

# SYDNEY PORTS CORPORATION STATUTORY DISCLOSURES 2007/08

## RESPONSE TO SIGNIFICANT ISSUES RAISED BY THE AUDITOR GENERAL

There were no significant issues raised by the Auditor General in the 2007/08 report.

## CONSULTANCY FEES

Total fees paid and payable to consultants engaged in operating projects during the year was \$0.002 million (\$0.049 million in 2006/07). The main purpose of the engagement was the provision of economic analysis.

## FUNDS GRANTED TO NON-GOVERNMENT COMMUNITY ORGANISATIONS

The following payments were made to non-government community organisation's in 2007/08.

ORGANISATION'S NAME	AMOUNT \$
The Mission to the Seafarers	12,722
Sydney Port Welfare Association Inc.	10,000
United Way Sydney	40,598
The Cancer Council NSW	684
	<b>64,004</b>

## ANNUAL REPORT COST

The total external cost incurred in the production of the Sydney Ports Corporation 2007/08 Annual Report including the Sydney Pilot Service's (SPS) Financial Report was \$56,100. The report is available at [www.sydneyports.com.au/corporation/mediaandpublications](http://www.sydneyports.com.au/corporation/mediaandpublications)

## RISK MANAGEMENT AND INSURANCE ACTIVITIES

Sydney Ports Corporation has adopted a Risk Management System to ensure risks are identified and managed in a considerable and timely manner in accordance with AS/NZS 4360:2004. This system encompasses all the activities that Sydney Ports is responsible for under the *Ports & Maritime Administration Act, 1995*.

The risk management framework adopted by Sydney Ports is based on an annual assessment process that identifies and prioritises risk exposure based on the impact and likelihood of each individual risk. Responsibility for developing and implementing risk mitigation strategies to address key risks is assigned to key executives and a risk register is maintained that monitors these actions.

A half-yearly check is conducted to evaluate the effectiveness of risk mitigation strategies and to identify any new risks that have emerged. Performance is measured by the implementation of a Risk Management System including identification of risks and successful treatment in accordance with procedures and guidelines. Mitigation and control of any losses and reduction in the cost of risk in accordance with AS/NZS 4360:2004.

In conjunction with the Risk Management System, Sydney Ports maintains an annual Insurance Programme expiring on 30 June each year utilising the services of its insurance broker, currently Jardine Lloyd Thompson Pty Ltd, for an annual assessment of risk exposure and coverage level and for sourcing underwriters to renew policies.

The key policies within the insurance programme provide comprehensive coverage across all the corporation's operations including; Industrial Special Risks, Public Liability, Marine Hull Commercial and Protection, Workers Compensation, Trade Credit, Directors and Officers Professional Indemnity.

### FACTORS AFFECTING ACHIEVEMENT OF OPERATIONAL OBJECTIVES

There were no unanticipated factors which have not already been mentioned during the year that led to any material affect of the achievement of the Sydney Ports Corporation's operational activities.

### 2007/08 PERFORMANCE RELATIVE TO THE STATEMENT OF CORPORATE INTENT

In comparison to the targets set in the 2007/08 Statement of Corporate Intent, Sydney Ports Corporation performed favourably against all of its financial performance targets and most of its non-financial performance targets, due largely to a combination of higher than expected trade volumes and (unbudgeted) revaluation gains on investment properties.

### EXEMPTIONS FOR THE REPORTING PERIOD PROVISIONS

Section 41B(1)(c)(va) of the *Public Finance and Audit Act 1983* and clause 19 of the *Annual Reports (Statutory Bodies) Regulation 2005* require a statutory body to include in its annual report statements of all exemptions, omissions, modifications and variations from reporting provisions which have been granted by the Treasurer under section 41BA of that Act and Regulation and which apply to the statutory body.

As a statutory body in competition, the following table summarises the exemptions, omissions, modifications and variations applying to Sydney Ports Corporation.

