

Policy on the Appointment and Remuneration of Directors

Adopted – Council 25 September 2014

Purpose

1. The purpose of this policy is to set out, in accordance with Section 57(1) of the Local Government Act 2002, an objective and transparent process for:
 - a) The identification and consideration of the skills, knowledge and experience required of directors of a council organisation (CO), council-controlled organisation (CCO) or council-controlled trading organisation (CCTO).
 - b) The appointment of directors to such organisations.
 - c) The remuneration of directors of such organisations.
2. The terms “council organisation”, “council-controlled organisation”, or “council-controlled trading organisation” are used as defined in s.6 of the Local Government Act.
3. As at 1 October 2014, the Queenstown Lakes District Council operates one CCTO - Queenstown Airport Corporation (QAC). The Council may establish further CCTOs or CCOs during the life of this policy, and the provisions of this policy will apply to them.

Principles

4. The following principles underlie this policy:
 - a) Appointments will be made on the basis of merit.
 - b) The Council will follow corporate governance best practice.
 - c) Directors of CCTOs will be appointed on the basis of the contribution they can make to the organisation, and not on the basis of representation.
 - d) All Council appointed directors must comply with the Council’s Code of Conduct for Directors.
5. Except where express provision is made to the contrary, the provisions of this policy will apply equally to CCTOs, CCOs and COs.

POLICY ON APPOINTMENT OF DIRECTORS

6. No directors will be appointed to CCTO, CCO or CO boards other than through the processes described in this policy.
7. The process for selecting directors will be undertaken by the Governance Subcommittee (GSC) comprising;
 - a) The Mayor;
 - b) A nominated councillor;
 - c) The Chief Executive.
8. The GSC will make a recommendation for appointment of directors to the Full Council.

Identification of required skills, knowledge and experience of directors

9. The required skills, knowledge and experience for director appointments to a board are assessed in the first instance by the Governance Subcommittee of the Council, in consultation with the Chairperson. Reference is made to current governance best practice in this area, as encapsulated in the Institute of Directors' "*Four Pillars of Governance Best Practice*" and other relevant material. External assistance may be used by the GSC in some cases.
10. The mix of skills and experience on the Board will be taken into account, and consideration given to complementing and reinforcing existing skills and reducing any known weaknesses where necessary.
11. The skillsets and attributes required of candidates will generally include:
 - a) Intellectual ability;
 - b) Commercial experience;
 - c) Understanding of governance issues;
 - d) Sound judgement;
 - e) High standard of personal integrity;
 - f) Commitment to the principles of good corporate citizenship;
 - g) Understanding of the wider interests of the publicly-accountable shareholder;
 - h) Able to maintain the trust of the Council;
 - i) Able to maintain a close, but independent, working relationship with the CEO;
 - j) Ability to harness the collective skills of the Board and executive team to achieve the business objectives and maintain the confidence of the shareholders;
 - k) Ability to lead Board evaluation process;
 - l) Ability to demonstrate leadership and good interpersonal skills;
 - m) Ability to efficiently conduct meetings;
 - n) Ability to effectively participate in Board deliberations;
 - o) Ensure timeliness and relevance of information to the Board;
 - p) Ability to be the spokesperson for the company;
 - q) Ability to retain the confidence of the community and able to build relationships within the community's networks.
12. It is expected that all appointees to boards will undergo, or already have undergone, formal corporate governance training, or have the requisite experience in this area.

The Appointment of Officers or Elected Members as Directors

13. Neither Councillors nor Council staff are precluded under this policy from appointment to boards.
14. Staff or elected representatives (including the Mayor and Community Board members) acting as directors of commercial companies, are to be particularly conscious of their responsibilities in the role of a director, and the role of an impartial advisor/objective decision maker. Conflicts of interest must be avoided between these roles.
15. There may be special circumstances where a Councillor or officer may be the most appropriate person to be appointed as company director. These special circumstances should be fully recorded by the Council in making that decision. All other parts of this policy should be considered and applied to such an appointment.

Appointment process for directors

16. When a vacancy arises, the GSC, having identified the skills, knowledge and experience required for the position (in consultation with the Chairperson) will then follow the process set out below:
 - a) The vacancy will be advertised on the Institute of Directors "Director Vacancy Noticeboard"; or
 - b) Where a suitable candidate has been identified and advertising is not expected to add significant value to the selection process, the GSC may choose to not advertise.
 - c) The candidate will be requested to supply:
 - A curriculum vitae which establishes how well they meet the role specification for the directorship role
 - A letter detailing why they are interested in the particular role
 - A report on any conflicts of interest their appointment may cause.
17. The GSC may engage a specialist consultant or advisor to assist with the provision of names of possible candidates.

