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Contents

1. Background	3
2. Scope	3
3. Board Composition	3
4. Power to Appoint, Renew and Remove	3
Elected Directors – Appointment, Renewal and Removal Procedures.....	3
5. General.....	3
6. Nomination to Office of an Executive Director	4
7. Nomination to Office of Independent Non-Executive Director	4
8. Term of Office of an Elected Director	5
9. Vacation of Office of a Director.....	5
10. Rules for Nomination	6
11. Rules for Nomination, Voting and Election Procedures for Directors to the Board	7
Independent Non-executive Directors – Appointment, Renewal and Removal Procedures.....	8
12. Nomination to Office of Independent Non-executive Director.....	8
13. Term of Office of an Independent Non-executive Director.....	9
14. Vacation of Office of an Independent Non-executive Director.....	9
Office Holders – Appointment, Renewal and Removal Procedures.....	9
15. Appointment of Office Holders – Independent Chair and Deputy Chair (if applicable)	9
16. Appointment of Office Holders – Fund Secretary.....	10
17. Disputes	10
18. Insurance.....	10
19. Skill, Competency and Assessment	10
20. Notification to ASIC	11
21. Consent to Act as Director/Secretary	11
22. Policy Review Process.....	11
Appendix A: Consent to Act as Director/Secretary of Aracon Superannuation Pty Ltd	12
Appendix B: Disclosure of Interests.....	13

1. Background

- 1.1. This document sets out the procedures relating to the appointment, renewal and removal of the Trustee board (the Trustee of The ARA Retirement Fund (**the Fund**)), and records its approach to ensuring that the Trustee meets the requirements relating to the appointment, renewal and removal of Directors as set out in:
 - a. The *Superannuation Industry (Supervision) Act 1993 (the SIS Act)* and Regulations (as amended);
 - b. APRA Superannuation Prudential Standard SPS 510 Governance (**SPS 510**); and
 - c. APRA Superannuation Prudential Practice Guide SPG 510 Governance (**SPG 510**).
- 1.2. This document should be read in conjunction with the Trust Deed and the Constitution, as well as the Trustee's Fit and Proper Policy, Remuneration Policy, Governance Framework and Risk Management Framework.
- 1.3. The policy aims to achieve an overall board composition which is appropriate for the RSE Licensee's business operations and provides a foundation for sound governance. Sound governance is achieved through the implementation of robust processes to support the nomination of appropriate candidates for appointment to the board.

2. Scope

- 2.1. This policy and its attendant procedures cover the appointment, renewal and removal procedures for Executive Directors and appointed Independent Non-executive Directors.

3. Board Composition

- 3.1. The board is composed of a minimum of five (5) and a maximum of seven (7) Directors.
- 3.2. The board is comprised of a majority of Non-executive Directors, with an Independent Chairperson.

4. Power to Appoint, Renew and Remove

- 4.1. The Trustee Board is empowered to elect, appoint, renew and remove Directors pursuant to Article 4, of the Constitution's Replaceable Rules.
- 4.2. All future directors shall be elected by the current sitting directors.
- 4.3. The Directors of the Company must appoint a sufficient number of Independent Non-executive Directors to form a majority of the Trustee Board for optimal governance of the RSE Licensee, and meet the minimum number of Non-executive Directors required to sit on Board committees mandated within APRA Superannuation Prudential Standard 510 Governance (SPS 510).
- 4.4. The Trustee Board is empowered to appoint, renew and remove Committee members.

Elected Directors – Appointment, Renewal and Removal Procedures

5. General

- 5.1. Henceforth in this policy an Elected Director will mean either an Executive Director or an Independent Non-executive Director unless otherwise specified.
- 5.2. In each 4 year period (i.e. one term), 2 directors must stand for election.
- 5.3. The periods for election will be staggered to ensure ongoing effective governance, continuity and the appropriate transfer of skills and knowledge to new directors.
- 5.4. The Trustee Board must have an Independent Chairperson who shall be nominated and appointed by the Board.
- 5.5. A term is deemed to be the duration of four (4) years.