The following matters are exempt but require reporting in a summarised form:

REQUIREMENTS	LEGISLATIVE SOURCE OF REQUIREMENTS
Preparation of manufacturing and trading statements	Section 41B(1) (c) PF&AA
Income/Expenditure on a program or activity basis	<i>Public Finance &amp; Audit Regulation 2003</i> (PF&AR); Schedule 1, Part 1, Clause 7
Summary review of operations	Section 7(1)(a)(iv) ARSBA and
Management activities	Schedule 1 ARSBR
Consultants	Schedule 1 ARSBR
Consumer response	Schedule 1 ARSBR
Human resources	Schedule 1 ARSBR
Controlled entities	Schedule 1 ARSBR
Financial statements of controlled entities	Section 7(1)(a)(ia) ARSBR
Risk management	Schedule 1 ARSBR

The following matters are exempt:

EXEMPTIONS	LEGISLATIVE SOURCE OF REQUIREMENTS
Significant judicial decisions	Schedule 1 ARSBR
Amounts appropriated for repayment of loans etc.	Clause 8 PF&AR
Budgets – outline and details	Section 7(1)(a)(iii) ARSBA Clause 6 ARSBR
Research and development	Schedule 1 ARSBR
Land disposal	Schedule 1 ARSBR
Payment of accounts including time	Schedule 1 ARSBR Clause 15 PF&AR
Investment management performance	Clause 12 ARSBR
Liability management performance	Clause 13 ARSBR

## STATUTORY DISCLOSURES 2007/08 (CONTINUED)

These exemptions, omissions, modifications and variations arise from a review of the External Reporting Framework for Statutory State owned corporations and Particular Statutory Bodies by the NSW Treasury and are based on among other things commercial sensitivities. A number of exemptions relate to financial reporting requirements that are redundant or not considered essential for performance assessment and accountability purposes.

### FREEDOM OF INFORMATION

Sydney Ports Corporation is required to report annually on its administration of the applications it receives under the *Freedom of Information Act 1989 (NSW)*. The following tables detail statistics required to be reported under the Act for the period 1 July to 30 June for the financial years 2006/07 and 2007/08.

During the reporting period, no requests were transferred to another organisation or agency.

No requests were carried forward to the reporting period 2007/08.

#### FOI APPLICATIONS AND APPLICATIONS: DETERMINED

	PERSONAL		OTHER		TOTAL	
	2007	2008	2007	2008	2007	2008
New	1	0	3	0	4	0
Completed	1	0	3	0	4	0
Granted in full	1	0	3	0	4	0
Refused (exempt)	0	0	0	0	0	0
Information sought not held (application fees refunded)	0	0	0	0	0	0
<b>Total processed</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>4</b>	<b>0</b>

#### DAYS TO PROCESS FOI APPLICATIONS

ELAPSED TIME	PERSONAL		OTHER	
	2007	2008	2007	2008
0-21 days	0	0	0	0
22-35 days	1	0	2	0
Over 35 days	0	0	1	0

#### PROCESSING TIME

PROCESSING HOURS	PERSONAL		OTHER	
	2007	2008	2007	2008
0-10 hours	0	0	0	0
11-20 hours	0	0	2	0
Greater than 20 hours	0	0	2	0

During the period no Ministerial Certificates were issued, no formal consultations requested, and no amendments or notations to records were made.

The Corporation's compliance with the Act did not raise any major issues in the reporting period, nor did compliance with the Act have any significant impact on Sydney Ports Corporation's activities.

## NUMBER OF REVIEWS

HOW MANY REVIEWS WERE FINALISED?	NUMBER OF COMPLETED REVIEWS	
	2007	2008
Internal reviews	0	1
Ombudsman reviews	0	0
ADT reviews	0	0

GROUNDS ON WHICH THE INTERNAL REVIEW WAS REQUESTED	NUMBER OF INTERNAL REVIEWS					
	PERSONAL		OTHER		TOTAL	
	ORIGINAL AGENCY DECISION	ORIGINAL AGENCY DECISION	ORIGINAL AGENCY DECISION	ORIGINAL AGENCY DECISION	ORIGINAL AGENCY DECISION	ORIGINAL AGENCY DECISION
	UPHELD	VARIED	UPHELD	VARIED	UPHELD	VARIED
Access refused	-	-	1	-	1	-
Access deferred	-	-	-	-	-	-
Exempt matter deleted from documents	-	-	-	-	-	-
Unreasonable charges	-	-	-	-	-	-
Failure to consult with third parties	-	-	-	-	-	-
Third parties views disregarded	-	-	-	-	-	-
Amendment of personal records refused	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>

## LEGAL CHANGES AND SUBORDINATE LEGISLATION

There have been no material legal changes or changes to subordinate legislation or significant judicial decisions that have had any effect on the operations of Sydney Ports Corporation.

