, either directly or by the Chairman, to do so. He or she can only take questions and issues on notice.
28. Further, Board and Management recognise that, as elected officials, Directors will be approached directly by constituents keen to promote their views or to seek to have specific problems or issues attended to.
29. Where this occurs, a director will:

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- a) Advise the constituent of the operational nature of his or her request (and thus that satisfaction of the issue falls outside the director's and the Board's purview)
- b) Direct the constituent to Management, in accordance with established procedure
- c) Invite further contact if the appropriate officer has not responded to the constituent in a reasonable time frame.

Water and Entitlements Trading Protocol

30. Directors, like staff and contractors, are expected to adhere scrupulously to Murray Irrigation's protocol on the trading of its market-valued products.
31. Directors must also be familiar with, and abide by, the Board (and the organisation's) policy vis-à-vis the management of real or perceived conflicts of interest.

Board and Management Relations

'No one in the organisation has authority that has not originated with the board. This includes the chair and the CEO. Both work for the board.'

The board will not become CEO-dependent because the flow of authority compels a CEO to work for the board rather than the CEO to stage-manage the board.

The board as a body will protect the CEO and staff from the board as individuals.

The CEO will know that he or she need never pay attention to anything a given board member instructs or advises but is unequivocally bound to meet criteria set by the body. The board speaks as one.

Dealings between the Board and Management – General

32. The Board meeting is the forum in which the business of the Board (and thus the business of the Board with Management and vice-versa) is transacted. Urgent and unexpected matters aside, there is no other forum for the transaction of Board business.

Contacts between Directors and Management outside the Board Meeting

33. Directors have a duty of care for the manner in which they exercise their functions. As part of that duty of care they may seek to have clarified or explained in greater detail matters or issues put before them for consideration and decision.
34. In searching for clarification or explanation, Directors are entitled to approach the Chief Executive Officer directly in order to obtain the information or explanation that will assist their understanding.
35. Directors' requests for information and explanation must be reasonable, whether the term 'reasonable' is used to describe the volume of information requested, the time within which the information is to be

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produced or the frequency with which demands are made of Management. Moreover, such dealings are neither to be construed nor used as occasions for the prosecution of Board business or the direction of Management. Under no circumstances are Directors permitted to induce employees or members of Management to release information.

36. Management is required to respond to director enquiries promptly and diligently and in most cases at the next Board meeting unless the requests require urgent attention.
37. Where Directors have cause to communicate with Management in writing or by email, the correspondence must be copied to the Chief Executive Officer for attention and the Chairman for information at the time of issue. Correspondence between the Board and Management (whatever its direction) forms part of the record of Board business. The Chairman will seek a justification for information requested by Directors outside meetings and once satisfied, the information will be provided to Directors.
38. To the extent that exchanges among Committee members are concerned with Committee business that properly falls within a Committee's charter, communication between Directors and Managers within Committees is not subject to the same formality as general communication between Directors and Managers, as the requirement for transparency is satisfied through the reporting mechanisms between the Committees and the Board.

Sharing of Experience as Advisers, not Directors

39. Where a Director with a particular interest or body of experience wishes to assist the organisation by having it tap that particular interest or experience, he or she must do so as an adviser and not in his or her directorial capacity.
40. Two channels are available for the sharing of a Director's experience: via membership of a Committee of the Board or participation in a special project.
41. In either instance, the involvement of that Director with a Committee of the Board or the special project team must be sanctioned by the Board before the fact and accord with the charter of the Committee or the brief for the special project.

*'The most important part of the Chairman's role is to manage the relationship with the CEO. First, both must understand that their roles are different. The chairperson manages the board and the CEO manages the company, under the authority delegated by the board. Second, the CEO reports to the board, not simply to the chairperson. Third, the CEO position is lonely and exposed and this necessitates a close working relationship between the chairperson and the CEO. The chairperson should seek to maintain the relationship between the board and the CEO. Fourth, in spite of questions of personal loyalty, the chairperson's responsibility is to the board and the company.'*¹²

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Relationship between the Chairman and the Chief Executive Officer

42. The Chairman and the Chief Executive Officer enjoy a privileged relationship by virtue of their respective offices, the first as the leader of the Board and the second as the leader of Management.
43. On those occasions where business is to be transacted outside Board meetings, communication between the Board and Management occurs through the Chairman and the Chief Executive Officer.
44. The privileged nature of this communication channel (and of the relationship that underlies it) is recognised by members of the Board and Management alike.
45. Privileged relationship notwithstanding, it is also recognised that the Chief Executive Officer is accountable to the Board as a body – not to the Chairman.