6. Nomination to Office of an Executive Director

- 6.1. When considering potential candidates and appointing new directors, the RSE Licensee must assess:
 - a. the current and past associations of the candidate(s);
 - b. the appropriateness of other directorships held by the candidate director, in particular directorships of other RSE Licensees;
 - c. the skills and capabilities of nominated candidates against the role and responsibility of the vacancy and the needs of the board as a whole, including consideration of committee vacancies, if any; and
 - d. the fitness and propriety of nominated candidates.
- 6.2. An individual will not be eligible for nomination as an Executive Director if he or she meets one or more of the criteria outlined in section 6.3.
- 6.3. An individual will not be eligible for nomination as an Executive Director if they are:
 - a. consultants and advisors (including their employees) of the Fund or any other fund or perceived competitor (includes tax advisors and auditors);
 - b. a former employee of the Fund or any associated company or body (for a period of 1 year after ceasing such employment);
 - c. otherwise having a conflict of interest deemed to be so by the Independent Chair or Fund Secretary at the time of the nomination process.

7. Nomination to Office of Independent Non-Executive Director

- 7.1. An individual will not be eligible for nomination as an Independent Elected Director if they are:
 - a. directly associated with, or employed by an entity that has a material relationship* with;
 - if the RSE licensee is a body corporate – the RSE Licensee, or
 - if the RSE Licensee is a group of individual trustees, any of the trustees;
 - b. has not at any time in the last three (3) years been an executive officer or director of a body corporate that has, or has at any time in the last three (3) years, had a material relationship with;
 - if the RSE Licensee is a body corporate – the RSE licensee; or

- If the RSE Licensee is a group of individual trustees – any of the trustees, or if they are;
- c. employed by a service provider or otherwise associated directly or indirectly with a service provider;
 - d. consultants and advisors (including their employees) of the Fund or any other fund or perceived competitor (includes tax advisors and auditors);
 - e. employed by the Fund or any associated company or body thereof;
 - f. a former employee of the Fund or any associated company or body (for a period of 3 year after ceasing such employment);
 - g. otherwise having a conflict of interest deemed to be so by the incumbent Independent Chair or in their absence the Fund Secretary, at the time of the nomination process;
 - h. personally related to or with strong associations to a sitting director;
 - i. a shareholder of the ultimate holding company, ARA Consultants Limited;
 - j. a person who is reasonably perceived not to be independent or with conflicts of interest.

*(*Material Relationship will include material professional advisors, consultants or suppliers)*

8. Term of Office of an Elected Director

- 8.1. From 1 July 2016, terms of directorship and board renewal shall be introduced, with terms of 4 years applying to all Elected Directors.
- 8.2. Subject to Section 5.6 and 8.1 Elected Directors are eligible to serve a maximum of 3 terms of office.
- 8.3. At the expiration of each Elected Director's term of office the Trustee will review the Elected Director's conformity with, and ability to continue to conform with, the propriety and competency requirements outlined in the Trustee's Fit and Proper Policy, the number of previous terms held, if any, and consider whether it is appropriate that the individual stand for re-election.
- 8.4. At the end of the maximum term of office the Trustee may allow that Director to continue past the maximum term, having regard to the Fit and Proper Policy, and must take into consideration overall effective governance principals.
- 8.5. Careful consideration should be given to the re-election of a director in circumstances where the maximum tenure limit of 12 years will be exceeded if reappointed.
- 8.6. The Trustee is of the opinion that this renewal policy, with its staggered terms of tenure, ensures that the Board remains open to new ideas and independent thinking, whilst supporting continuity and the appropriate transfer of knowledge and skills.

9. Vacation of Office of a Director

- 9.1. The Office of a Director immediately becomes vacant:

- a. if a Director's circumstances materially change during his or her term of office to such an extent that he or she is ineligible to be a Director by reason of the criteria outlined in section 5.2; or
 - b. as detailed in Article 10 of the Constitution; or
 - c. if a Director fails a condition of appointment as outlined in the Trustee's Fit and Proper Policy, or
 - d. if a Director fails to maintain the propriety and/or competency requirements as outlined in the Trustee's Fit and Proper Policy; or
 - e. on the expiration of the Director's term of office, or
 - f. if a director resigns his/her directorship.
- 9.2. Any vacancy must be filled within one hundred and twenty (120) days (or such other period prescribed by the Superannuation Law) of the vacancy occurring.
- 9.3. If, during the term of office of an Elected Director, the office of that Elected Director becomes vacant for any reason, then in the case of a vacancy in the office of an elected independent director, a majority of the remaining directors collectively, i.e. both Elected executive Directors and Independent Non-executive Directors must appoint a person to fill the vacancy.
- 9.4. The candidate appointed to fill the vacancy in accordance with this section will be deemed to have commenced their term of tenure from the date of appointment as Director.
- 9.5. If the office of a Director has become vacant under Article 10 of the Constitution but that Director is otherwise eligible to act as a Director that Director is eligible to be appointed in accordance with section 4.1 above to fill the relevant vacancy.
- 9.6. If the office of a Director has become vacant under Clause 8, 9 or 10 of the Replaceable Rules of the Trustee Constitution but an election to fill the vacancy has not yet commenced, and:
- a. in the case of a vacancy under a breach of the APRA Fit and Proper Standards, the Board is satisfied on reasonable grounds that the relevant Elected Director is no longer subject to the relevant disqualifying situation;
 - b. in the case of a vacancy under Replaceable Rule 10 of the Trustee Constitution, the relevant Elected Director has by notice in writing to the other Directors withdrawn his or her resignation; or
 - c. in the case of a vacancy triggered by the continued absence from meetings, the Board is satisfied on reasonable grounds that the previous absences of the relevant Elected Director should be excused;
- then the relevant Elected Director will, if otherwise eligible, resume the office of Director from the date specified by the Board (or from the date of withdrawing his or her resignation, whichever is applicable).
- 9.7. The procedure described in section 9.6 above may be used regardless of whether or not any person (including the relevant Director) has already been appointed in accordance with section 4.1 to fill the relevant vacancy.

