

Board Renewal Policy

Version 3.1

26 March 2018

(Operational Review: 4 August 2021)

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Policy Control Information

Policy Name	Board Renewal Policy
Policy Owner	State Super Board
Current Version	3.1
Approval Date	26 March 2018 by the Board
Next Review Date	4 August 2024 by the HRNC

Revision History

Version	Prepared By	Reviewed By	Approved By
Version 3.1	General Counsel and Company Secretary	Human Resources and Nomination Committee <i>(Noted the results of an operational review on 4 August 2021. Minor changes to the Policy will be made when the Policy is fully reviewed)</i>	HRNC Date: 4 August 2021
Version 3	General Counsel and Company Secretary	-	State Super Board Date: 26 March 2018
Version 2	General Counsel and Company Secretary	Risk, Audit and Compliance Committee	State Super Board Date: 28 September 2016
Version 1	-	-	State Super Board Date: 1 July 2013

1. Introduction

Background

The board (**Board**) of SAS Trustee Corporation (**STC**) recognises the importance of a regular process of renewal of membership of the Board to ensure it remains open to new ideas and independent thinking, while retaining adequate expertise and corporate knowledge and managing succession planning for key roles.

This is achieved, partly, by ensuring that a Board member's skills, expertise and experience are appropriate each time he or she is appointed or re-appointed. These are set out in STC's Fit and Proper Policy.

The purpose of this Board Renewal Policy (**Policy**) is to set out processes to assist in the renewal of Board membership within the framework of the *Superannuation Administration Act 1996 (NSW)* (**SA Act**), together with processes in relation to the appointment of new Board members, re-appointment of existing Board members and removal of Board members.

While there is no maximum tenure for a Board member to sit on the Board, it is expected that the various stakeholders will have regard to TPP17-10 'Commercial Policy Framework: Guidelines for Governing Boards of Government Businesses' (**TPP17-10**), which states that there is an expectation that board directors' tenure should generally be limited to two terms of three years each (although there may be circumstances where one or more additional terms are appropriate). All stakeholders will be expected to assist STC and the Minister ensure that there are appropriate skills, experience and expertise on the Board at all times. Whenever they are consulted or being asked to make a nomination, stakeholders are expected to consider whether an existing Board member is still making and can continue to make a significant contribution to the Board prior to each re-appointment.

This Policy is to be read in conjunction with the SA Act, STC's Code of Conduct and Ethics, Fit and Proper Policy, Risk Management Strategy and Risk Management Plan.

Commencement of Policy

This Policy commenced on 1 July 2013. It was last updated on 26 March 2018.

Legislative Framework

The SA Act requires:

- (a) the Board to consist of 8 part-time members and 1 full-time member;
- (b) the relevant Minister¹ to appoint all members of the Board for a term (not exceeding 4 years) specified in the member's instrument of appointment;
- (c) the Board to consist of an independent chairperson, four employer-representative Board members and four employee-representative Board members;
- (d) the full-time member to be an employee-representative Board member;
- (e) the Minister to consult with UnionsNSW before appointing a person as chairperson;

¹ At the time of review of this Policy, the Treasurer is empowered to appoint the members of the Board.

- (f) one employer-representative Board member to be appointed on the recommendation of the Treasurer; and
- (g) employee-representative Board members to be nominated by UnionsNSW, after consulting with organisations representing members of the STC schemes².

To be eligible for appointment as chairperson, the SA Act requires a person to have significant knowledge of, and experience in, the conduct of superannuation schemes, investments, financial management or public administration and to be independent of the employers and employees and their respective interests.

To be eligible for appointment as an employer-representative Board member, the SA Act requires a person to have knowledge of, and experience in, the conduct of superannuation schemes, investments, financial management or public administration.

2. Board Renewal

Under the SA Act, the appointment of each Board member is made by the Minister. Accordingly, it is not possible for the Board to determine the composition or tenure of its membership.

The Board may provide the Minister with information regarding the Board's views on the need for renewal in relation to appointments, re-appointments or removals.

Accordingly, the Board will review the manner in which it operates on an annual basis (or more frequently if required), having regard to the need for new and innovative ideas, independence and adequate expertise.

When considering the overall composition of the Board, STC will ordinarily take into account STC's business and strategic plans and the skills and capabilities required to effectively oversee the implementation of that strategy. The Board should be of an appropriate composition, skills mix and commitment to enable it to discharge its duties effectively.

The Board will seek to have the responsible Minister be aware of the benefits of appropriately staggering terms of tenure of Board members to support continuity and the appropriate transfer of knowledge and skills to new Board members.