## RELEVANT LEGISLATION

Sydney Ports Corporation is a statutory State-owned Corporation established under the *State Owned Corporations Act 1989* and *Ports and Maritime Administration Act 1995*, and operates in accordance with those Acts.

Other significant legislation affecting the Corporation includes:

- *Occupational Health and Safety Regulation 2001* – Schedule 3;
- *Marine Pollution Act 1987* and associated regulation;
- Management of Waters and Waterside Lands Regulations – NSW;
- *Marine Pilotage Licensing Act 1971* and associated regulation;
- *Maritime Services Act 1935*;
- *Navigation Act 1901*;
- *Protection of the Environment Operations Act 1997*; and
- *Maritime Transport and Offshore Facilities Security Act 2003 (Commonwealth)*.

## STATUTORY DISCLOSURES 2007/08 (CONTINUED)

### CODE OF CONDUCT

The Corporation has a code of conduct outlining general business ethics and acceptable standards of behaviour expected of all employees. There were no changes to the Code of Conduct during the year.

### EEO REPORT

Sydney Ports Corporation is an equal employment opportunity employer. The Corporation has in place an EEO policy and the Sydney Ports Corporation code of conduct which prescribes the Corporation's commitment to EEO. Mechanisms are also in place to ensure confidential, timely and effective resolution of EEO and workplace grievances through the Disputes Resolution Policy. All of these documents are easily available to all employees.

The table below is a summary of Sydney Ports Corporation's headcount and female employees as at 30 June 2008. This table also includes the number of vacancies filled during the period of 1 July 2007 to 30 June 2008.

	HEADCOUNT	TOTAL NUMBER OF FEMALE EMPLOYEES	NUMBER OF VACANCIES FILLED	NUMBER OF FEMALE APPOINTMENTS	NUMBER OF NESB* APPOINTMENTS
Sydney Ports	223	54	27	6	9

\* Non English Speaking Background

Of the 54 females in permanent employment within the Corporation, 3 hold executive positions with the remaining 51 female employees employed in managerial, professional/technical, supervisory and administrative roles.

There are a number of attractive employment conditions available to all employees including flexible hours of work, aged and dependent care leave, sick leave, income protection insurance, personal leave, 14 weeks paid maternity leave, paid paternity leave, part-time work on return from maternity leave, study assistance and learning and development programs.

Female employees (including NESB) attended a total of 1726.5 hours of training during the 2007/08 financial year (including study assistance and conferences). This is an average of 32 hours per female employee. NESB employees (including females and males) attended a total of 2237.5 hours of training during the same period.

Total training cost for the Corporation was \$196,095 – this includes conference attendance, skills development training and study assistance. Internally run training is also conducted for all employees. This training often has no direct cost but is vital to us delivering on our committed goals. This year saw the rollout of behavioural based competencies to all staff. These competencies now feature in a performance management system and position descriptions. Emergency Response training was again a key focus throughout the year.

Training cost for female NESB employees was \$18,347 and \$33,019 for male NESB employees. A total of \$80,885 for all females and NESB employees was expended for the year. The total training costs for female and NESB employees account for 41 per cent of the total training costs.

Women and NESB employees are provided opportunities to study towards tertiary qualifications. The Corporation's study assistance policy supports these studies.

### OCCUPATIONAL HEALTH AND SAFETY

Sydney Ports is committed to providing a safe workplace for its employees and raising awareness of workplace Occupational Health and Safety (OH&S) issues.

A key measure of safety performance within Sydney Ports Corporation is the number of lost time injuries, currently one (1) for the 2007/08 reporting period.

REPORTING PERIOD	2005/06	2006/07	2007/08
Number of lost time injuries	1	4	1

Our commitment to OH&S is reflected through our participation in the New South Wales Government's Working Together – Public Sector OH&S and Injury Management program. The program aims to assist public sector agencies in reducing injuries and workers compensation claims costs, and improving OH&S systems and strategy.

The OH&S Consultative Committee meets on a monthly basis. The committee monitors the overall application and performance of the OH&S system, initiatives, policies, procedures, processes and training, and identify opportunities for the promotion and improvement of safe work practices.

