



Central Economic Development Agency Limited

Appointment of Directors Policy

Adopted 10 August 2016

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1. INTRODUCTION

1.1 Purpose of Policy

This policy sets out an objective and transparent process for:

- a) The identification and consideration of the skills, knowledge, and experience required of directors of the Central Economic Development Agency Limited (CEDA);
- b) The appointment of directors of the CEDA Board; and
- c) The remuneration of directors of the CEDA Board.

1.2 Manawatu District/Palmerston North City Joint Strategic Planning Committee

In relation to CEDA, the Joint Strategic Planning Committee (Joint Committee) has the following functions, powers, and duties under the Local Government Act 2002 and/or the Companies Act 1993:

- a) To adopt a policy that sets out the process for the identification, appointment and remuneration of directors;
- b) To appoint and remove a person or persons to be directors of CEDA;
- c) To approve the remuneration to be paid to directors of CEDA;
- d) To undertake performance monitoring of CEDA, as per section 65 of the Local Government Act.
- e) To agree with the Statement of Intend of CEDA or, if the Joint Committee does not agree, to take all practical steps to require a Statement of Intent to be modified, as per section 65 of the Local Government Act 2002.
- f) Receive the half yearly report of CEDA; and
- g) Receive the Annual Report of CEDA.

1.3 Amendment or Replacement of Policy

The Manawatu District and Palmerston North City Joint Committee may, from time to time, amend or replace this policy. In doing so, the Joint Committee will consult with CEDA.

1.4 Exceptions of Policy

There may be circumstances in which adherence to this policy is not appropriate. Should the Joint Committee decide not to comply with any provision, the decision should be recorded by way of resolution (which should also include the reason for deviation from the policy).

2. DIRECTOR SKILLS

2.1 Range and Quality Skills

In appointing directors, the Joint Committee will be seeking persons with relevant skills and an ability to make a significant contribution to the successful operation of CEDA. Directors must be located in New Zealand. The need for balance between new and existing directors, who have first-hand knowledge of and experience in the activities of CEDA, will also be considered.

The range and quality of skills will vary from one position to another. The appropriate skills will be determined by the members of the Electoral College in consultation with CEDA so as to meet the performance needs of CEDA.

2.2 General Skills

The Joint Committee in appointing any person to be a director of CEDA will consider the following skills existing in that director or elsewhere on the CEDA board:

- Proven track record in economic development;
- Major event, tourism, visitor or destination marketing experience;
- Experience conducting business internationally;
- Strong financial knowledge;
- Communication and marketing skills;
- Proven track record conducting business;
- The ability to interface between the private sector, iwi and local government; and
- Any other skills that the Joint Committee consider appropriate to the business of CEDA.

Successful board members will include:

- Impeccable ethics and integrity;
- Strong communicators;
- Natural leaders with the ability to take people with them; and
- Clear and creative thinkers.

3. APPOINTMENT AND REMOVAL OF DIRECTORS

3.1 Number of Directors

The CEDA Board shall consist of a minimum of five (5) and a maximum of seven (7) directors.

3.2 Appointment

Directors shall be appointed by the Joint Committee for terms of up to three (3) years, and for a maximum period of nine (9) consecutive years.

3.3 Electoral College

- a) The Electoral College shall comprise of six (6) members, three (3) appointed by PNCC, one of which should be the Mayor, and three (3) appointed by MDC, one of which should be the Mayor.
- b) PNCC and MDC may remove and replace their appointees to the Electoral College at any time by giving notice in writing to the appointee in question and notice in writing to the Joint Committee.
- c) PNCC and MDC agree to appoint persons to the Electoral College in a timely manner to ensure that at all times an operative Electoral College is in place and provide all necessary assistance including administrative assistance and facilities in order to ensure the Electoral College can effectively undertake its role.
- d) The voting of the Electoral College shall be by way of majority and decisions of the Electoral College may not be made unless all members of the Electoral College are present at a meeting either in person or electronically (sight or sound).
- e) The Electoral College's role is to make recommendations to the Shareholders concerning the appointment of Directors to the CEDA board. The Electoral College may also be used as the conduit between the Shareholders and the Directors in circumstances when it is necessary or desirable to formulate a co-ordinated approach for matters affecting the Company.

3.4 Appointment of Directors

- a) The Joint Committee will appoint directors jointly on the recommendation of the Electoral College (including any reconsidered recommendation, and taking into account the CEDA board skills sets).
- b) Where a recommendation has been received from the Electoral College with respect to the appointment of directors, and that recommendation is not accepted by the Joint Committee, the Joint Committee may ask the Electoral College to provide a further recommendation.

3.5 Staggering Appointments

Appointments will be staggered so that approximately one-third of the board is rotated each year. Staggering appointments to the board ensures there is an appropriate level of institutional knowledge retained on the board, which in turn provides for continuity in the management of CEDA.

3.6 Administration of Appointments

PNCC and MDC shall administer appointments alternatively. PNCC shall administer appointments for the period when it is chairing the Joint Committee. MDC shall administer appointments for the period when it is chairing the Joint Committee.

3.7 Appointments

Once a vacancy has been established, the Council responsible for administering an appointment will work with a director recruitment consultant to manage the advertising and administration for seeking applications and arranging Electoral College meetings and any relevant administration work around this.

The Electoral College will identify the skills, knowledge and experience required for the position with the assistance of a director recruitment consultant. This may involve discussions with the Chair and consideration of the results of board performance reviews and composition on the board.