Interview

- a) Following the search process, the GSC will draw up a short list of candidates.
- b) Where appropriate the committee will co-operate with minority shareholders in the selection process.
- c) Each candidate will be interviewed by the GSC. The committee will then decide its preferred candidate(s), check all references and report back to the Council with a recommendation for appointment.

Appointment

- a) The report recommending the candidate will be "public excluded" in order to protect the privacy of the individual(s) concerned. The Council will consider the report from GSC and make its decision on selection.

- b) Public announcement of the appointment will be made as soon as practicable after the Council has made its decision.

Tenure

- 18. Rotation of all directors is to be encouraged to the extent that it is practical under the law and constitution of the organisation.
- 19. Directors will normally be appointed for terms of three years (unless the constitution of the organisation provides otherwise).
- 20. At the end of each term of an appointment, the incumbent will be asked to provide a report on their contribution to the organisation concerned.

Reappointment

- 21. Where a director's term of appointment has expired and he or she is offering him/herself for reappointment, a representative of the GSC will consult on a confidential basis with the Chairperson with regard to:
 - a) Whether the skills of the incumbent add value to the work of the board.
 - b) Whether there are other skills which the board needs.
 - c) Succession planning matters.
- 22. The GSC will consider the information obtained and, taking into account the director's length of tenure, form a view on the appropriateness of reappointment or making a replacement appointment.
- 23. Where reappointment is considered appropriate, then the GSC is authorised to approve the re-appointment without further decision of Council.
- 24. Where it is not intended to reappoint the existing incumbent, the appointment process outlined above will apply.

Chairperson selection

- 25. It is the responsibility of the Council (on the recommendation of the GSC) to appoint the Chairperson. However, normally the GSC will consult with the Board on the person to be so appointed, and where appropriate, will seek its view on who it considers to be the appropriate person to fill the Chairperson's position.

Chair Succession Planning

- 26. The aim of a succession plan is to provide for smooth transition of leadership in the event of a planned or unexpected retirement of an incumbent Chairperson. It is expected that the Chairperson will identify and develop potential successors or advise the GSC if there are no candidates suitable for the role of Chairperson.

Removal of Board Members

- 27. Board members hold office at the pleasure of the Council and may be removed at any time by council resolution.

28. Without limiting the right of the Council, reasons which would justify removal of a board member would be where that board member:
- a) Is regularly absent from board meetings without good justification.
 - b) No longer has the confidence of the board or the Council.
 - c) Has breached ethical standards and this reflects badly on the board and/or Council.
 - d) Does not act in the best interests of the organisation.
 - e) Breaches the confidence of the board in any way, including speaking publicly on board issues without the authority of the board or;
 - f) Does not act in accordance with the principles of collective responsibility.
29. Where the board has concerns regarding the behaviour of one of its members, it should be considered by the board in the first instance and, where necessary, the board may recommend the removal of the board member to the GSC. The Council will not make any payment by way of compensation to board members who have been removed from boards.

PROVISIONS SPECIFIC TO COUNCIL ORGANISATIONS

30. The Council may have a non-controlling interest in numerous COs. These will be not-for-profit bodies.
31. Appointments to COs are made for a number of reasons. These include:
- a) To provide a means of monitoring where the Council has made a grant to that body.
 - b) To enable Council involvement where the CO's activity is relevant to the Council.
 - c) To satisfy a request from the CO that the Council appoint a representative.
 - d) Statutory requirements.
32. Appointments to a CO are generally for a three year term and are made after the triennial Council elections, by the Council.
33. The Council will endeavour to minimise the number of appointments where the benefit to the Council of such an appointment is minimal.

Identification of required skills, knowledge and experience of CO directors, and appointment

34. The range of reasons for the appointment of Council representatives to COs results in a wider range of desired attributes for appointees to these bodies.
35. The Council will determine the required skills, knowledge and experience for each appointment. Candidates are not restricted to Councillors – in some cases, it may be more appropriate to appoint Council staff or external people with affiliations to the Council.

Remuneration of CO directors

36. CO directors appointed by the Council will receive the remuneration (if any) offered by that body. Council staff members appointed to such bodies will not accept any remuneration.