The board and the CEO constitute a leadership team. Their contributions are formally separable, and once clearly differentiated, the two roles can be supportive and respectful of each other. Each can reasonably expect the other to exhibit leadership...

The board has the right to expect performance, honesty and straightforwardness from its CEO. Boards can at times be understanding about performance, but should never bend an inch on integrity. The CEO has the right to expect the board to be clear about the rules and play by them. He or she has the right to expect the board to speak with one voice. And the CEO has the right to expect the board to get its job done.¹³

Commissioning of Work by the Board

46. The Board will, from time to time, require Management to perform specific tasks – such as research, the exploration of options, the drafting of policies or the framing of recommendations, in addition to conducting the organisation's ordinary business.
47. Directors cannot commission such work independently: that is the Board's sole prerogative, exercised by formal resolution in the context of Board meetings.
48. When commissioning the work, the Board is duty-bound to make its will and intent clear to Management – not only in terms of its rationale in commissioning the work, but also in terms of its expectations vis-à-vis the work (e.g. scope and depth of the work, expected standard or detail, time-frame for delivery, particular criteria).
49. It is the duty of Management to assist the Board in clarifying requirements so that its 'marching orders' are well understood *before* the work is undertaken – and the materiality of the work established.¹⁴
50. Board and Management have a mutual obligation to assess the priority of that work over other items the Board may have previously commissioned, and to adjust those priorities as appropriate or necessary. The

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concept of materiality will be further tested as part of any re-assignment of priorities.

51. Board and Management have put in place a project management process to manage and prioritise a range of prospective projects put forward by Directors and Management to improve the business. The process has the following requirements:
 1. Management will maintain a list of projects that will be distributed to Directors with Board agenda papers;
 2. Directors or the Chief Executive Officer may propose that projects be added to the list of approved projects subject to them meeting the following criteria:
 - a. There must be a clear relationship between the project activities and the purpose and goals of the company;
 - b. The project should have the potential to make a material positive impact (i.e. should have a large positive ROI);
 3. If a new project is supported by the Board to be an approved company project the Chief Executive Officer will be requested to prepare a business case for the project and ensure it meeting the Murray Irrigation management framework requirements. The business case will then be submitted to the Board for approval.
52. The relationship of the proposed work to the Strategic Plan will be an important reference mark in the Board's decision to commission the work and thus a factor in the discussion of materiality. That said, it is also acknowledged that not all circumstances the Board encounters will have been foreshadowed in the organisation's Strategic Plan.
53. The Board has a duty to critique the quality of the work done at its behest, whether by a Committee or by Management. Without lacking in candour, the Board's critique is to be professional in tone and constructive in substance. The purpose of the critique is to assist the authors of the work in understanding where their efforts have met with success, where they have fallen short or where they may have missed the mark altogether. The ultimate goal of the critique is growth in capability – not its enfeeblement.

Conflicts and Disclosure of Interests

Nature and Recording of Conflicts of Interest

54. The risk of real or perceived conflicts of interest arising and the obligation to manage them are recognised by the organisation and by the Board in particular. The Corporate Governance Policy requires Directors to:
 - a) Be meticulous in their disclosure of material interests and relationships
 - b) Adhere to the constraints on their participation and voting on matters in which they have an interest
 - c) Ensure that any approved dealings between a Director with a declared interest and Murray Irrigation are conducted at arm's length and on normal commercial terms.
55. A standing register of declarations of interest is maintained for at least 12 years following each declaration and will include records of:
 - a) The Director's interests in contracts with the company including landholding, share, water entitlement and delivery entitlement holdings.

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- b) Other directorships
 - c) Shareholdings in other companies with which the Company transacts or in which it owns shares.
 - d) Any other relevant interests in matters relating to the Company.
 - e) Any interest described above held by a spouse of the director or body corporate controlled by the Director
56. Directors are required to provide updates of their interests as soon as practicable after the interest arises.
57. Any updates to the standing register must be provided to all Directors upon change to its content or appointment of a new Director, to satisfy the statutory requirement for disclosure.
58. The register of Director interests is to be reviewed by the Board of Directors at least annually to ensure its currency. Note that this does not derogate from Directors' ongoing obligation to disclose changes as they arise.
59. Different types of 'conflicts' can be identified:
- a) Alleged conflicts of interest that arise in respect to contracts entered into where a Director has an association with the firm whose services have been retained by Murray Irrigation
 - b) Alleged conflicts of interest where staff (and Directors) may be placed in a beneficial position to trade water entitlements
 - c) Alleged conflicts of interest that arise in relation to matters brought before the Board.
60. The treatment of these different alleged conflicts of interest differs according to their type:
- a) Alleged conflicts of the first type are readily dealt with through established tendering processes.
 - b) Alleged conflicts of the second type are to be dealt with in accordance with the Water and Entitlements Trading Protocol.
 - c) The third and last type of interest is the subject of this section.