As outlined above, the Board expects that the various stakeholders will have regard to TPP17-10 which states that there is an expectation that board directors' tenure should generally be limited to 2 terms of 3 years each. However, there may be circumstances where it would be appropriate for one or more additional terms; for example, where there may be significant turnover at the Board or the STC executive level.

In line with TPP17-10, a Board member will typically not be permitted to hold directorships of more than three government boards.

STC will have in place:

- (a) a succession plan and crisis management procedures to assist the Board to ensure STC has the skills, knowledge and experience required to effectively steer STC's operations and respond to market developments, opportunities and challenges on an ongoing basis; and
- (b) a Board plan to assist the structuring of the Board in a manner that will best add value. The Board plan will take the form of a roadmap which details

² If UnionsNSW fails to nominate a person to be an employee representative within the period specified in a written request by the Minister to do so, the Minister may appoint a member or members as employee representatives.

what skills the Board requires and a set of measures to indicate the implementation progress to achieving the right mix of skills.

3. Appointment of New Board Members

Background

The Board believes that its membership should comprise persons with an appropriate mix of skills, experience and personal attributes that allow:

- (a) its members individually and collectively to make an effective contribution to Board deliberations and processes; and
- (b) the Board collectively to have the necessary skills, knowledge and experience to undertake and facilitate STC's operations and to understand the risks of STC's business operations, including its legal and prudential obligations, and to ensure that STC's business operations are managed in an appropriate way taking into account any risks associated with those operations.

However, the Board is not responsible for the nomination or appointment of Board members.

This section outlines the steps adopted by STC in relation to the selection and appointment of a Board member which are designed to ensure new appointments meet the above standards.

Step 1: Establish Selection Criteria

The Board will establish selection criteria for a new Board member after consideration of:

- (a) the skills, knowledge and experience required to enable the Board to continue to fulfil its duties, and to ensure continued adequate coverage of identified skills needed for the effective and prudent operation of STC's business operations;
- (b) the skills, knowledge and experience required to be an effective member of the required Committees; and
- (c) any other skills, knowledge and experience as deemed appropriate at a particular time, having regard to STC's then current business plan and risk management strategy.
- (d) While recognising that the new appointment will not necessarily fulfil all criteria identified, the selection criteria is prepared to assist the Board, the Minister and the Treasurer or UnionsNSW (as relevant) when considering candidates for appointment.
- (e) When determining the skills, knowledge and experience required for the selection criteria, regard will also be had to STC's Fit and Proper Policy.

Step 2: Identify Possible Candidates

STC may search and identify one or more persons, having regard to the selection criteria established under Step 1, who the Board believes would constitute suitable candidates for membership of the Board.

The Human Resources and Nominations Committee has authority to conduct searches for possible candidates on behalf of the Board and to provide recommendations regarding possible candidates to the Board.

Board Members are free to suggest possible candidates to the Chair of the Board and to the Chair of the Human Resources and Nominations Committee.

The Human Resources and Nominations Committee will take reasonable steps to recommend to the Board candidates, having regard to the selection criteria and who it believes are fit and proper (including, prior to making such a recommendation, undertaking probity checks on the candidate and assessing whether a candidate's credentials are genuine, which may include a determination of whether the relevant experience as presented by the candidate is a true and accurate reflection of their employment history, and whether the candidate is of good fame and character).

When considering potential candidates, consideration will be given to, at a minimum, the following factors:

- (a) the current and past associations of the candidate;
- (b) the appropriateness of other directorships held by the candidate, especially directorships of Registrable Superannuation Entity licensees;
- (c) the skills and capabilities of the nominated candidate against the role and responsibilities of the vacancy and the Board as a whole, including consideration of Board committee vacancies; and
- (d) the fitness and propriety of the nominated candidate.

Step 3: Notifying the Minister

STC will provide the Minister with:

- (a) information on persons identified in accordance with Step 2 (if any);
- (b) any selection criteria the Board wishes the identified persons to meet;

STC may also provide the Minister with:

- (a) a Board Candidate Pack, which contains amongst other things the selection criteria determined by the Board pursuant to Step 1, a summary of responsible officer procedures and duties and proper person statutory declaration;
- (b) STC's Fit and Proper Policy;
- (c) STC's Code of Conduct and Ethics;
- (d) STC's Conflicts Management Policy;
- (e) results of any initial probity checks for the candidate; and
- (f) the skills matrix for responsible persons (as set out in STC's Fit and Proper Policy).

STC will request that the Minister and the Treasurer or UnionsNSW (as relevant) consider STC's preferred person/s and to have regard to these documents when considering candidates for nomination and appointment as Board members.

STC may also request that the Minister conduct a fit and proper assessment of a person in accordance with STC's Fit and Proper Policy prior to the appointment.

