

# Board Charter

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## 1 Purpose and vision

This Charter sets out the functions and responsibilities of the Board of the Australian Energy Market Operator Limited (AEMO or the Company) within the governance structure of AEMO. AEMO's purpose and vision are to ensure secure, reliable, and affordable energy and enable the energy transition in the long-term interests of consumers.

## 2 Background

AEMO is a public company limited by guarantee where 60% of voting rights are held by Government Members and 40% of voting rights held by Industry Members.

AEMO carries out statutory functions under energy laws and rules, including the National Electricity Law and Rules, the National Gas Law and Rules and the Western Australian Energy System and Market Rules.

AEMO is accountable to the Energy & Climate Change Ministerial Council (ECMC). In accordance with the requirements of the AEMO Constitution (Constitution) and the Protocol for Appointments to Australian Energy Market Governance Institutions and Panels, Directors (other than the Managing Director) are appointed by the ECMC. AEMO reports regularly to the ECMC.

## 3 Role of the Board

- a) The Board:
  - i. is responsible for oversight of the conduct of the affairs of AEMO consistent with the objects of the AEMO Constitution;
  - ii. is to manage the business of AEMO and may exercise all the powers of the Company that are not, by the *Corporations Act (Cth) 2001* or by AEMO's Constitution, required to be exercised in general meeting; and
  - iii. is responsible for the performance of AEMO's statutory functions under energy laws and rules, to the exclusion of the Members.
- b) The role of the Board includes:
  - i. approval of AEMO's **corporate strategy** including the annual Strategic Corporate Plan, strategic financial planning (including revenue, funding and capital investment (financing) plan), the annual Budget (including review of budget assumptions and fee proposals), and monitoring of compliance with AEMO's financial reporting obligations (including climate-related disclosures) and financial performance and annual reporting;
  - ii. oversight and monitoring of **organisational performance** and the implementation of AEMO's strategic goals and objectives (including but not limited to sustainability), instilling of AEMO's values and performance generally;
  - iii. monitoring **compliance** with ethical, legislative and regulatory requirements including energy laws and rules, workplace health and safety, diversity and inclusion, environmental, climate, sustainability, corporate governance and reporting obligations;

- iv. oversight of the **integrity** of AEMO's accounting and corporate reporting systems, including the external financial audit;
- v. appointment (and where necessary, replacement) and assessment of the performance of the Chief Executive Officer (CEO), development of the CEO and oversight of Executive Leadership Team (ELT) **succession plans**;
- vi. regular review of senior **executive performance** against measurable and qualitative indicators;
- vii. monitoring AEMO **culture** and approval of AEMO's Code of Conduct to underpin the desired organisational culture;
- viii. satisfying itself that AEMO's remuneration and people management policies are aligned with AEMO's purpose, values, strategic objectives and risk appetite;
- ix. approving AEMO's risk appetite and providing oversight of processes to identify **significant risks** facing AEMO and that appropriate and adequate control, monitoring and reporting mechanisms are in place;
- x. monitoring the effectiveness of AEMO's **governance** systems and practices;
- xi. oversight and monitoring of AEMO's climate-related risks and opportunities, including but not limited to approval of the final list of prioritised climate-related risks and opportunities, consideration of the implications of climate-related risks and opportunities on AEMO's corporate strategy and major transactions, targets related to climate-related risks and opportunities and progress towards those targets and whether and how climate related risk and opportunity related performance metrics are included in remuneration policies;
- xii. approval of the statutory appointment and replacement of the Company Secretary; and
- xiii. satisfying itself that AEMO has in place an appropriate framework for Management to report adequate and relevant information to the Board.

## 4 Role of Individual Directors

- a) Directors will come prepared to meetings and actively participate. Directors will:
  - i. bring their expertise to the consideration of issues and exercise judgement;
  - ii. commit to having an 'engaged culture' which is characterised by candour and a willingness to challenge and ask questions;
  - iii. be honest yet constructive;
  - iv. actively seek out other Directors' views and contributions and spend appropriate time on important issues;
  - v. respect each other and AEMO staff; and
  - vi. provide feedback to each other.

### 4.1 Disclosure of appointments and activities

- a) Before appointment, Non-Executive Directors must disclose to the Chair the nature and extent of their other appointments and activities and, when advising their willingness to accept appointment, demonstrate that they

understand what is expected of them and confirm that they are willing to make the necessary commitments, and will have available the time required, to discharge their responsibilities.

## 4.2 External appointments

- a) Prior to the acceptance of any relevant external appointment, Non-Executive Directors should engage with the Chair. Relevant appointments include any appointment with potential to:
  - i. cause a conflict of interest for the Director;
  - ii. affect the Director's independence;
  - iii. have reputational consequences for AEMO; or
  - iv. place demands on the Director's time that could hinder their ability to attend Board meetings and discharge their responsibilities to AEMO.