*'It must be recognised that as a general rule, though not invariably, directors have an interest as shareholders in the company of which they are directors. Most sets of articles of association actually require directors to have such an interest...so that their interests may be identified with those of the shareholders of the company. Ordinarily therefore, in promoting the interest of the company, a director will also promote his own interests. I do not regard the general phrases which are to be found in the authorities with reference to the obligations of directors to act solely in the interests of the company as meaning that they are prohibited from acting in any matter where their own interest are affected by what they do in their capacity as directors.'*¹⁵

Board Meeting Preparation and the 'Discovery' of Potential Conflicts of Interest

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61. The preparation of the Board meeting agenda provides an opportunity for the identification of possible or potential conflicts of interest by the Chairman, the Chief Executive Officer and the Company Secretary.
62. As part of structuring the agenda and its suite of papers, consideration must be given to identifying possible or probable conflicts of interest by reference to the standing declarations of interest. This reflection will assist the Chairman in his preparation for the meeting by affording him the opportunity to:
 - a) Phrase questions designed to ascertain the existence of a conflict, whether real or perceived
 - b) Devise a proposed course of action to manage the conflict, should its existence be established.
63. On reviewing the agenda and their papers, individual Directors should, as part of their own preparation, consider whether or not any of the matters on the agenda:
 - a) Invoke (or has the potential to invoke) a real or perceived conflict
 - b) In the affirmative, define the nature and materiality of the actual or possible conflict for discussion with the Board; and
 - c) Determine whether, in their view, the real or perceived conflict warrants their withdrawal from the discussion and any subsequent vote.

During a Meeting

64. For the purposes of conflicts of interest that arise during a meeting or from the subject matter presented in reports to that meeting, all Managers present and the Company Secretary must also declare any interests they hold for the purpose of informing Directors present. Managers or the Company Secretary need not leave the room if they have declared an interest, as they do not vote on the matter and Directors must still exercise independent judgement during the course of discussion.
65. The management of (real or perceived, possible or probable) conflicts of interest is a duty of the Board, and one that ought to be fulfilled by mutual effort of the parties:
 - a) The Chairman¹⁶ is duty-bound to test for possible or potential conflicts of interest among Directors in the matters set before the Board. This testing should occur through questioning where a doubt arises.
66. Individual Directors are equally bound to raise the possibility or probability of their being in a conflict of interest and to seek the Board's advice on the proposed course of action.
67. The consideration and disclosure of interests by Directors will be the first item of business at all Board and Committee meetings, following the formalities of opening the meeting.
68. In this regard it is important to note that:
 - a) The Board as a body (those Directors who have not declared an interest) by resolution may choose to have the Director who has declared a conflict remain in the room and participate in both deliberations and voting if note is made (a) of the Director's declaration (including nature and perceived or actual extent) and (b) of the Board's view that the conflict is not likely to influence the Director's views unduly and thus to constitute a breach of duty.

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- b) The Director involved may still choose to exclude himself or herself from the deliberations and the vote, notwithstanding the Board's permission for him or her to remain.
 - c) The minutes must record the declarations and their outcome (e.g. withdrawal or permission to remain).
69. Other than for those specific circumstances defined at law,¹⁷ the questions that follow may assist the Board and individual directors in clarifying the possible or potential existence of a conflict of interest and in settling on the appropriate course of action:
- a) In what respect does the matter at hand present a possible or potential personal conflict of interest for the Director?
 - b) What is the nature of the possible or potential conflict of interest? For example: is it pecuniary or non-pecuniary? Does it present an opportunity for gain or the risk of loss for the Director involved? Each of these scenarios may require disclosure of the interest.
 - c) In what respect does the matter at hand present a possible or potential material conflict of interest for the Director?
 - d) Given its nature, what audience or 'constituency' is the conflict likely to involve or affect?
 - e) Given its nature, will a decision on the matter affect all members of that constituency equally?
70. For the purposes of Murray Irrigation, 'personal' is taken to include the interests of:
- a) The Director themselves
 - b) The spouse, children, and immediate associates of the Director
 - c) Any other company (for example the Director's own business) over which the Director can exert control (for example by being a Director of that other company).
71. A material interest is taken to mean one that may have a substantial effect on the Director's (or those parties listed above) interests, or have the real or perceived capacity to influence the decision of a reasonable person in the same circumstance as the Director.
72. While some cases of conflict of interest stand out clearly, many escape a 'black-letter' definition and require the exercise of judgement and common sense. It is notoriously difficult, for one thing, to be prescriptive about 'materiality', as circumstances alone will often define what is 'material' and what is not. The three essential ingredients in dealing with conflicts of interest are:
- a) The declaration of the possible or potential, real or perceived conflict
 - b) The active and transparent consideration of the conflict by the Board in arriving at a course of action
 - c) The setting down of the conclusions and actions as part of the formal record (minutes).
73. Exceptions to the need to declare an interest (as distinct to consideration of whether the interest presents a real or perceived conflict) are where the interest:
- a) is in relation to a shareholder matter and is held in common with **all** other shareholders (not customers)
 - b) relates to the Director's remuneration
 - c) relates to Director and officer insurance
 - d) relates to a proposed contract that is subject to general meeting approval