These programs include; hazard and risk management, site and contractor induction training, contractor safety, procedure and work method development and implementation, hazardous substances management, asbestos, confined spaces, dangerous goods management in port areas, the management of safety critical assets, auditing and inspection. Many of these programs are also integral to maintaining compliance to the Corporation's Port Safety Operating Licence.

### ETHNIC AFFAIRS PRIORITIES STATEMENTS AND ANY AGREEMENT

As the Corporation does not provide direct services to the community, there is limited direct engagement with the public. However, the Corporation does support the principles of multiculturalism and recognises that people are of different linguistic, religious, racial, and ethnic backgrounds in relation to our employees and the community.

In relation to our employees, a number of initiatives were conducted in 2007/08 to demonstrate the Corporation's commitment to cultural diversity:

- recruitment from a broad range of ethnic and cultural backgrounds through the engagement of nine employees from non-English speaking background, which represents 33 per cent recruited into the organisation;
- provided working arrangements that accommodate cultural and religious differences through the provision of cultural and religious holidays;
- updated study assistance policy coupled with performance feedback that enhances development opportunities to be applied throughout the organisation to ensure equity in access to learning and development opportunities; and
- continued provision of Employee Assistance Program, which includes interpreter services.

In relation to the community, current initiatives that demonstrate the Corporation's commitment to cultural diversity are:

- translating material and signage into various languages to enhance our relationship with our multicultural community. An emergency warning and signage document for our Bulk Liquids Berth at Port Botany was translated into: Japanese, Korean, Arabic, simplified Chinese, traditional Chinese, German, Russian and Tagalog; and
- actively engaged with the communities adjacent to major port activity via community liaison groups, community newsletters and open days.

Throughout the 2008/09 year the Corporation will continue to support cultural diversity and retain the initiatives implemented in 2007/08.

### SALARY REPORTING

In reporting salaries for SES level 5 and above, the following is provided for the year ended June 2008.

BAND	TOTAL POSITIONS AS AT 30 JUNE 2008	TOTAL EMPLOYMENT COST RANGE	INCENTIVE RANGE SUBJECT TO PERFORMANCE AGAINST SET OBJECTIVES
1	1	\$320,000 – \$420,000	\$50,000 – \$70,000
2	4	\$220,000 – \$320,000	\$30,000 – \$50,000

## STATUTORY DISCLOSURES 2007/08 (CONTINUED)

### PUBLICATIONS

During the year, in addition to the annual report, Sydney Ports Corporation published the following publications:

- *Corporate Plan 2007/08* highlights Sydney Ports' initiatives and major strategies and key objectives;
- *Ship & Shore*, a quarterly newsletter to staff on the general activities of the Corporation and its employees;
- *Port Botany Expansion Project Update* provides an update to residents surrounding the port on the expansion project;
- *Enfield Intermodal Terminal Overview*, provides an outline of project form the community and stakeholders;
- *Trade Report 2007/08* provides detailed reporting of port-related data and logistics information from the last financial year;
- *Logistics Review 2007/08* provides detailed information on a range of initiatives that support land-based logistics operations for the port;
- *Port Freight Logistics Plan* which outlines a framework for improvements in landside logistics; and
- *Heritage Asset Management Strategy* which identifies the management and conservation of heritage assets.

The Sydney Ports Corporation website [www.sydneyports.com.au](http://www.sydneyports.com.au) was updated to provide for the information needs of our stakeholders and the general public.

### OVERSEAS TRAVEL JULY 2007 – JUNE 2008

NAME	DATE	DESTINATION	PURPOSE
Kirk Whiteman	15-19 October 2007	Port Klang, Malaysia	Competency Audit Course
Robin Heath, Harbour Master	24-28 February 2008	Star Cruises Ship Simulator, Port Klang, Malaysia	To undertake ship simulator exercises to develop the navigation operating procedures for container vessels manoeuvring in the channel, enlarged swing basin and new – re-entrant channel at Port Botany.
Martin White, Marine Pilot			
James Baker-Simson Marine Pilot			
Rowan Brownette Marine Pilot			
Alex Amos, Marine Pilot	10-19 March 2008	Port Klang, Malaysia	Marine Pilot Competency Audit Course
James Dargaville, Marine Pilot	May 2008	Port Revel, France	To attend the manned model marine training course
Grant Gilfillan, CEO	26 May – 30 May	Hamburg, Germany	To attend and present at the European Sea ports Organisation Conference
	31 May – 1 June 2008	Prague, Czech Republic	Meeting with ZIM Integrated Shipping Services re multi-modalism
	2-3 June 2008	Singapore	Meeting with Port of Singapore Authority