## 5 Role of the Managing Director / CEO

The Managing Director / CEO (CEO) is appointed by the Board and holds office until resignation or removal. The Board has delegated many of its powers to the CEO and may modify or revoke such a delegation at any time.

- a) The role of the CEO includes:
  - i. day to day management of the Company and performance of AEMO, in accordance with the values, strategic objectives, policies, budgets, programs and Strategic Corporate Plan approved by the Board;
  - ii. promoting a culture of social and ethical responsibility within the Company in accordance with its values;
  - iii. the appointment of Executive Management roles and ensuring that appropriate succession plans are in place for executive roles. The CEO is also responsible for evaluating performance and cessation of employment of their direct reports; and
  - iv. To be transparent and provide early advice to the Board of emerging crisis, risks, poor performance or other such matters that pose a reputational, commercial or legal risk to AEMO.
- b) The Board may approve that the CEO sub-delegate responsibility to the Management team.
- c) The CEO reports directly to the Board and must report material matters to the Board with accurate, timely and clear information.

## 6 Role of the Chair

- a) The Chair is an Independent Non-Executive Director.
- b) The role of the Chair includes:
  - i. leading the Board in its duties to AEMO and acting as Chair of Board meetings, managing and providing leadership to the Board, and creating an appropriate environment for robust Board discussion;
  - ii. exercising such specific and express powers as provided under AEMO's Constitution or delegated to the Chair by the Board from time to time;
  - iii. acting as Chair for general meetings;

- iv. leading the Board in succession planning and appointment and reappointment of directors;
- v. oversight of the processes and procedures in place to evaluate the performance of the Board, its Committees and individual directors;
- vi. taking leadership on corporate governance issues, including being aware of Directors' and executives' conflicts of interests and managing any such conflicts;
- vii. responding promptly and comprehensively to concerns raised by Directors;
- viii. being available to be consulted by the CEO on significant issues and important initiatives facing the Company between Board meetings;
- ix. acting as a mentor and sounding Board for the CEO, while monitoring CEO performance;
- x. setting the agenda for Board meetings in consultation with the CEO and Group Company Secretary;
- xi. liaising with the CEO and Group Company Secretary to assist the Board in reviewing the information flow to the Board to assist the Board in effective decision making; and
- xii. reviewing corporate governance matters with the Group Company Secretary and reporting on those matters to the Board.

## 7 Role of the Deputy Chair

- a) From time to time, the Board may appoint one of its Independent Non-Executive Directors to be Deputy Chair.
- b) The role of the Deputy Chair is to:
  - i. subject to the Constitution, act as the AEMO Chair when the AEMO Chair is absent or conflicted;
  - ii. be available as a resource to consult with the Chair and other Directors on corporate governance practices and policies and shall assume the primary leadership role in addressing issues of this nature if the Chair is unavailable;
  - iii. if the Chair is unable, to consider questions of possible conflicts of interest or breaches of the Code of Conduct by Directors, as such questions arise; and
  - iv. to assist the Chair in succession planning activities for the Board.

## 8 Role of the Group Company Secretary

- a) The Group Company Secretary is accountable directly to the Board through the Chair, on corporate governance matters and all matters to do with the proper functioning of the Board.
- b) The role of the Group Company Secretary is to:
  - i. advise the Chair, and through the Chair, the Board and individual Directors on all matters of governance process;
  - ii. act as the representative of the Company with ASIC;
  - iii. organise and facilitate the induction and professional development of Directors in conjunction with the Chair;

- iv. retain independent advisory services at the request of the Board or Committees;
  - v. monitor that Board and Committee charters, policies and procedures are followed;
  - vi. coordinate the timely completion and dispatch of Board and Committee papers;
  - vii. capture the business of the Board and Committee meetings in minutes;
  - viii. retain master copies of all Board business, including agendas, Board reports, minutes and all statutory and other filings relating to the Board and company administration;
  - ix. develop and maintain the information systems and processes that are appropriate for the Board to fulfil its role; and
  - x. facilitate the flow of information to the Board.
- c) A record of Board submissions and papers, and of material presented to the Board, is maintained and held by the Company Secretary together with minutes of meetings and is accessible to Directors.
- d) All Directors are entitled to direct access to the Group Company Secretary and vice versa.

## 9 Matters reserved to the Board

The following matters are reserved to the Board:

### 9.1 Board and CEO appointments and performance

- a) Appointment and remuneration (and where necessary replacement) of the CEO.
- b) To provide selection documentation, with advice on the desired skills and selection criteria for candidates to fill Director vacancies, to the Energy Appointments Selection Panel.
- c) Recommending the amount of the Annual Directors' Remuneration Pool to Members.
- d) Recommending the annual remuneration for each Director.
- e) Assessment of the performance of the Board, Directors and CEO.