10. Rules for Nomination

- 10.1. Each incumbent director shall have the right to submit details of suggested replacement directors when a vacancy of a director, whether executive or independent non-executive occurs, either by way of expiration of tenure or by way of application of section 9.6 above.

10.2. Such details in section 10.1 will not be deemed to form a nomination until a formal nomination is made including the consent of the nominee to be considered.

11. Rules for Nomination, Voting and Election Procedures for Directors to the Board

11.1. Whenever it becomes necessary for any reason to elect a Director, the Independent Chair or in his/her absence the Fund Secretary will call for nominations for Director by ensuring that Nomination Forms are made available.

11.2. The Fund Secretary will ensure that the nomination forms are accompanied by an outline of the duties, requirements and expected competencies of a Director.

11.3. Each candidate for a position as an elected director must be nominated in writing, either by the candidate or by another incumbent director (as the case may be). Nominations must be accompanied by the completed Consent to Nomination.

11.4. Before nomination each director candidate must be approved by the Trustee as being fit and proper according to the Fund's Fit and Proper Policy.

11.5. Any nominee must be informed at the time of nomination that an up to date police check and credit and bankruptcy check will be required upon election. Failure to provide an up to date (not more than 12 months old) police check, credit and bankruptcy check within 30 days of election, will disqualify the nominee from taking up the elected position.

11.6. Each director candidate, at or before nomination, must consent in writing to the nomination and to act as a Director of the Trustee in accordance with the requirements of the Corporations Act, the applicable Superannuation Law, any other relevant Act or Regulation, and the Trustee's Constitution.

11.7. If the number of director candidates nominated is equal to or less than the number of positions to be filled by those candidates, the nominated director candidates, having satisfied the Trustee's Fit and Proper Assessment assessment will be declared elected and any remaining positions shall be appointed by a majority of the remaining Directors.

11.8. If more than one candidate is nominated for any position, a secret ballot of the sitting Trustee directors must be held, with each sitting director entitled to exercise one vote per vacant position.

11.9. The Fund Secretary will be appointed as scrutineer. Alternatively, the Fund Secretary may appoint an independent person or persons to act as scrutineer(s) if so required.

11.10. If any dispute arises concerning the election transition process, the decision of either the Independent Chair or in his/her absence, the Fund Secretary will be final.

11.11. Where a decision in a dispute cannot be reached, the Independent Chair or Fund Secretary may appoint an external party to mediate the dispute.

11.12. The Fund Secretary shall distribute to all members of the Trustee Board, posted not later than 14 days prior to the election:

- a. a ballot paper listing all candidates, a brief brochure listing the qualifications which the candidates have which are pertinent to the position (no other information shall be included in this brochure);
- b. a notification of the date by which the ballots must reach the office of the Fund Secretary and advise that ballots reaching that office later than the specified time shall be ineligible for consideration regardless of the reason for such late arrival; and;
- c. the Trustee Fit and Proper Policy.

The position of each candidate on the ballot paper will be determined by the Independent Chair and/or Fund Secretary by lot.