### WASTE REDUCTION AND PURCHASING POLICY (WRAPP)

Sydney Ports Corporation is a State-owned corporation and as such is required to comply with the Government's Waste Reduction and Purchasing Policy (WRAPP) where cost effective and in line with sound business practices.

The Corporation has developed a WRAPP plan in accordance with Premier's Memoranda 99-9 and 97-30.

Sydney Ports Corporation submits its WRAPP Progress Reports to the NSW Department of Environment and Climate Change in accordance with WRAPP reporting guidelines addressing a number of key result areas including:

- (a) reducing the generation of waste;
- (b) resource recovery; and
- (c) use of recycled materials.

**(a) REDUCING THE GENERATION OF WASTE**

Sydney Ports Corporation has a number of strategies in place to reduce the generation of pre-printed forms such as purchase orders and some invoices.

Intranet provides access links to a range of policies, procedures and links to a number of systems such as OHS Management System.

Employee Self Service (ESS) provides on-line access to employees' pay details, leave details and on-line leave applications.

Email is the preferred means of documented communication both internally and with our external stakeholders.

During 2007/08, paper used for pre-printed forms and other publications was reduced by 55 per cent (271 reams) from the usage for the 2006/07 period (768 reams).

**(b) RESOURCE RECOVERY**

Sydney Ports Corporation is actively involved in recycling activities undertaken by the building managers. Waste produced by employees (at workstations) on a daily basis is separated into paper cardboard, co-mingled glass, aluminium and plastics and non-recyclable waste. Other paper waste generated is collected and recycled by a private contractor.

Used toner cartridges are collected by third parties and recycled.

In the area of construction and related activities, contractors engaged by the Corporation are required to ensure that all activities on site minimise the generation of waste by encouraging the recycling of all potential waste material.

Sydney Ports Corporation recycles demolition/construction generated material including concrete and timber where applicable.

**(c) THE USE OF RECYCLED MATERIAL**

Sydney Ports Corporation purchases low-waste products and products with recycled content where it is consistent with sound commercial practice and such products meet technical and operating standards.

White A4 paper with recycled content purchased during 2007/08 totalled 1,870 reams representing 52 per cent of white copy paper purchased. The remaining 48 per cent purchased being the product of purpose grown plantation timber. With the remaining 48 per cent white A4 purchased being the product of plantation forest.

There was an overall increase of 90 reams (3 per cent) in the purchase of white A4 paper during 2007/08 (3,578 reams) from the 2006/07 period (3,488 reams).

Sydney Ports Corporation is working to further increase the purchase of recycled content paper and other office products in the future.

Other paper/cardboard based products with recycled content purchased during 2007/08 include note books and pads (3 per cent), suspension files (40 per cent) and diaries (8 per cent).

### HERITAGE MANAGEMENT

Sydney Ports Corporation has prepared a Heritage Asset Management Strategy (HAMS) to identify the management and conservation of heritage assets owned and controlled by the Corporation. This strategy, with over 50 listed items, has been endorsed by the NSW Heritage Office.

### SYDNEY PORTS CORPORATION BOARD

#### CORPORATE GOVERNANCE

Good corporate governance creates and sustains an ethical and legal environment which recognises the interests of all stakeholders in a Corporation. The Board of Sydney Ports is responsible for overall corporate governance of the Corporation and has adopted corporate governance practices and procedures that are appropriate to manage Sydney Ports in the best interests of the Shareholding Ministers and other stakeholders.

The Board is determined to adopt the NSW Treasury Guidelines for *Boards of Government Businesses* (Guidelines) and this corporate governance section outlines the extent to which Sydney Ports has already applied the recommendations, and is reviewing its governance practices to make further improvements.