### 9.2 Governance

- a) Establishment of Board Committees, their membership, charters and delegated authorities and appointment of Board Committee Chairs and Deputy Board and Committee Chairs.
- b) Delegation of authority to the CEO and Management and any changes to the authority delegated.
- c) Calling meetings of Members.
- d) Appointment of the external financial auditor.
- e) Any other specific matter nominated by the Board from time to time.

### 9.3 Approvals

- a) For approval of:
  - i. AEMO's Strategic Corporate Plan;
  - ii. AEMO's annual budget and financial statements;

- iii. AEMO Code of Conduct; and
  - iv. corporate governance principles, policies and related public documents.
- b) The Board has agreed principles to guide decisions relating to delegations and sub delegations, as set out below:
- **Strategic decisions vs. operational matters:** delegations should allow the Board to focus on strategic decisions which only Directors can make by empowering Management to deal with operational matters. Factors include:
    - the need for timely decision making, e.g. real time operations vs. a longer lead time; noting increased flexibility may be required to take advantage of opportunities in managing the energy transition
    - efficiency
    - the exercise of AEMO powers at own initiative (discretion) vs. statutory compliance (obligation).
  - **Risk:** delegations should take into account the potential risks involved, including:
    - the potential reputational risk to AEMO and Directors
    - the external focus on AEMO decision making
    - the potential financial exposure involved (cost, potential liability)
    - whether the matter raises novel issues (e.g. transitional services) vs. settled arrangements (e.g. RERT).
  - **Accountability and transparency:**
    - delegation should be to the appropriate level of Management, having regard to expertise and competency
    - there should be appropriate controls, including visibility/ reporting and appropriate decision making framework/ assurance (based on an assessment of the risk).
  - **Consistency across AEMO's different functions**

## 10 Board Composition

- a) The AEMO Constitution includes requirements in regard to the appointment and reappointment of the Chair and all other Directors.
- b) The Chair of the Board must not be the CEO or Managing Director of AEMO.
- c) The Board is comprised of a minimum of five (5) and maximum of ten (10) Directors and must;
  - i. comprise a majority of Independent Directors;
  - ii. comprise Directors having Skills and Experience that meet overall Board composition requirements in Schedule 2 of the Constitution;

- iii. consider target diversity attributes; and
  - iv. have a minimum of three (3) Directors and a maximum of six (6) that have Industry Experience as determined in accordance with Schedule 2 of the Constitution.
- d) New Directors are provided with formal letters setting out the key terms and conditions of their appointment.

## 10.1 Independence

- a) A Director is considered to be Independent if the Director satisfies the criteria for Independence as set out in Schedule 2 of the Constitution.
- b) Directors must regularly assess the Independence of each Director in light of the interests disclosed by them and will conduct a formal review at least annually. Each Independent Director must provide the Directors with all relevant information for this purpose.
- c) The Directors must disclose to Members, in a timely fashion, any matter or circumstance which may affect a Director's status as an Independent Director.

## 10.2 Conflict Management

- a) The Board has adopted a Directors' Interest Protocol (Protocol) which sets out guidelines for management of conflicts of interests.
- b) Directors must disclose and manage interests in accordance with the Protocol.

## 10.3 Code of Conduct

- a) The AEMO Code of Conduct sets out the required standards of behaviour and legal and other obligations applicable to Directors, employees and contractors.
- b) Directors, employees and contractors will be given a copy of the Code of Conduct when joining AEMO.

## 10.4 Committees

- a) The Board may from time to time establish committees, under Committee Charters, to advise the Board and assist it in carrying out its responsibilities.
- b) The Board may also delegate specific functions to committees from time to time. The decision-making powers delegated to such committees will be described in Board resolutions.
- c) As at the date of this Charter, the Board has established the following Committees:
  - i. Nominations Committee;
  - ii. People Committee;
  - iii. Finance, Risk and Audit Committee;
  - iv. Technical, Markets & Systems Committee; and
  - v. Capacity Investment Scheme Investment Committee.
- d) Each Committee must report to the Board on specific issues as and when required under its Charter and on the proceedings of each meeting of that Committee to the next following Board meeting.

- e) Committee member appointments are to be reviewed biennially, or earlier, if circumstances dictate. Committee member rotation is encouraged. Wherever possible, the Board will also ensure that changes in Committee membership are staggered to maintain continuity.
- f) An AEMO Director is appointed as Chair of the Information Exchange Committee, a statutory body established under the National Electricity Rules, that is responsible for development and making recommendations on changing B2B (Business to Business) Procedures.

## 10.5 Induction and continuing professional education

- a) New Directors are required to undertake induction training, tailored to their existing skills, knowledge and experience on AEMO's strategy, structure, operations, culture and key risks.
- b) Directors are required to undertake periodic continuing professional education to deal with new and emerging business and governance issues.

