Board Charter

July 2025

Energy Security Corporation

Investing to accelerate NSW's energy transformation

Contents

1.	Introduction	3
2.	ESC Board composition	3
3.	Board responsibilities	4
4.	Terms and conditions of appointment	6
5.	Delegations	7
6.	Committees	7
7.	ESC Board process	8
8.	Access to documents	8
9.	Role of Chair and Company Secretary	8

1. Introduction

The Energy Security Corporation (*ESC*) was established under the *Energy Security Corporation Act 2024* (NSW) (**ESC Act**). The ESC's broad mandate is to invest in clean energy technologies alongside private investors to advance NSW public policy objectives, whilst targeting a rate of return.

The ESC's Board of Directors (**ESC Board**) is established by the ESC Act to determine strategies and policies for the ESC, to ensure the proper, efficient, and effective exercise of the ESC's legislated functions and, to approve investment decisions made by the ESC.

The provisions of this Charter are subject to the ESC Act, and any requirements imposed upon the ESC due to its nature as a NSW statutory corporation and Government Sector Finance agency, which prevail to the extent of any inconsistency.

This Board Charter does not apply to entities (including partnerships) in which the ESC has an interest, but which are not subsidiaries (as defined in the *Corporations Act 2001* (Cth)) of ESC.

The ESC Board has adopted this Board Charter to describe the way in which it will exercise and discharge its powers and responsibilities, having regard to principles of good corporate governance and applicable laws.

This Charter includes an overview of:

- ESC Board composition and process
- the relationship and interaction between the ESC Board and management
- the authority conferred by the ESC Board on management and Board Committees
- the roles of the Chairperson and Company Secretary
- the ESC Board's role in supervising auditing, financial reporting and risk.

This Charter is to be reviewed by the ESC Board as required and at least annually.

2. ESC Board composition

2.1. Board composition and size

1. The Board is to consist of 5-7 members (ESC Board Members)
2. If the office of an ESC Board Member becomes vacant, the Treasurer of the State of New South Wales is to appoint a person with concurrence from the New South Wales Finance Minister.
3. The size and composition of the ESC Board is subject to the limits contained in the ESC Act. A person is eligible for appointment as a member of the Board only if the Treasurer and Finance Minister are satisfied the person has substantial experience or expertise, professional credibility and significant standing in at least one of the following fields:
    i. banking and finance
    ii. economics
    iii. financial accounting
    iv. venture capital, private equity or infrastructure investment
    v. clean energy technologies

vi. the energy market

vii. government funding programs or bodies

viii. the environmental sector

ix. law and governance

x. engineering

xi. community and employment matters

xii. planning, development and financing.

4. A person is not eligible for appointment as an ESC Board Member if the person is the holder of a public office specified in Schedules 1-3 of the *Statutory and Other Offices Remuneration Act 1975 (NSW)*.
5. No more than one ESC Board Member may be a government sector employee.
6. At least one of the ESC Board Members must be nominated respectively by:
   i. Unions NSW
   ii. A body that represents employers in NSW.

2.2. Term of office

1. An ESC Board Member is to hold office for the term specified in their instrument of appointment, provided it does not exceed 3 years.
2. An ESC Board Member, if eligible, may be re-appointed for:
   i. One additional term of no longer than 3 years, and
   ii. A second additional term of no longer than 3 years if the member is appointed by the Treasurer to the office of the Chairperson.

3. Board responsibilities

3.1. Board key responsibilities

The ESC Board is accountable for the performance of the ESC. Its responsibilities under the ESC Act include:

1. to determine strategies and policies for the ESC
2. to ensure the proper, efficient, and effective exercise of the Corporation's functions
3. to approve investment decisions made by the Corporation.

Its responsibilities, to the extent practicable and relevant in the opinion of the ESC Board (having regard to, among other things, the nature, size and complexity of ESC and its business, and its obligations under the ESC Act), also include:

1. Oversight – implementing systems for the effective oversight and stewardship of the funding used to carry out the ESC's investment function.
2. Compliance – take necessary steps to ensure compliance with duties and obligations imposed on the ESC Board via the ESC's Investment Mandate or by law (including the ESC Act). This includes the compliance of investments with the Investment Mandate, the ESC Act, and the ESC's investment and risk policies.