#### THE ROLE OF THE BOARD

The Board is responsible for overseeing the business and commercial affairs of the Corporation including:

- approving the strategy;
- approving the business and financial objectives;
- monitoring business and financial performance;
- reviewing performance and remuneration of executive management;
- reviewing the risk management and internal control framework;
- recommending to the Portfolio Minister the appointment and removal of the Chief Executive Officer; and
- reviewing any reporting to Shareholding Ministers.

The CEO is responsible for the day to day management of the operation of the SOC in accordance with the general policies and specific directions of the Board. It is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's role and responsibilities to each key stakeholder are set out in the Sydney Ports' Board Charter which is available on the Corporate Governance section of the Sydney Ports website.

#### BOARD COMMITTEES

##### Code of Conduct

Sydney Ports has an established Code of Conduct to guide compliance with legal and other obligations to key stakeholders. The Code applies to Directors, employees, consultants, contractors and all other people when they represent the Corporation and addresses:

- responsibilities to key stakeholders;
- acceptance of gifts and benefits;
- conflicts of interest and misuse of position;
- reporting of potential breaches; and
- monitoring of the Code.

The Code of Conduct will be reviewed during 2008/09.

A copy of the Code of Conduct is available on the Corporate Governance section of the Sydney Ports website.

## Board Committees

To assist the Board in discharging its functions and to allow a more detailed analysis of the specialised areas of finance, risk, audit and remuneration, the following committees have been established:

- Audit and Risk Committee;
- Remuneration Committee; and
- Recruitment Committee

### *Audit and Risk Committee*

The Chair of the Audit and Risk Committee is Michael Braham. Michael is an independent Non-executive Director, who is not the Chair of the Board. Other members of the Committee are Paul Binsted and Rene van der Loos, who are each independent, Non-executive Directors. Each of the members of the Committee is financially literate and has knowledge of the business. Michael Braham has qualifications and experience in accounting. The Board considers the mix of skills and experience on the Audit Committee appropriate to meet the responsibilities of its Charter.

The Committee is responsible for oversight and review of:

- financial control and reporting;
- risk management;
- debt structure and debt instruments;
- accounting policies
- the evaluation of all major capital expenditure proposals;
- business ethics, policies and practices;
- internal controls;
- compliance with taxation and other applicable laws and regulations;
- integrity and performance of the internal audit function, including appointing the Internal Auditor;
- external auditor's audits, management letter and management's responses; and
- corporate governance.

A copy of the Audit and Risk Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

### *Remuneration Committee*

The Chair of the Remuneration Committee is Rene van der Loos. Rene is an independent Non-executive Director, who is not the Chair of the Board. Other members of the Committee are Paul Binsted and Trevor Robertson, who are each independent, Non-executive Directors.

The Remuneration Committee is responsible for:

- recommending to the Board and monitoring appropriate remuneration policies and practices;
- reviewing the remuneration and performance recognition arrangements of the Chief Executive and senior executives and recommending any changes to the Board;
- reviewing decisions made by the Statutory and Other Offices Remuneration Tribunal and other private and public sector benchmarks; and
- monitoring remuneration practices across the industry which may impact on the retention of the Corporation's executives.

During the year the Remuneration Committee reviewed executive salaries and performance arrangements.

A copy of the Remuneration Committee Charter is available on the Corporate Governance section of the Sydney Ports website.

### SYDNEY PORTS CORPORATION BOARD (CONTINUED)

#### BOARD COMMITTEES (CONTINUED)

##### *Recruitment Committee*

The Recruitment Committee was established during 2007 to assist with the recruitment of a new Chief Executive Officer. Specifically the duties of the Committee were to:

- select a recruitment firm to identify candidates for the role of Chief Executive Officer;
- work with the recruitment firm to identify a shortlist of suitable candidates for the role of Chief Executive officer; and
- recommend to the Board a person or persons able to fill the role of Chief Executive Officer and conditions that should apply to the role.

The Chair of the Recruitment Committee was Rene van der Loos. Rene is an independent Non-executive Director. Other members of the Committee were Paul Binsted and Michael Braham, who are each independent, Non-executive Directors.

#### RISK MANAGEMENT

The Board is responsible for risk oversight, establishing an internal control system designed to identify, assess, monitor and manage business and financial risk. The Board has delegated responsibility for reviewing risk management on a regular basis to the Audit and Risk Committee but remains ultimately responsible for ensuring a sound system of risk oversight and management and internal control.