# 11 Meetings

- a) The Board will meet as often as Directors consider necessary to fulfil their duties and responsibilities and to meet the demands of the business. The Board will usually meet at least eight (8) times each year.
- b) Non-Executive Directors will meet periodically without the presence of Executive Directors or Management to address such matters as succession planning, Board operation and effectiveness.
- c) A Director may at any time convene a meeting of the Directors.

## 11.1 Attendance

- a) Notwithstanding clause 9.7 of the Constitution, a quorum for a meeting of Directors is a majority of Directors present in person or by technology, a majority of whom must be Independent Directors within the meaning of the Constitution. The quorum must be present for the entire meeting.
- b) Board decisions are made by a majority of Directors present and entitled to vote.
- c) Notice must be given to all Directors specifying the time and place of the meeting. Such notice may be given immediately before the meeting, however, preferably such notice will be given not less than 48 hours prior to the meeting.
- d) Directors should attend all Board meetings and their designated Committee meetings.
- e) Directors may be invited to attend meetings of Committees of which they are not a member.
- f) Meetings can be held by technological means consented to by all Directors (including via telephone or videoconference).

## 11.2 Agenda

- a) The agenda and Board papers will usually be provided to Directors at least five (5) working days prior to the relevant Board meeting.
- b) An annual Board workplan of future agenda items will be developed and maintained and included in the papers for every Board meeting.

- c) Board meetings may commence with an in-camera session for the Board (which may include the CEO) to raise key issues and concerns with respect to the meeting agenda. In-camera sessions will not be used to reach decisions but to aid the efficient operation of the meeting.

### 11.3 Minutes

- a) The Company Secretary or delegate must prepare the minutes of Board meetings on a timely basis.
- b) After the Chair has given preliminary approval, draft minutes are to be circulated to all Board Members and confirmed and signed at the next meeting.
- a) Committee minutes will be reported to the Board for noting.

### 11.4 Reporting

- a) Each item for Board decision will generally include a cover paper of not more than 6 pages in length that canvases all of the key issues and options for decision. The expectation of the Board is that this cover paper can be relied upon for decision making. Attachments to the cover paper can be included where further information may assist the Board's understanding of an issue. Further supporting resources may be provided via links to a digital resource centre.

## 12 Management, Stakeholders and Independent Advice

### 12.1 Access to Management

- a) The Board must have unrestricted access to records, Management and information in the possession of Management related to the business of the Company as appropriate.

### 12.2 Communication with Stakeholders

- a) The Board will determine a communications framework to provide for effective communication between the Board and AEMO's members and stakeholders which will provide for appropriate visibility of the Board to stakeholders.
- b) Communications between the Board and stakeholders will occur via the Chair or CEO, as appropriate. Other Directors should not assume this role without prior approval from the Chair.

### 12.3 Independent Advice

- a) The Board or a Committee may seek independent professional advice at the Company's expense whenever the Board and/or Committee determines that such advice is necessary for the Directors to discharge their responsibilities as Directors.
- b) A Director may individually seek independent professional advice at the Company's expense where:
  - i. the Director reasonably considers, after consulting with the Chair that obtaining independent advice is appropriate;
  - ii. the Chair consents to the Director obtaining the advice, where such consent is not to be unreasonably withheld; and
  - iii. advice obtained at the Company's expense must be made available to the Company except where the advice is obtained in respect of CEO or his or her role.

## 13 Review

### 13.1 Performance review

- a) The Board will conduct an annual evaluation of its performance, whereby this review (Review) may be conducted internally or by an external facilitator.
- b) The Review will be of the Board as a whole, individual Directors and the governance processes which support the Board. Board Committees will be reviewed every second year.

### 13.2 Charter review

- a) The Board will review this Charter at least every second year, after the annual Board performance assessment.
- b) Any amendments to this Charter, other than updates for branding or position titles, must be approved by the Board.

## 14 Definitions

The following words have the below meaning when used in this Charter.

Term	Definition
Board	The Directors of AEMO
CEO	The Chief Executive Officer of AEMO
Chair	A Director appointed to the role of Chair under the Constitution
Charter	An AEMO Board approved document outlining the role and responsibilities of the AEMO Board or one of its Committees
Committee	A committee established by the AEMO Board, comprising a Committee Chair and a number of appointed Committee Members. A Committee will usually have its role and responsibilities defined within an approved Committee Charter
Constitution	The constitution of Australian Energy Market Operator Limited, as amended
Director	A person holding office as a director of Australian Energy Market Operator Limited
Group Company Secretary	An officer appointed to the role of Company Secretary by the Board. The Group Company Secretary or their designate fulfils the role of Committee Secretary.