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e) relates to certain transactions with related bodies corporate (e.g. Riverbank Holdings Pty Ltd)

74. A 'ready reckoner' is provided to assist directors and the Chairman when dealing with conflicts of interest.

Communication with an excluded Director

75. Details of discussion and decision on an item must not be communicated to a Director excluded from that discussion where there is a chance that information will give an unfair advantage.

76. Any such communication must occur only between the Director and the Chairman of the meeting; or after the decision is made public knowledge.

77. Should an excluded Director come into possession of such information that Director must not act upon it until made public by the company or any unfair advantage is removed.

78. This aspect of the protocol is intended to assist Directors to fulfil their fiduciary duties to not use their position (including information gained by virtue of their position) to personal advantage.

As an example – if a Director has an interest in a proposed transaction and subsequently learns of certain details of the board's discussion and decision, the Director may in some cases be placed in a position where they cannot proceed with their transaction without exercising an unfair advantage.

*'Each case will depend on its own facts. A director who is confronted with a possible conflict must assess his or her position. The minimum requirement will be disclosure of the interest. This is simply part of, or an extension of, the statutory obligation... What action, above and beyond mere disclosure, the director must take will vary from case to case depending on the subject matter, the state of knowledge of the adverse information, the degree to which the director has been involved in the transaction, whether the director has been promoting the cause, the gravity of the possible outcome, the exigencies and commercial reality of the situation and so on...'*¹⁸

Conduct of Board Meetings

79. The Board meeting is the forum in which the business of the Board (and thus the business of the company, and the Board with Management and vice-versa) is transacted. There is no other forum for the transaction of Board business.

80. Established processes ensure that the Board and its Committees meet regularly to attend to the business of Murray Irrigation. Where urgent and unexpected matters arise¹⁹, the Board may meet in extraordinary session or deal with the business at hand via teleconferencing or similar technology.²⁰

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81. The business of the Board (and, by extension that of its Committees), is confidential to the Board and to the members of the Senior Executive with whom that business is transacted. There are no exceptions.
82. A 'closed' (or 'in-camera') session is a session of the Board in which Directors only are present in the room, save for the Company Secretary (or other nominated person) whose presence is required for the recording of minutes and decisions.
83. The Board may call an in-camera session for a range of reasons, some of them forming part of the annual Board calendar (such as the annual review of the performance of the Chief Executive Officer) while others may be prompted by unexpected events.
84. Unless formally rescinded by the Board, the following rules apply to *in-camera* sessions:
 - a) *In camera* sessions are a form of meeting to be used judiciously and in exceptional circumstances.
 - b) Furthermore – and unless exceptional circumstances arise to prevent adherence to the following, *in camera* sessions (a) will be formally advised on the Board meeting agenda; (b) their subject matter will be identified; and (c) they will be actively managed as are all other parts of the Board meeting agenda.

Attendance at Board, Committee and Shareholder Meetings

85. Directors are required to attend all Board meetings, Shareholder meetings and the meetings of Board Committees on which they serve.
86. At Board meetings the Board expects and requires, at a minimum, the participation of the following persons:
 - a) The Company Secretary
 - b) The Chief Executive Officer
 - c)
87. The Board also expects that, on Board meeting days, members of the Management team will be available to join the Board meeting at short notice, should the need for their participation arise (in addition to Management contributions already flagged at the time of preparing the Board meeting agenda).