Step 4: Appointment of a Board Member

The Minister will appoint the candidate to fill the role of Board member and notify the Chair.

Step 5: Fit and Proper Assessment

Once appointed, a fit and proper assessment of the new Board member must be conducted in accordance with STC's Fit and Proper Policy.

Step 6: Induction

Upon appointment, the new Board member is provided with a Board Induction Kit.

Step 7: Update Registers

The Compliance Manager will update the Register of Relevant Duties and Register of Relevant Interests as disclosed by the new Board member.

4. Re-appointment of Existing Board Members

The SA Act provides that a member holds office on the Board for such period (not exceeding four years) as is specified in the member's instrument of appointment, but is eligible (if otherwise qualified) for re-appointment.

The Board is not responsible for the re-appointment of Board members. This is the responsibility of the Minister.

This section outlines the steps adopted by STC in relation to the re-appointment of a Board member which are designed to ensure re-appointments meet the selection criteria in paragraph 3.2(a).

Approximately 1 year before the expiry of a Board member's term of appointment, the Board member is to notify the Board whether they are available for re-appointment and, if so, the Board will determine whether it considers it appropriate for the Board member to be re-appointed. Factors that the Board may consider during this process include:

- (a) whether the Board member has served on the Board for a period that could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of beneficiaries;
- (b) the total period of time served by the Board member on the Board;
- (c) the need for fresh ideas and independent thinking on the Board;
- (d) the importance of retaining adequate expertise and the benefits of maintaining organisational experience and a stable Board;
- (e) the fitness and propriety of the Board member; and
- (f) the number of times the Board member has attended Board and Committee meetings over the period of his or her appointment.

If the Board considers it appropriate for the Board member to be re-appointed and the member is available for re-appointment, the Board will pass a resolution to recommend to the Minister that the member be re-appointed and the Chair will notify the Minister of the Board's wishes. If the Board considers it appropriate for the Board member to be replaced, the Board will pass a resolution to recommend to the Minister that the member be replaced and the Chair will notify the Minister and undertake the steps outlined in section 3.

5. Independence of Board Members

TPP17-10 applies to both STC and the NSW Treasury in assessing candidates for a Board vacancy. STC will apply the guidance in TPP17-10, to the extent relevant to STC's operations, when considering and recommending candidates to Treasury, who will then provide the final set of candidates to the Minister for appointment to

the Board. The Minister may choose not to select any one or all of the candidates proposed by STC.

TPP17-10 defines a Board member as independent if he or she "is not allied with the interests of management, a substantial security holder or other relevant stakeholder and can and will bring an independent judgement to bear on issues before the board". STC will apply these considerations to any candidates identified for recommendation to Treasury.

STC is not involved in the process of appointing the Chair; however, the guidelines in TPP17-10 will equally apply to the Minister to the effect that the Chair should be independent (including from the Chief Executive Officer).

An independent Board Member is a non-executive director (i.e. is not a senior executive of STC). An executive director of STC is not considered to be independent. Membership of an STC scheme does not preclude a Board member from being considered to be independent.

When assessing whether a Board member is independent, the Board may have regard to whether the Board member:

- (a) is a substantial shareholder of STC or an officer of, or otherwise associated directly with, a substantial shareholder of STC;
- (b) is employed, or has previously been employed, in an executive capacity by STC, another group member or a standard employer sponsor and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- (c) has within the last three years been a director of a standard employer sponsor, a principal of a material professional adviser or a material consultant to STC or another group member, or an employee materially associated with the service provided;
- (d) is a material supplier of STC's business operations or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier;
- (e) has a material contractual relationship with STC or another group member other than as a director;
- (f) is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to STC or any of its subsidiaries;
- (g) is, or has been within the last three years, in a material business relationship (e.g. as a supplier of STC) with STC or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- (h) has close family ties with any person who falls into any of the categories described above;
- (i) has been a Board member of STC for such a period (10 years or greater) that his or her independence may have been compromised;
- (j) is eligible to be an employee representative or employer representative on the Board; or
- (k) has served as an employee representative or employer representative at any time in the last three years.

In each case, the materiality of the interest, position, association or relationship needs to be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the Board member's capacity to bring an independent

judgement to bear on issues before the board and to act in the best interests of STC and the beneficiaries of the STC schemes. In cases where it is assessed that there is a material impact that hinders a Board member's independence, this will be reported to the NSW Treasury.

Board members should disclose to the Board all interests, positions, associations and relationships which may impact on independence.

STC will consider the current and past associations of candidates when seeking to nominate an individual to fill a vacancy on the Board. Where a current or past association could impact an individual's ability to effectively carry out their role, the Board will consider whether that nomination is appropriate and in the best interest of members.