- 11.13. Each vote in respect of the election must be given by ballot on a ballot paper and no person may cast more than one vote for each position to be filled.
- 11.14. The ballot paper must be returned as required by the notice of the election.
- 11.15. The results of the election will be ascertained by the Independent Chair or Fund Secretary by counting the votes given in favour of each candidate. In the event of a tie between two or more candidates for a position as an Independent Non-executive Director or two or more candidates for a position as an Executive Director (as the case may be), the Independent Chair or Fund Secretary shall determine the issue by lot.
- 11.16. The result of the election will be declared by the Fund Secretary, who will write to each candidate advising the result.
- 11.17. A person who is elected in accordance with these procedures will be deemed to have been appointed as an Independent Non-executive Director or an Executive Director (as the case may be), once the Board resolves to accept the candidate as an Elected Director.
- 11.18. All Trustee Board members will be advised of the result in writing and the Fund's publicly available documentation updated on the Fund's website and/or in the next newsletter to Members (or Annual Report, whichever occurs first).

Independent Non-executive Directors – Appointment, Renewal and Removal Procedures

12. Nomination to Office of Independent Non-executive Director

- 12.1. The Directors may appoint a person as an Independent Non-executive Director.
- 12.2. To be eligible for appointment, that person must satisfy the requirements detailed in Clauses 2 and 4 of the Replaceable Rules of the Trustee's Constitution and be considered by the Trustee to be Fit and Proper according to the Fit and Proper Policy.
- 12.3. Nominations for the position of Independent Non-executive Director cannot be considered from the following persons:
 - a. a person, who was a member of an audit firm or a director of an audit company, and who served in a professional capacity in the audit of The ARA Retirement Fund, in the last two years;
 - b. a person, who was an employee of an audit company, other than a director of that company, and who acted as the lead auditor or review auditor in the audit of The ARA Retirement Fund in the last two years;
 - c. a person who was, or is, a director of the audit company or a member of the audit firm that was, or is, responsible for the audit of Aracon or the Fund and there is already another person appointed or employed as a Director of Aracon who was a director of the audit company or a member of the audit firm, at a time when the audit company or audit firm undertook an audit of Aracon at any time during the previous two years.

13. Term of Office of an Independent Non-executive Director

13.1. At the time of any appointment of an Independent Non-executive Director, the Directors must determine whether or not a term of office, shorter than the standard term and subject to board approval, is to be specified.

14. Vacation of Office of an Independent Non-executive Director

14.1. The Directors may resolve to remove an Independent Non-executive Director at any time.

14.2. The office of an Independent Non-executive Director immediately becomes vacant as detailed in Clause 10 of the Replaceable Rules of the Trustee's Constitution or as detailed in Section 14.4 below.

14.3. Any vacancy in the office of an Independent Non-executive Director may be filled by the Directors appointing a further Independent Director, subject to a request being made as noted in Section 12.1 above.

14.4. The office of an Independent Non-executive Director immediately becomes vacant:

- a. if an Independent Non-executive Director ceases to be a Fit and Proper person according to the Trustee's Fit and Proper Policy;
- b. if an Independent Director fails to maintain the propriety and/or competency requirements as outlined in the Trustee's Fit and Proper Policy; or
- c. if the director's independence is reasonably perceived to no longer be independent.

Terms used in the Trustee's Constitution have the same meaning where used in this Policy.

Office Holders – Appointment, Renewal and Removal Procedures

15. Appointment of Office Holders – Independent Chair and Deputy Chair (if applicable)

15.1. At the last Board meeting of the year, the Directors shall elect one of the Independent Non-executive Directors as Independent Chairperson and another as Deputy Chairperson (if applicable). This appointment will take effect from 1 January the following year for a period of 1 year, ceasing on 31 December of that year.

15.2. Nominations for the position of Chair and Deputy Chair (if applicable) must be:

- a. in writing;
- b. signed by two Directors other than the nominee;
- c. lodged with the Company Secretary by not later than 2 weeks before the meeting at which the election is conducted unless the Board otherwise decides.

15.3. The Chair and the Deputy Chair (if applicable) may be appointed for further terms.

15.4. Ongoing compliance with the requirements of the Fit and Proper Policy and the associated skill and competency requirements must be considered before the nomination can be affirmed.

16. Appointment of Office Holders – Fund Secretary

16.1. The Directors shall appoint the Fund Secretary.

16.2. Where the position of Fund Secretary becomes vacant, nominations for the position of Fund Secretary must be made:

- a. in writing;
- b. signed by two Directors; and
- c. lodged with the Trustee Board by not later than 2 weeks before the meeting at which the election is to be conducted unless the Board otherwise decides.