Preparing for the Board Meeting:

88. The basic structure of the Agenda must include the following elements, in their proper sequence:
 - a) Apologies and quorum
 - b) Declarations of interest
 - c) Approval of minutes from the previous meeting and business arising
 - d) Review of business performance since the last meeting, including:
 - i) A report from the Chief Executive Officer
 - ii) A report on the previous month's summary financial performance

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- iii) Water availability information and water delivery performance metrics within the constraints of the water management policy
 - e) Strategy and policy matters
 - f) Governance matters
 - g) Operational matters
 - h) Other business.
89. Directors have the right to include other business to be discussed at the meeting within administrative constraints of the meeting and subject to notifying the Chairman of the inclusion prior to the meeting.
90. The Chairman and the Chief Executive Officer will consult on, and determine, the following prior to releasing the Board meeting agenda:
- a) The specific items that are to feature under any one of the standard headings of the agenda
 - b) The expected nature of the Board's contribution in respect of each Agenda item (e.g. decision, comment)²¹
 - c) The name of the person who will speak to a given item
 - d) The time to be allocated to each item on the agenda, as a function of the importance and weightiness of the matters involved²²
 - e) Any particular requirement of the Chairman or the Chief Executive Officer in regard to the agenda.

Preparing for the Board Meeting: Board Papers

91. Care is to be taken that Board papers assist Directors in understanding the matter at hand and in forming views for discussion on the day.
92. Care is to be taken that papers indicate clearly the action required of the Board on a particular matter (e.g. for decision or information).
93. Care is to be taken that, while they may be supported by additional documentation, papers are succinct in expression and covered by a single-page, 'attention-directing' summary.²³
94. Care is to be taken that papers are distributed to Directors on time, in accordance with the agreed schedule of distribution electronically and post (where requested) one week prior to the meeting.
95. Reports and information deemed to be time or market sensitive will be distributed to Directors or Committee members two days prior to the meeting and will activate the blackout period specified in the Corporate Governance Policy. This shorter timeframe for distribution aims to minimise the impact of the blackout period.
96. Outside of the point above, unless exceptional circumstances arise – or (a) legal considerations require it or (b) the need for up-to-the-minute information demands it²⁴, no papers are to be submitted to a meeting on the day of the meeting (or in the hours preceding it).
97. Papers or reports that are submitted during a meeting, or distributed prior but separately to the agenda papers for that meeting, must be provided to the Secretarial Governance Officer and must be attached to

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the master copy of the meeting's agenda papers.

98. It is expected that, prior to the Board meeting, Directors will have:

- a) Read their Board papers attentively
- b) Sought such clarification of explanation of the matters raised in the papers as to:
 - i) Understand their substance
 - ii) Identify questions or issues warranting discussion at the Board meeting
 - iii) Have formed a preliminary opinion as to their position on the matters raised in the interests of effective decision-making at the meeting.

99. Meetings of the Board and Committees are convened according to the schedule approved annually by the Board.

100. Whilst any Director may call an additional meeting at any time, such requests are to be addressed to the Chairman of the Board or Committee in the first instance.

Use of technology for Board and Committee meetings

101. If a Director wishes to attend by telephone or video conference, the Director must notify the Chairman prior to the meeting. All other Directors must also be given notice of this intent and consent to the use of technology.

102. Directors will be asked to consider providing a standing consent to the use of technology for Board and Committee meetings.

103. Where a Director attends a meeting by the use of technology, the technology must allow that Director to:

- a) hear and be heard at all times; and
- b) be able to see all documents tabled or discussed during the meeting.

104. Meetings convened by teleconference at short notice are to be avoided unless the urgency of the issue at hand does not allow waiting until the next scheduled meeting.

Conducting the Board Meeting: General

105. Board discussions are to be actively managed to have them flow as close as possible to the agenda and the associated meeting schedule.

106. The primary responsibility for the management of Board discussions in accordance with the agenda and the associated schedule falls to the Chairman.

107. The above notwithstanding, it is the Chairman's prerogative to adjust the schedule to the importance of the topic and the associated discussion. Adherence to the schedule cannot take precedence over the Board's duty of care in arriving at decisions. As always, common sense must apply.

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108. In the absence of the Chairman and Deputy Chairman, the first item of business of any meeting must be to consider and vote on a Director to chair the meeting.
109. All questions or comments must be addressed through the Chairman.
110. If the Chair of the meeting must leave the room at any time while the meeting continues, the following procedure should be put into place to ensure the meeting may continue:
 - a) Motion put and voted upon- 'that [name] takes the Chair'
 - b) Meeting proceeds under direction of the new Chairman
 - c) If the original Chairman returns a motion may be put 'that [original Chairman] takes the Chair'.