The Corporation has identified potential risks and management reports to the Board regularly regarding:

- the risk management plan,
- management's priorities in identifying, assessing and prioritising risks; and
- the risk mitigation strategies implemented by management.

The Corporation is currently revising its risk management framework and will be implementing a new Enterprise Risk Management Plan. On the basis of this Plan, an annual work plan will be developed and will form part of a three year Internal Audit program.

Management has reported to the Board on the effectiveness of the management of the Corporation's material business risks.

#### BOARD COMPOSITION

Under the *State Owned Corporations Act (NSW) 1989* Sydney Ports Board is required to have a minimum of three Directors and a maximum of seven Directors. One of these Directors is required to be a staff Director, elected by the staff of Sydney Ports. Directors are appointed by the Governor, on the recommendation of the Voting Shareholders.

The Voting Shareholders appoint the Chair, who is currently Paul Binsted. Paul is an Independent Director and his role is clearly separated from the role of the CEO, Grant Gilfillan. Paul is currently on the boards of two other organisations, neither of which are government boards. The Chair is responsible for leading the Board and facilitating its effective functioning.

#### Chief Executive Officer (CEO)

The CEO, Grant Gilfillan, was appointed during the year. As set out in the *State Owned Corporations Act (NSW) 1989*, the CEO was appointed by the Governor on the recommendation of the Portfolio Minister, following a recommendation from the Board. The Board's recommendation of Grant Gilfillan came after an extensive recruitment process.

### Board independence

All Directors are expected to exercise independent judgment when making Board decisions. It is the approach and attitude of each Non-executive Director which is critical to determining independence and this must be considered in relation to each Director while taking into account all other relevant factors, which will include an assessment against the independence recommendations in the Guidelines which cover whether the Director:

- is employed, or has been employed in a senior management position by the business, and there has not been a period of at least three years between ceasing that employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or consultant to the business, or an employee materially associated with the service provided;
- is a material\* supplier or customer of the business, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material\* contractual relationship with the business other than as a Director of the business.

\* Material means greater than 5 per cent of the Corporation's gross revenues.

Michael Sullivan is the staff elected Director, and due to his employment by Sydney Ports is not considered independent. All other Directors are considered independent.

### Independent professional advice

Each Director has the right of access to all Corporation information and employees. Further, the Board and each individual Director, subject to informing the Chair, has the right to seek independent professional advice from a suitably qualified advisor, at the Corporation's expense, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

### Conflicts of interest

The Corporation maintain a conflicts register which registers any interests of Directors which may potentially conflict with their duties as a Director of Sydney Ports, including, other board positions. Directors are required to update this register on an ongoing basis as circumstances change.

In relation to specific Board decisions, the Board complies with Clause 2, Schedule 10 of the *State Owned Corporations Act (NSW) 1989*. A Director cannot take part in discussions or vote on a matter in which that Director has a material personal interest, unless the Board resolves that the interest does not disqualify the Director. There have been no related-party transactions between the Corporation and any Director during the year.

### Other board memberships

The Guidelines recommend that Directors should not hold directorships of more than three Government boards. None of Sydney Port's Directors have exceeded this limit. Directors inform the Chair prior to accepting any new appointments.

### BOARD MEETINGS AND THEIR CONDUCT

The Board generally meets on a monthly basis and it meets more regularly as circumstances require.

The Secretary & General Counsel is responsible for ensuring the Board receives papers in advance of meetings and taking minutes of the meetings. The Board is responsible for the Secretary & General Counsel's appointment and removal. The Secretary & General Counsel is currently Barbara Filipowski.

## STATUTORY DISCLOSURES 2007/08 (CONTINUED)

### SYDNEY PORTS CORPORATION BOARD (CONTINUED)

#### BOARD MEETINGS AND THEIR CONDUCT (CONTINUED)

The attendance by Directors at Board and Committee meetings during the year is as follows:

#### Attendance at Board meetings

	REGULAR BOARD MEETINGS		TERM OF APPOINTMENT
	A	B	
P. Binsted	16	16	4 December 2006 – 3 December 2009
M. Braham	16	16	15 February 2006 – 14 February 2009
K. Murray	12	12	9 March 2006 – 8 March 2008
M. Sullivan	16	14	1 October 2005 – 30 September 2008
R. van der Loos	16	16	15 February 2006 – 14 February 2009
T. Robertson	16	15	15 December 2006 – 15 December 2009

A = Number of meetings eligible to attend during year.