16.3. The Fund Secretary may be appointed for multiple terms.

17. Disputes

17.1. All disputes shall be referred to the Chair of the Board who shall attempt to settle the dispute. In the event that the Chair unable to settle the dispute, it shall be dealt with by the Deputy Chair and if it is still not settled, it shall be dealt with by the Fund's legal adviser whose decision shall be final.

17.2. If the dispute involves the Chair of the Board, it shall be considered by the Deputy Chair (if applicable) or another independent party.

18. Insurance

18.1. The Trustee and RSE Licensee will insure and keep insured all directors against any liability incurred by him or her in or arising out of the conduct of the business of the Trustee Company or in or arising out of the discharge of the duties of the director unless the liability was incurred by the director through his or her own dishonesty, fraud, negligence, lack of good faith or breach of duty.

19. Skill, Competency and Assessment

19.1. Initial appointment and ongoing tenure on the Trustee Board is dependent upon the candidate/incumbent director (whichever is applicable) satisfying the skill and competency standards, as applicable.

19.2. Any candidate for appointment to the board in whatever capacity i.e. Elected Executive Director or Independent Non-executive Director, must meet the skill and competency standards as set out in the Fit and Proper Policy.

19.3. The Board as a collective must always meet the skill and competency standards required of a Trustee Board as articulated in APRA's SPS 520 Fit and Proper and SPS 510 Governance, and the Fit and Proper Policy.

19.4. The Governance Framework sets out the procedures for undertaking internal and external Board performance assessments, which incorporate an assessment of the Board's collective competency.

20. Notification to ASIC

- 20.1. The Trustee Company must notify ASIC of any changes it makes in respect of its Directors or other Company Office holders.
- 20.2. A change in the Director or Company Secretary must be notified to ASIC within 28 days after the change (unless the Director or Company Secretary has notified ASIC of the change) Ref S205B – Corporations Act 2001. Form 484 must be used via ASIC’s website at www.asic.gov.au.
- 20.3. Any changes in the name or address of the Company’s Directors or Company Secretary must be notified to ASIC within 28 days of the change occurring Ref S205B – Corporations Act.

21. Consent to Act as Director/Secretary

- 21.1. A Director/Company Secretary must consent in writing to holding the position of Director/Company Secretary.
- 21.2. The company must retain the consent and must notify ASIC of the appointment.

22. Policy Review Process

- 22.1. This Policy will be reviewed on a biennial basis.
- 22.2. The review will be undertaken internally by the Risk and Compliance Function and the ARRCC.
- 22.3. The results of the review will be reported to the Board as part of the next scheduled meeting following completion of the review.

Appendix A: Consent to Act as Director/Secretary of Aracon Superannuation Pty Ltd

TO: Aracon Superannuation Pty Ltd

ABN: 13 133 547 396,

I,

hereby CONSENT to my appointment as a Director of the Company registered under the Corporations Act 2001 (Cth) (Act) ("the Company"), and taken to be registered in the State of Victoria, for the purpose of compliance by the Company with Section 201D of the Corporations Act 2001.

1. In accordance with Section 205B of the Act, I give notice of the following personal details:
 - a. Given name (s) and family name:
 - b. Any former given name(s) and family names(s), if any:
 - c. Date of Birth:
 - d. Place of Birth: (town/city/state/country):
 - e. Usual residential address:
2. I undertake to notify you of any changes listed above within 7 days of the change, as required by section 205C of the Act;
3. I undertake to give you any information affecting me or relating to me that you need, or will need, to comply with Chapter Six of the Act. I also undertake to give you the information as soon as it is practicable after I become aware that you need, or will need, the information. I am aware that the information given to you will be made available to each of the other Directors in accordance with Section 205F of the Act.

Signature.....

Name.....

Date:.....

Appendix B: Disclosure of Interests

DISCLOSURE OF INTERESTS

In accordance with section 191 of the Act, I DISCLOSE the following matters in which I have, or may have, a relevant or material interest in relation to the Company:

1. Other Directorships of companies or their subsidiaries or related bodies:
2. I am an Officer of, or member, of the undermentioned corporation(s) and should be regarded as interested in any contact(s) which may be made by the company with such corporations (include the name(s) and nature and extent of interest):
3. I possess the undermentioned property or hold the following offices whereby duties or interest might be created directly or indirectly in conflict with my duties as Director of the Company:
4. I hold personally, and/or through a related party and/or have a relevant interest in, and/or have the power to acquire or dispose, or to exercise control over the acquisition or disposal of, shares held in the company or related body corporate as follows:

Signature:.....

Name:.....

Date:.....