Conducting the Board Meeting: Actions and Resolutions

111. Motions must be seconded before being voted upon. Voting is by show of hands unless otherwise determined by the Chairman. The Chairman does not have a casting vote.
112. Motions are passed by a majority of those present. Votes for a motion must be explicit – at law silence cannot be taken as assent to a motion.
113. A motion must not conflict with an earlier resolution. In that instance the earlier resolution must first be rescinded.
114. Actions requested by the Board or Committee must be agreed by way of a successful motion.
115. An action register is to be maintained recording the status of:
 - a) Actions that require reporting back to the Board or Committee, and have been formally agreed.
 - b) Resolutions requiring implementation by Management.
116. The action register is to be included in the agenda papers of each scheduled meeting showing actions complete since the last meeting, and those outstanding.
117. A register of all resolutions (or searchable minutes) is also to be maintained and made available to all Directors and Management to provide a convenient record of the Company's decisions.

Conducting the Board Meeting: Role of the Chairman during the Meeting

118. The Chairman is expected to exercise leadership in conducting the Board meeting:
 - a) maintaining order
 - b) managing the agenda
 - c) pacing the discussion
 - d) drawing out views
 - e) providing guidance where necessary
 - f) facilitating the decision-making and

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- g) generally ensuring that the Board or Committee does its job and deals efficiently and productively with the business at hand.
119. Nonetheless, all Directors, with the support of Management, have a duty to assist the Chairman in conducting the meeting and in dealing with Board business: first, through the quality of their individual contributions; second, through their support of the Chairman's efforts; and third through their individual observance of agreed behavioural standards.
120. Without being prescriptive about the Chairman's personal style, 'managing a discussion actively' is understood to mean that the Chairman will, for each agenda item:
- a) Introduce the item and locate it in its context and/or priority
 - b) Summarise its Board history up to the present (e.g. first time before the Board or an 'old issue' revisited)
 - c) Indicate his expectation of the position the Board should ideally find itself in when comes the time to close the discussion (i.e. a better understanding of the situation or a decision on the matter involved)
 - d) Ensure all Directors have an opportunity to speak on the matter before the Board
 - e) Seek out the appropriate contribution from Management
 - f) Contain the discussion based on the relevance of the arguments put forward
 - g) Provide direction and 'facilitating' guidance if the discussion stumbles
 - h) Close the discussion by summarising the key points raised and the Board's perceived position on the matter
 - i) Call for a resolution on the matter (or an adjournment, or further work, as the case may be)
 - j) Summarise the outcome of the discussion for minuting by the Company Secretary.

Following the Board Meeting: Minutes

121. The minutes of Board and Committee meetings shall be minutes of resolution, recording only actions and resolutions formally agreed by the Board as a whole.
122. Key points of discussion may also be recorded in the minutes for topics of importance.
123. Comments of individual Directors, and/or dissent on a motion by a Director, will not be recorded in the minutes unless so requested by the Director and authorised by the Chair.
124. The minutes are not required to record the mover and seconder of a motion, nor any unsuccessful motion.
125. Following each meeting draft minutes are to be circulated to Directors by email for information. If any feedback arises it must be provided in writing to all other Directors. The Chair of the meeting determines any changes to the draft minutes that are to be accepted.
126. Whilst not required at law each meeting is asked to confirm that the minutes of the previous meeting are a true and complete record of proceedings.

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127. Minutes must be signed by the Chair of the meeting, or Chair of the following meeting, within a reasonable time irrespective of the Board or Committee's review described above, as is required by law.
128. Any amendment to minutes that have been signed may be done so only by further resolution of the Committee as is required by law.

Circulating Resolutions

129. Notwithstanding the Board meeting being the primary forum for conduct of Board business, occasionally circumstances will necessitate the use of circulating resolutions to formalise a decision on a previously discussed topic.
130. Circulating resolutions are resolutions of the Board passed without holding a meeting and are as valid as those passed within a meeting.
131. Circulating resolutions are to be used only where strictly necessary and only when the approach has been agreed by the Board prior.
132. Circulating resolutions are to be distributed to Directors by email. **All** Directors must respond promptly by email indicating whether they are for or against the resolution, or abstain from voting.
133. The resolution is passed once enough Directors to form a quorum have responded voting 'for' the resolution²⁵.
134. The circulating resolution is entered into the minute book once passed.

Role of the Chairman and Deputy Chairman

135. The Chairman of the Board is appointed by the Board as a whole in accordance with separate procedures approved by the Board. The term of office is typically two years.
136. The Board also appoints a Deputy Chairman of the Board by the same process.
137. The Deputy Chairman's role is solely to fulfil the duties of the Chairman during periods of absence or illness of the Chairman.
138. In addition to the other responsibilities set out in this handbook, the Chairman of the Board also has the following responsibilities agreed by the Board:
 - a) Representing the Company from time to time. This will be usually in addition to the appropriate Manager with responsibility for carriage of an issue. It is generally not expected that the Chairman be expert on a topic on which representation occurs. Rather, the Chairman represents the Board and the Company's shareholders to third party stakeholders, or chairs a meeting of shareholders.