The Board should regularly assess whether each Board member is independent. Each Board member must provide to the Board all relevant information that is required to make the assessment.

If a Board member's independent status changes, this should be disclosed and explained to the Board in a timely fashion.

STC will make available to the Minister:

- (a) the name of each of independent Board member;
- (b) the length of service of each independent Board member; and
- (c) the reasons for the Board considering a Board member to be independent.

6. Removal of Board Members

Under the SA Act, the office of a Board member automatically becomes vacant if the member:

- (a) dies;
- (b) completes a term of office and is not re-appointed;
- (c) resigns the office by instrument in writing addressed to the Minister;
- (d) is removed from office by the Minister;
- (e) is absent from 4 consecutive meetings of the Board of which reasonable notice has been given to the member, except on leave granted by the Board or unless, before the expiration of 4 weeks after the last of those meetings, the member is excused by the Board for having been absent from those meetings;
- (f) becomes bankrupt, applies to take the benefit of any law for the relief of bankrupt or insolvent debtors, compounds with his or her creditors or makes an assignment of his or her remuneration for their benefit;
- (g) becomes a mentally incapacitated person;
- (h) is convicted in New South Wales of an offence that is punishable by imprisonment for 12 months or more or is convicted elsewhere than in New South Wales of an offence that, if committed in New South Wales, would be an offence so punishable; or
- (i) becomes a disqualified person within the meaning of Part 15 of the Superannuation Industry (Supervision) Act 1993 (Cth).

Should one of these events occur and the Minister is not notified, the Chair will notify the Minister of the vacancy and the reason for the vacancy.

The Minister may remove a Board member at any time for any or no reason and without notice.

Where a particular Board member:

- (a) does not satisfy a fit and proper assessment for reasons other than those listed above in this section 6; or
- (b) fails to comply with STC's Conflicts Management Policy,

the Board is to be notified and the Board (without the presence of the particular Board member) will consider a resolution to advise the Minister that the particular Board member no longer satisfies the requirements to be a Board member, and to recommend that the Board member be removed from office.

Where there is a vacancy on the Board, the SA Act requires the Minister to arrange for a suitably qualified person to be appointed to fill the vacancy within 60 days after the date on which the vacancy occurred. This requirement does not apply where the term of office of the Board member concerned was due to expire within 60 days after the vacancy occurred.

7. Consultation and Communication

STC has in place processes to support the nomination of appropriate candidates for appointment to the Board, including:

- (a) processes to communicate to organisations that have a right to nominate Board members for appointment to the STC Board, namely the Treasurer and UnionsNSW, the manner in which their nomination can support this Policy;
- (b) processes to support open and effective communication and consultation with the organisations that have a right to nominate Board members for appointment to the STC Board; and
- (c) processes to respond to the situation where a sponsoring organisation nominates or appoints a Board member that the remainder of the Board considers unsuitable for appointment.

8. Disputes

If a dispute arises when the Board or the Human Resources and Nominations Committee are considering a proposed nomination, appointment, re-appointment or removal of a Board member, the following process will be adopted:

- (a) where the dispute arises in the consideration process of the Board, the Board (if the dispute relates to a particular Board member, without the presence of that Board member) will consider a resolution to determine the appropriate action to be taken;
- (b) where the dispute arises in the consideration process of the Human Resources and Nominations Committee, the Committee (if the dispute relates to a particular Committee member, without the presence of that Committee member) will consider a resolution to determine the appropriate action to be taken.

The relevant individual that is the subject of a dispute regarding the proposed nomination, appointment, re-appointment or removal of a Board member must be given an opportunity to respond to any concerns raised in the dispute (in accordance with the principles of natural justice and procedural fairness as outlined in the Code of Conduct).

9. Review

9.1 Review

The General Counsel must conduct an internal review of this Policy, and the processes flowing from it, every 3 years (or more frequently if required) to:

- (a) maintain its currency and that it is up-to-date as regards STC's business;
- (b) consider any changes to the environment that impacts on business operations and should be dealt with in this Policy;
- (c) improve existing processes; and
- (d) reflect changes in relevant governing legislation, APRA or ASIC standards or policies.

The General Counsel will arrange an external review of this Policy, in conjunction with any review of STC's governance structure, every five years. Such review should:

- (a) verify that appropriate governance structures and processes are in place; and
- (b) consider best practice and industry standards and make recommendations to STC as to how to align its practices accordingly.

The General Counsel must report the results of both the internal and the external review to the Board.

9.2 Audit

The Chief Audit Executive will:

- (a) arrange for an internal audit of this Policy every 3 years or as may otherwise be considered necessary; and
- (b) report the findings of the audit to the Board and the Risk, Audit and Compliance Committee.