

POLICY ON APPOINTMENT
AND REMUNERATION OF
DIRECTORS OF COUNCIL
ORGANISATIONS AND
COUNCIL CONTROLLED
ORGANISATIONS

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POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS OF COUNCIL ORGANISATIONS AND COUNCIL CONTROLLED ORGANISATIONS

1. Introduction

Westland District Council either owns or has an interest in a number of Council Organisations (COs) and Council Controlled Organisations (CCOs).

Council Organisations (COs) are organisations in which one or more local authorities controls any proportion of the voting rights or right to appoint directors.

Westland's CO's are:

- Tourism West Coast
- West Coast Rural Fire Authority
- Westland Wilderness Trust

Council Controlled Organisations (CCOs) are best described as any organisation in which one or more local authorities control 50% or more of the voting rights or have the right to appoint 50% or more of the directors. Council Controlled Trading Organisations (CCTOs) are similar to CCOs except a CCTO has the objective of trading for profit.

In the rest of this document CCO is used to mean both CCO and CCTO.

CCO's within Westland are:

Westland Holdings Limited which holds 100% of the shares in:

- Westroads Ltd;
- Westland District Property Ltd; and
- Hokitika Airport Ltd.

The Local Government Act 2002 S(57) (2) states that Council may appoint a person to be a director of a Council Organisation only if it considers that the person has the skills, knowledge and experience to:

- guide the organisation given it's the nature and scope of its activities.
- contribute to the achievement of the objective of the organisation.

S(57) (1) of the Local Government Act 2002 requires a policy to be adopted setting out an objective and transparent process for the identification and consideration of the skills, knowledge and experience required of directors of

Council organisations, the appointing of directors and the remuneration to directors of a Council organisation.

2. Council Organisations (COs)

Council may appoint an elected representative or other nominated person as a director of a CO where requested by the organisation.

Council will consider the skills, knowledge and experience of the elected representative or nominated person to the activities and objectives of the organisation concerned.

These appointments are honorary appointments with no remuneration paid by Council. Remuneration can however be paid by the organisations themselves.

3. Council Controlled Organisations (CCOs)

It is considered that any person appointed to be a director of a CCO should, as a minimum, have the following skills:

- An understanding of governance and in the distinction in the roles and responsibilities of a director/trustee from that of management.
- Independence of thought and sound judgement in making balanced decisions.
- An intellectual ability and enquiring mind; demonstrated in ability formulate strategy and to test facts, options, benefits and risks when dealing with complex matters.
- A high level of personal integrity and candour.
- Commercial, technical or other experience and skill relevant to the activities of the organisation.
- The ability to work as a member of a team in an environment where dealing with differences of views is seen as an essential attribute of effectiveness.
- An understanding of the wider issues of a publicly accountable shareholder. In particular the ability to understand and find an optimal balance between meeting the public and private good objectives of the organisation.

4. Term of Appointment

Subject to any specific trust deed or constitution requirements, the initial term for a CCO director will be for a period of up to four years. Subject to a review of the director's performance at the end of each term, any provisions in the CCO trust deed or constitution, and a review of the needs of the CCO board in question, the typical tenure for a director will be eight years. This is to ensure that the board benefits from the knowledge and experience a director develops during their first term.

Following eight years of service on a board, and subject to any maximum term in the trust deed or constitution, there will be an option for further terms.

Following twelve years of service, and subject to any maximum term in the trust deed or constitution, a director may be re-appointed, but only in exceptional circumstances.

The rationale is that after eight to twelve years on the board, it is usually helpful to bring in fresh ideas and drive to the board. However, where an individual continues to display the necessary qualities to continue to take the entity forward, additional terms may be recommended at the discretion of the Council or Sub Committee of Council, or Westland Holdings Ltd.

Where necessary, directors shall be appointed for terms of one to four years in order to avoid all the board members' terms becoming vacant at the same time. Where an appointment replaces an existing director, typically the appointment will be for the remainder of that director's term to maintain the effect of staggering expiry dates.

Any consideration of terms and reappointments should consider the question of succession and the need to balance fresh ideas with the need to maintain experience and institutional knowledge within the board.

Where possible, the appointment period will expire at the Annual General Meeting of the CCO to assist in the process of roll-overs and new appointments.

5. Appointment Process

When vacancies arise in any CO/CCO which Council directly controls, Council will identify a shortlist of candidates, who are considered to meet the above criteria, and will make a decision in a public excluded meeting in order to protect the privacy of these persons.

When canvassing for candidates for board appointments, Council or WHL shall:

- Take advice from the existing board on the needs of the board
- Make it publicly known that any interested and suited people can apply for possible selection.

Council staff may not stand for election of the CCO.

Where a vacancy arises in organisations that are subsidiaries of WHL, the directors of WHL will be responsible for the appointment using a process that is consistent with this Policy. Council reserves the right to recommend suitable candidates and to veto any director appointment intended by WHL, if Council considers the appointment will not be in the best interests of achieving Council's vision and strategies. Council offers WHL the opportunity for Council to advertise the vacancy and conduct the administration of applications on behalf of WHL.

All candidates offered appointments shall first make themselves aware of the nature and circumstance of the business before taking up the appointment,

and Council will liaise with the organisation's board to give the appointee access to suitable information needed for the appointee to make an informed decision to take on the appointment.

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

6. Conflicts of Interest

Westland District Council expects that directors of council organisations will avoid situations where their actions could give rise to a conflict of interest.

Council expects directors to follow the principles of the Institute of Directors in New Zealand INC (IOD) Conflicts of Interest, and Best Practice for New Zealand Directors Statements to minimise these situations.

In the case of any CCO, including Westland Holdings Limited or its subsidiaries, Hokitika Airport Limited, Westland District Property Limited and Westroads Limited, and any other subsidiaries of these subsidiaries, the director's remuneration, together with business transactions with businesses in which a director has an interest, may not exceed 10% of the annual gross revenue of the CCO without the prior approval of Council. Any director of a CCO may be dismissed for a breach of this requirement

Each CCO board of directors/trustees, including subsidiaries of holding companies, will adopt and keep current a board Code of Conduct that is in keeping with (IOD) recommended practice and consistent with Council's Code of Conduct.

7. Remuneration

Director's fee remuneration of Council Organisations is a matter of public interest.

Where Council or Westland Holdings Limited is the sole shareholder it will set directors fees either by resolution at the Annual General Meeting or review and approve fees on an annual basis (for those organisations that do not have an AGM). When approving the level of directors fees the following factors will be considered:

- The need to attract and retain appropriately qualified people to be directors of the CCO.
- Remuneration levels paid to comparable organisation.
- The objectives, nature and scale of the CCO.
- The past performance of the CCO.
- The financial situation of the CCO
- The responsibilities of the director, particular that of chair.

Where Council or Westland Holdings Limited cannot exercise direct control, such as in an organisation where it holds less than 50% of the shares, it can, if required, monitor salaries paid against the above factors and may publicly disclose the name of any organisation which it considers is not complying with the above factors.

All directors will be entitled to claim reimbursement of necessary and prudently incurred expenses arising from the performance of their duties as a director. Where the CCO has a board policy on reimbursement it must be consistent with this requirement.

8. Holding Companies Consistency

Where Council holds 50% or more shares in a CCO holding company, where this company holds subsidiary companies, then for the holding company, each subsidiary and their subsidiaries, the policies set out here will be adopted by/be consistent with their policy and practice.