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- b) Ensuring induction processes are in place to allow new Directors to participate fully and actively in Board decision-making at the earliest opportunity. At the minimum, the Chairman would ensure each new Director gains an understanding of:
 - i) The Company's strategic, operational, financial, shareholding, and risk management position
 - ii) The rights, duties and responsibilities of Directors
 - iii) The cultures and values of the Company
 - iv) The roles and responsibilities of senior executives
 - v) The role of Board Committees
 - vi) Meeting arrangements, and the Chairman's style of conduct
 - vii) Director interaction with each other, with senior executives, and with third party stakeholders
- c) Encouraging each Director to undertake appropriate education or continuing professional development to enhance their skills and knowledge. Such education is funded by the Company.
- d) Ensuring the Board as a whole, each Committee, and Directors individually have their performance reviewed regularly in accordance with the Board's agreed performance review protocols.
- e) Resolving conflicts that escalate, which may include customer or shareholder disputes, or conflicts involving Management and/or fellow Directors (refer to the Code of Conduct).

Trade Disclosure Protocol

Trade Protocol

139. The Corporate Governance Policy describes that certain protocols apply to trade by Directors and key personnel including at times being embargoed to prevent actual or perceived conflicts of interest arising, usually from use of privileged information.
140. This trade protocol applies to all marketable products administered by Murray Irrigation including:
- a) Water allocation
 - b) Water entitlements
 - c) Delivery entitlements
 - d) Shares
 - e) Carryover capacity
 - f) Any other tradeable product

And includes both permanent and annual (temporary) trade in any of those listed.

141. Key personnel includes:
- a) Directors
 - b) Chief Executive Officer
 - c) Staff reporting directly to the Chief Executive Officer
 - d) A company or other entity in which any of the persons listed above has a controlling interest (e.g. as a director).
 - e) Spouse, children, or other immediate associates of the persons listed above.
142. Key personnel must not trade, arrange for someone else to trade, or pass on information to someone they know or ought reasonably to know, may use the information to trade (or procure another person to

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trade) marketable products when they are in possession of price sensitive information relating to Murray Irrigation which is not generally available to the market.

143. Trade blackout periods are in place for the period between distribution of Board papers containing market sensitive information and the release of that information.
144. During trade blackout periods key personnel must not trade in marketable products without the written consent of:
 - a) In the case of Directors, the Chairman
 - b) In the case of the Chairman, the Chairman of the Finance, Audit and Risk Management Committee)
 - c) In the case of the Chief Executive Officer, the Chairman
 - d) In the case of other staff, the Chief Executive Officer
145. Approval for trade during a blackout period will only be granted in exceptional circumstances and where the trade is the only reasonable course of action available.
146. Approval for trade during a blackout period will be reported to the Board.
147. Activity contrary to this trade protocol will be considered a breach of the code of conduct.

Trade Disclosure

148. Any trade by key personnel in any marketable product must be notified to the Company Secretary (or the Chief Executive Officer if the Company Secretary is providing notification) of the trade:
149. A trade requiring notification includes where any marketable product is purchased or sold as part of a land transaction (i.e. buying/selling land with attached entitlements).
150. The notification must be made on the 'Water Trade Disclosure' form and given to the Company Secretary (or in his/her absence the Chief Executive Officer or Acting Chief Executive Officer) within five business days of the trade.
151. The notification may be given by email provided all details on the disclosure form are included.
152. All trade disclosures must be recorded in a register or file within the company's records systems and kept for seven years.

Independent Professional Advice

153. An individual Director may, after seeking approval from the Governance Committee and advising the Chief Executive Officer, obtain independent professional advice at the expense of Murray Irrigation.
154. The Governance Committee on receiving such requests, may consider, on a case-by-case basis, whether to impose a condition requiring the advice to be disclosed in writing. For example, if a Director has knowledge of confidential information obtained in another capacity (e.g. as a Director of another company) and wishes to seek advice about whether that knowledge is relevant to the discharge of the Director's duties with respect to Murray Irrigation, it could be a breach of confidence if the confidential information were disclosed to the other Directors.

Performance Assessment

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155. The Board will undertake an independent evaluation of its performance at least once every two years and will commit to reviewing and implementing appropriate recommendations from such reviews

Induction

156. The induction program aims to provide the newly appointed director with the relevant knowledge regarding:
- a) the processes of the Murray Irrigation Board
 - b) Board culture
 - c) the role and responsibilities of a Murray Irrigation Director
 - d) Murray Irrigation's strategic direction
 - e) the nature of Murray Irrigation's businesses
 - f) industry matters including an overview of the regulatory environment
 - g) Murray Irrigation's financial position
 - h) key senior management
 - i) operational and risk management practices; and
 - j) the major issues facing Murray Irrigation.
157. The induction program includes meetings with member of the Management Team, site tours, and specific matters of interest to each Director.