Applicants may be sought through a combination of the following search methods: advertising of the position, nominations from the mayor, councillors. In addition, a director recruitment search and checking the availability of candidates, will form part of the appointment process.

A complete list of applicants will be compiled, usually with the assistance of a director recruitment consultant.

The Electoral College, with assistance from a recruitment consultant, will screen the list to ensure that the candidates / applicants have the required core competencies as well as the specific skills and expertise required for the position. The screening will prepare a recommended short list of applicants for consideration.

The Electoral College will select the candidates for interview from the recommended short-list and interviews will be undertaken by the full Electoral College.

The Electoral College will assess candidates against the required skills, knowledge and experience and may take into account other factors such as:

- the demographic and geographic diversity of the board
- board dynamics and stakeholder relationships
- the capacity of applicants to attend regular board meetings and fulfil the other requirements of the directorship
- succession planning.

The Electoral College will recommend its preferred candidates to the Joint Committee for approval.

3.8 Reappointment

CEDA is requested to advise the Joint Committee of the impending expiry of a director's term. Such advice shall be provided no later than three (3) months before the date of expiry of a director's term in office.

The Joint Committee will then notify both MDC and PNCC Chief Executives in receipt of the above advice. The Chief Executive of the Council responsible for the administration of appointments will set in train the process for calling for applications to fill the vacancy unless exceptional circumstances apply. Exceptional circumstances include such things as when CEDA is in the midst of a major project where continuity of the existing directors is accepted by the Joint Committee as a critical factor for the success of the project.

All director vacancies for CEDA are to be advertised unless exceptional circumstances apply.

- a) In the event that a retiring director is available to be considered for reappointment, in addition to receiving that director's application, the Chief Executive will seek advice from CEDA as to whether the following criteria are being met:
 - i. That an appropriate contribution has been made by the retiring director to the effective governance of CEDA;
 - ii. That the relevant skills of the retiring director fit the skill-set required by CEDA; and
 - iii. That the organisation is meeting the agreed requirements of the current Shareholders Agreement.
- b) In obtaining information on these criteria, the Chief Executive will seek advice from the Chairperson of CEDA, or if the Chairperson is the person being considered for reappointment, from the Deputy Chairperson of CEDA or other person appointed by the governing body of CEDA.
- c) The Chief Executive shall report to the Electoral College on these criteria in relation to a retiring director.
- d) The Joint Committee may reappoint a person without following the full appointment procedure if the term of reappointment to CEDA is for six months or less.

Board members should not be given any expectation that they will be offered a subsequent term of office.

3.9 Removal

A director of CEDA may be removed from office by notice from the Joint Committee at any time.

3.10 Local Government Act

Any appointment or removal of a director must, at all times, comply with the Local Government Act 2002.

3.11 Vacation of Office

A Director vacates office if any of the following occurs:

- a) The Director resigns by notice in writing to the Chairperson of the Joint Committee. The notice is to be effective when it is received by the relevant parties or at a later time specified in the notice;
- b) The director is removed from office in accordance with clause 3.7;
- c) The director becomes disqualified from being a Director pursuant to section 151 of the Companies Act 1993;
- d) The director dies;
- e) The director fails to attend three (3) consecutive meetings of the board without leave of the other directors.

3.12 Appointment of Directors by the Board

Where a director vacates office, the continuing directors may, with the written consent of the Joint Committee, appoint any other qualified person to hold office as a director in that director's place until a replacement director is appointed by the Joint Committee.

3.13 Chairperson

The Chairperson of the board shall be appointed from the members of the board by the Joint Committee. If the Joint Committee appointed Chairperson is not present at any meetings then the members present can appoint a Chairperson for that meeting.

3.14 Eligibility for Appointment

Appointment of Councillors

Under this policy, no councillors may be appointed to the board.

Appointment of Council Officers

Under this policy, council officers are ineligible to serve as a director on the board.

Any board member applying for employment with either council should resign from the board immediately following an offer of appointment.

Appointment of CEDA Executives to CEDA board

Board members should be independent from management and should not hold executive positions in CEDA.

In the event that that a board decides that one of its members should fill a vacancy in the executive team, the board member must first resign from their position on the board.

Other Exclusions

Immediate family members, of elected members, of the chief executive, and of second tier managers of either Council are also prohibited from serving as board members of CEDA.

4. REMUNERATION AND OTHER BENEFITS OF DIRECTORS

Board members' fees will compensate board members fully for their normal contribution to the board, including attending board and Committee meetings, meeting preparation, stakeholder management and any other agreed tasks.

Board members' fees will reflect the element of public service in serving on the board of a CCO and will accordingly be set at level for comparable public sector entities.

To ensure transparency, fees will be set by the Joint Committee for the board members and Chair, rather than allocating a pool to be distributed by the board. Fees are to be met from CEDA's own resources.

4.1 Fee Setting

Board members' remuneration will be reviewed once per triennium following council elections. A full review will be conducted and will include benchmarking against comparative entities. The review will consider market movement and the final decision on board members' remuneration will be made by a resolution of the Joint Committee. Fees will be set taking into consideration the following:

- a) the size and scale of CEDA (e.g. turnover, value of assets, number of employees)
- b) complexity and scope of operations (e.g. complexity of issues, level of guidance for decision-making, relationship management responsibilities)
- c) accountability (e.g. scale of market risk, public interest and profile, potential risk to director reputation, and other key risks)
- d) skills - the type of expertise and specialisation needed.

Special considerations may also be included in setting fees, such as a temporary increase in workload for the board, or difficulties in recruiting particular skills.