3. Investment Mandate consultation – provide the Minister for Energy with advice and feedback on the proposed draft of the ESC's Investment Mandate direction under section 27 of the ESC Act. This submission must be posted on the ESC's website alongside a copy of the proposed draft.
4. Investment and risk policies – prepare written policies addressing the ESC's investment strategy, benchmarks and standards for assessment, risk management, and other matters prescribed by regulations. These policies must be consistent with the ESC's Investment Mandate.
5. Guidelines – issue various guidelines as specified under the ESC Act including:
    i. Clean energy technology guidelines, setting out the criteria against which a technology may be deemed to be a "clean energy technology"
    ii. NSW-based investment guidelines, setting out the circumstances and conditions which qualify an investment as being based solely or mainly in NSW.
6. Financial performance – reviewing ESC budget, monitoring management and financial performance. This includes the management of the ESC Operational Fund under section 45(2) of the ESC Act.
7. Risk management – overseeing the effectiveness of risk management and compliance in the organisation.
8. Financial and other reporting – including NSW Government budget reporting and the preparation and submission of a statement of business intent for each financial year to the Treasurer and Finance Minister under section 52 of the ESC Act.
9. CEO appointment – appoint a Chief Executive Officer (CEO) for the ESC, in consultation with the Treasurer and Finance Minister.
10. Succession planning – planning for the ESC Board and CEO succession, where appropriate, in accordance with the ESC Act.
11. Social responsibility – considering the social, governance and environmental impact of ESC's activities and operations as well as labour and procurement principles when developing the ESC's corporate governance principles.
12. Performing such other functions as are prescribed by law or are assigned to the ESC Board via the Investment Mandate.

3.2. Financial reporting, audit and risk

Without limiting the responsibilities in section 3.1 above, the obligations of the ESC Board in respect of Financial Reporting, Audit and Risk also include those duties set out in **Schedule 1** of the ESC Act. It is noted that the ESC will establish an Audit and Risk Committee (ARC) as a sub-committee of the ESC Board to undertake internal audit oversight of the ESC

3.3. Particular compliance and reporting obligations of ESC

1. ESC is bound by a number of governance obligations arising under the ESC Act and from its status as a GSF Agency under the *Government Sector Finance Act 2018* (NSW) (GSF Act). Annual reporting information is under the GSF Act 2018, Division 7.3 and Section 54 of the ESC Act.
2. Section 52 of the ESC Act requires the ESC to publish an annual investment report for the previous year that contains a summary of each investment made under its investment function.
3. The ESC may publish additional reports on its investments on its own initiative, or at the request of the Minister for Energy with concurrence of the Treasurer.
4. Section 16 of the ESC Act requires the ESC Board to prepare and submit a Statement of Business Intent to the Treasurer and Finance Minister by 31 July in each financial year. The statement must be prepared in accordance with Section 16(3) of the ESC Act in addition to the guidelines published by NSW Treasury as part of the Commercial Policy Framework.
5. The ESC must co-operate with the Auditor-General in the conduct and reporting of a general audit, particular audit or performance audit under Part 7 of the GSF Act.

3.4. Responsibilities of ESC Board Members

1. ESC Board Members will act at all times with honesty and integrity and will observe the highest standards of ethical behaviour (see Directors' Code of Conduct).
2. ESC Board Members will ensure that no decision or action is taken that has the effect of prioritising their personal interests over ESC's interests.
3. ESC Board Members should avail themselves as appropriate of induction and orientation programs and continuing education, training or development programs arranged for them by the ESC.
4. The ESC Board, and each of its members, have the right to seek independent professional advice, as considered necessary, subject to prior consultation with the Chair and agreement on expenses. If appropriate, any advice so received will be made available to all relevant ESC Board Members.

4. Terms and conditions of appointment

The terms and conditions of the appointment of ESC Board Members are contained in an instrument of appointment which sets out, amongst other things:

1. term of appointment
2. remuneration
3. expectations in connection with meetings and committees
4. compliance with corporate governance policies and the Code of Conduct
5. outside directorships
6. insurance and indemnification.