Board and Committee Work Schedule

158. The Board has in place a rolling 12-month calendar setting out meetings and routine reports to be received by the Board and its Committees for each calendar month.
159. The calendar is a living document and therefore not included in this handbook. The calendar is provided at the back of each set of Board agenda papers for reference.

Director Expense Claims

160. Directors may seek reimbursement for reasonable expenses incurred during the conduct of Board business. This includes things such as:
- a) Travel to and from Board and Committee meetings and other meetings that the Director has been requested by the Board or Chairman to attend to represent the company (such as member meetings). Travel is reimbursed per kilometre at the appropriate ATO rate.
 - b) Other travel expenses such as taxi fares, meals, parking, etc. in the conduct of business described above.
161. An expense claim form (available from the company intranet, Chief Executive Officer's Executive Assistant, Company Secretary, or Secretarial Governance Officer) must be lodged with the Executive Assistant. Receipts must be provided for out-of-pocket expenses. Odometer readings may be requested for vehicle travel claims.

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162. Expenses associated with seeking independent advice or Director education are to be charged directly by the provider to the Company (see protocols above).

Review and Implementation

163. All Directors and Managers are jointly and severally responsible for the implementation of the procedures and practices contained in this handbook as they relate to each role.
164. This handbook will be reviewed in accordance with the Board's agreed framework for review of Company policies, but not less than once every three years.

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- ¹ Carver, J., *Strategies for Board Leadership*, CarverGuide Series on Effective Board Governance, Josey-Bass, 1997, p 3
- ² '...The business of the Company is to be managed by or under the direction of directors'. Murray Irrigation Limited, Constitution, 19 November 2009, at Item 10.1
- ³ Carver, J., *ibid.*, p 15
- ⁴ Carver, J., *Your Roles and Responsibilities as a Board Member*, p 13
- ⁵ Carver, J., *ibid.*, p 3
- ⁶ Carver, J., *ibid.*, p 17
- ⁷ Carver J., *Board Self-Assessment*, CarverGuide Series on Effective Board Governance, 1997, p 7
- ⁸ Carver, J., *ibid.*, p 17
- ⁹ The differences can be local in nature, just as they can reflect the relative size of landholder operations – among other factors.
- ¹⁰ Carver, J. *Your Roles and Responsibilities as a Board Member*, CarverGuide Series on Effective Governance (1997), p 13
- ¹¹ By 'constituency' we understand the mix of MIL shareholders and customers that, in other contexts, might be described as 'key stakeholders'.
- ¹² Henry Bosch, *Conversations between Chairmen*, AICD, Sydney, 1999, quoted by Farrar J. in *Corporate Governance – Theories, Principles and Practice*, Oxford University Press Australia/New Zealand, 2011, p 347.
- ¹³ Carver, J., *Basic Principles of Policy Governance*, CarverGuide to Effective Board Governance, Josey-Bass, 1996, p 19
- ¹⁴ The 'materiality' criterion denotes the comparative benefit the organisation expects to derive from investing effort in the proposed work over other initiatives, given time and resource constraints.
- ¹⁵ Chief Justice Latham, quoted by Farrar J., *Corporate Governance – Theories, Principles and Practice*, Oxford University Press Australia/New Zealand, 2011, p 112.
- ¹⁶ Supported by the Company Secretary at the meeting.
- ¹⁷ See *Corporations Act (2001)* at Sections 191 to 193. For a summary, see also Farrar J. on the duty to avoid self-dealing, *Corporate Governance – Theories, Principles and Practices*, Oxford University Press Australian/New Zealand, 2011, p 119
- ¹⁸ Judgement of Owen J., as cited by Farrar J., *op. cit.*, p 121
- ¹⁹ Which may be handled by ad-hoc means, from supplementary meetings to telephone conferencing
- ²⁰ Refer S.248 (d) of the Act, whereby 'A directors' meeting may be called or held using any technology consented to by the directors. The consent may be a standing one.'
- ²¹ Care should also be taken that items requiring a Board decision are given priority over those items that are for noting only, for instance.
- ²² Including presentations by external parties
- ²³ Reference is made here to the trial work performed as a result of the April 2012 Board Workshop (refer M. Hughes)
- ²⁴ Such as in the case of the latest water availability statistics
- ²⁵ Rule 39 of the company Constitution