B = Number of meetings attended.

#### Attendance at Committee meetings

	AUDIT & RISK COMMITTEE*		REMUNERATION COMMITTEE		RECRUITMENT COMMITTEE	
	A	B	A	B	A	B
P. Binsted	1	1	1	1	13	12
M. Braham	1	1	–	–	4	4
K. Murray	–	–	1	1	–	–
M. Sullivan	1	1	–	–	–	–
R. van der Loos	1	1	1	1	13	13
T. Robertson	–	–	–	–	9	9

\*Please note that outside of formal meetings, members of the Audit & Risk Committee participated from time to time in a range of activities related to major projects and revaluation of assets.

A = Number of meetings eligible to attend during year.

B = Number of meetings attended.

#### Director appointment and education

When appointed, Directors are provided with a letter of appointment from the Voting Shareholders specifying their term of appointment and remuneration. In addition, Sydney Ports provides new Directors with a pack of information to assist them in understanding the Corporation's business and the requirements of the role.

Information provided includes:

- previous Board minutes;
- copies of relevant legislation;
- Code of Conduct;
- most recent annual report;
- Board profiles and contact details;
- Board and Committee charters; and
- Statement of Corporate Intent and Corporate Plan.

The remuneration for Directors of Sydney Ports is determined by the Voting Shareholders.

In addition, new Directors are provided with access to an induction program which includes a series of meetings with the Chair, CEO and key executives to gain an understanding of the Corporation's:

- strategy, objectives and business;
- industry in which Sydney Ports operates;
- corporate governance practices;
- current financial and business performance;
- key executives;
- remuneration strategy; and
- risk management framework.

All other Directors are encouraged to continue their education. This is facilitated by regular workshops and site visits on Sydney Ports' operations and briefings on key issues. A program of continuing education workshops is currently being developed for 2008/09. In addition, the Corporation funds Directors' membership of the Australia Institute of Company Directors and attendance at specific courses or conferences if appropriate.

#### BOARD PERFORMANCE

The Board believes it is important to evaluate its own performance and that of each Director on a regular basis. The Board is currently developing a process to undertake a formal Board assessment process during 2008/09. It is then intended to carry out a performance evaluation process on a periodic basis.

#### TRANSFER OF EAST DARLING HARBOUR ASSETS FROM SYDNEY PORTS CORPORATION TO SYDNEY HARBOUR FORESHORE AUTHORITY (SHFA) INCOME TAX EQUIVALENT IMPACT

In accordance with the NSW Government Planning Committee decision of July 2006, Sydney Ports transferred its East Darling Harbour site assets (Barangaroo site) to Sydney Harbour Foreshore Authority (SHFA) in December 2007.

Sydney Ports originally assumed a "tax neutral status" on the treatment of the transfer of East Darling Harbour (EDH) land and assets (valued at \$96.688 million) to SHFA, as this transfer was imposed by the NSW Government. On this basis and as per the National Tax Equivalent Regime (NTER) manual, the transfer of these assets was expected to incur nil Capital Gains Tax (CGT). In order to confirm this position Sydney Ports lodged a Private Ruling request with the Australian Taxation Office (ATO).

In April 2008 the ATO indicated that they were unable to issue a favourable ruling given that both parties to the transaction were not subject to the NTER. Considerable dialogue was had with the ATO and NSW Treasury on this matter, including seeking amendment to the NTER manual, so as to provide for the anticipated tax neutral treatment of the transaction. In June 2008 further dialogue was had with NSW Treasury which resulted in a recommendation by NSW Treasury for Sydney Ports to reduce its provision for dividend by the amount of the CGT liability (\$17.848 million). Sydney Ports has fully provided for the anticipated CGT payable on this transaction in its 2007/08 financial statements.

Consistent with current accounting conventions, whenever property is revalued there is an increase in deferred tax. As the deferred tax relating to the property sold to SHFA has been previously adjusted with each annual revaluation, when the sale of the property actually took place, the net incremental adjustment to Income Tax Equivalent Expense for the year ended 30 June 2008 was only an increase of \$1.987 million.