5. Delegations

5.1. Overview

1. Section 19 of the ESC Act permits the ESC Board to delegate the exercise of any of its functions (other than its power of delegation) to a member of the ESC Board or the ESC CEO.
2. The ESC Board will issue a separate instrument of delegation to the CEO and senior management. This instrument of delegation will be reviewed on an annual basis.
3. Section 20 of the ESC Act permits the ESC Board, in consultation with the Treasurer and Finance Minister, to appoint a CEO by written instrument on a full-time basis.
4. Section 21 of the ESC Act delegates the day-to-day administration of ESC to the CEO in accordance with the policies and specific directions of the ESC Board.
5. The ESC is subject to the control and direction of the Minister for Energy pursuant to Section 8(1) of the ESC Act.
6. The terms and conditions of employment (including remuneration) of the CEO are to be fixed by the ESC Board, having regard to any guidelines as to those terms and conditions notified to the ESC Board by the Treasurer. The CEO's performance will be evaluated by the Chairperson in conjunction with the ESC Board.

5.2. Chief Executive Officer

1. The CEO is responsible for implementing the strategies, plans, policies and procedures approved by the ESC Board, and for managing the day-to-day operations of the ESC (s21(1)) and has the power to do all things necessary or convenient to be done for or in connection with the exercise of his or her functions, subject to formal delegations of authority.
2. The CEO may subdelegate to a senior member of the ESC staff any of the CEO’s powers or functions delegated to the CEO by the Board (s24(2)).
3. The ESC Board may terminate the CEO’s appointment at any time only after consulting with the Treasurer and Finance Minister (s23(2)).
4. The CEO is accountable to the ESC Board and, with the support of senior management, must report to the ESC Board on the exercise of the authority through reports, briefings and presentations to the ESC Board on a regular basis. The ESC Board requires succinct, clear, verifiable and high quality reports and information from management that will enable the ESC Board to discharge its duties effectively.

6. Committees

The ESC Board may from time to time establish committees. The ESC Board may establish a Remuneration Committee and will establish an Audit and Risk Committee to align with the NSW Treasury Commercial Policy Framework.

7. ESC Board process

1. The ESC Board will meet at least 6 times in each calendar year[1] and ESC Board Members will allocate sufficient time to perform their duties effectively.
2. The ESC board must meet within 30 days after receiving a request from a Board member for a meeting to be convened.
3. ESC Board Members will use all reasonable endeavours to attend ESC Board meetings in person, however attendance may also be via other forms of technology permitted by the ESC Act.
4. The ESC Act governs the regulation of the ESC Board meetings and proceedings, including the procedure for transaction of business outside of meetings.
5. Minutes of the proceedings of all meetings of the ESC Board shall be maintained and copies of those minutes will be made available to all ESC Board Members.
6. In addition to attending formal ESC Board meetings, the ESC Board Members may undertake other duties including attending strategic review sessions and research studies.
7. All proceedings of the ESC Board, including papers submitted and presentations made to the ESC Board, must be kept confidential and must not be disclosed or released to any person other than ESC Board Members, except as required by law or as otherwise agreed by the ESC Board.

8. Access to documents

Subject to any restrictions under the ESC Act, the ESC Board collectively and each ESC Board Member individually:

1. has access to any information in the possession of ESC he or she considers necessary to fulfil his or her responsibilities and to exercise independent judgement when making decisions;
2. has access to:
    i. management to seek explanations and information in relation to ESC and its Subsidiaries;
    ii. the auditors of ESC, to seek explanations and information from them in relation to the management of ESC; and
    iii. may seek any advice or services to be provided to ESC by third party advisers in accordance with applicable ESC policies and procedures, as amended from time to time.

9. Role of Chair and Company Secretary

1. The ESC Board is to have a Chairperson.
2. The Treasurer, with the concurrence of the Finance Minister, is to appoint the Chairperson of the ESC Board from among the ESC Board Members.
3. A Board Member cannot be appointed as Chairperson if they are a government sector employee.
4. The Chairperson represents the ESC Board and communicates the ESC Board's position.

[1] Commencing from next calendar year

5. The Chairperson has an important role in leading the ESC Board and facilitating, encouraging and providing constructive discussion and debate during ESC Board meetings.
6. The Chairperson is to hold office for a term of 3 years and is eligible (if otherwise qualified) for reappointment.
7. A person vacates office as Chairperson of the ESC Board if the person:
    i. completes a term of office as Chairperson and is not reappointed, or
    ii. is removed from that office by the ESC Board, or
    iii. resigns that office by letter addressed to the ESC Board, or
    iv. ceases to be an ESC Board Member.
8. Company Secretary: The appointment (and any removal) of the Company Secretary is a matter for the full Board. The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. All members will have direct access to the Company Secretary.

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