EXPECTATION OF APPOINTEES

37. Directors must adhere to the code of conduct annexed as Appendix 1 to this policy.
38. Directors are appointed to CCTOs or CCOs for the value and skills they can add to the organisation and not as Council representatives. The first expectation of appointees is that they will satisfy all statutory requirements of the role and pursue the requirements of the body's constitution. Where it is consistent with that role, the appointee will have regard to the policies of Council and will seek to advance such policies.

DIRECTOR REMUNERATION POLICY

Remuneration

39. In general, it is intended that boards of CCTOs or CCOs will receive a level of remuneration that is appropriate to the relevant market, while recognising the public service element to a CCTO or CCO. Professional advice will be sought where necessary.
40. The Council also supports the payment by CCTOs or CCOs of directors' liability insurance and the indemnification of all directors.
41. Any remuneration earned by Councillors or staff as directors of a CCTO or CCO will be remitted to the Council.

Remuneration Review and Fee Setting

42. Periodically the GSC will review the level of remuneration made available to the boards of the CCTOs or CCOs for distribution amongst directors on each board.
43. The fees will be reviewed on an overall basis for each CCTO or CCO, leaving the board of that CCTO or CCO to apportion the fee between board members as it sees fit. Under exceptional circumstances, Council may approve an application from a CCTO or CCO for additional fees; for a special project; a temporary increase in workload for the board; difficulties in recruiting particular skills; or similar considerations.
44. In performing its review of remuneration, the GSC will have regard to the following factors:
 - a) The need to attract and retain appropriately qualified directors.
 - b) The levels of remuneration paid to comparable companies in New Zealand.
 - c) The performance of the CCTO or CCO and any changes in the nature of its business.
 - d) The size and scale of the CCTO or CCO (e.g. turnover, value of assets, number of employees).
 - e) Complexity and scope of operations (e.g. complexity of issues, level of guidance for decision-making, relationship management responsibilities).
 - f) Accountability (e.g. scale of market risk, public interest and profile, potential risk to director reputation, and other key risks).
 - g) Skills - the type of expertise and specialisation needed.
 - h) Any other relevant factors.
45. The final decision on directors' remuneration will be made by a resolution of Council.

Appendix 1 - CODE OF CONDUCT

- a) Directors must act honestly and in good faith in what the director believes to be the best interests of the company. Directors must ensure that all shareholders and classes of shareholder are treated fairly according to their rights as between each other.
- b) Directors must carry out their duties in a lawful manner and use reasonable endeavours to ensure that the company conducts its business in accordance with the law and with a high standard of commercial morality.
- c) Directors should avoid conflicts of interest so far as is possible. Where a conflict or potential conflict arises, as a minimum they must adhere scrupulously to the procedures provided by law and by the constitution of the company for dealing with conflicts and with the position of directors having an interest in a particular contract or issue. A director who has a continuing conflict of interest of a material nature should consider resignation as a director of the company.
- d) Directors should be diligent, attend board meetings and devote sufficient time to make and keep themselves familiar with the nature of the company's business and the environment in which it operates. They should be aware of all statutory and regulatory requirements affecting their company and, where applicable, the requirements of bodies such as the New Zealand Stock Exchange, and see that these are observed.
- e) Directors must observe the confidentiality of non-public information acquired by them as directors and not disclose it to any other person without the authority of the board. A director who is nominated by, or who has special allegiance to a particular shareholder or group of shareholders, may only disclose confidential information to such shareholders with the authority of the board and in strict compliance with any procedures prescribed by law or the constitution of the company.
- f) Directors of public issuers should ensure that their company has in place an approved procedure for the buying and selling of shares or securities in the company by directors or their relatives or associates. Directors should not engage in short term trading in the company's shares or securities. Directors should notify the board in advance of any intended transaction by them or their relatives or associates involving shares or securities in the company.
- g) Directors must act in accordance with their fiduciary duties. They should comply with the spirit as well as the letter of the law and remember that in addition to purely legal requirements there is a standard of ethical and moral behaviour against which all their actions can be judged.
- h) A director should not bind himself or herself to a pre-determined stance or course of action in the public arena which may then significantly impact on decisions taken at the board table.
- i) A director may not publicly criticise the Council, the company or its subsidiaries, or dissent from a collective board decision in a manner likely to damage confidence in the company or its subsidiaries or Council.
- j) Directors must familiarise themselves with the legal risks, both to the company and to the individual director involved with the position, and take all reasonable steps to minimise such risks.