

CHRISTCHURCH CITY COUNCIL

POLICY FOR THE APPOINTMENT AND REMUNERATION OF DIRECTORS TO COUNCIL ORGANISATIONS

1. PURPOSE

- 1.1. The Council will appoint a person to be a director of a Council Organisation only if the person has, in the opinion of the Council, the required skills, knowledge, and experience to guide the organisation and contribute to the achievement of its objectives (s.57(2) Local Government Act 2002).
- 1.2. For the purpose of achieving that outcome, and as required by the Act, this policy sets out objectives and transparent processes for:
 - (a) identifying and considering the skills, knowledge, and experience required of directors of Council Organisations;
 - (b) appointing directors to Council Organisations;
 - (c) setting remuneration levels;

2. OBJECTIVE

- 2.1. The Council's objective, through the implementation of this policy, is the appointment of the best person for each role, based on merit.

3. DEFINITIONS

- 3.1. S. 6 of the LGA 2002 contains statutory definitions that are relevant to the policy, and which are summarised below:

(a) **Council Organisation**

A Company in which the Council holds or controls shares, or has the right to appoint 1 or more directors.

An entity in which the Council controls 1 or more of the votes at any meeting of the members or controlling body of the entity, or the right to appoint 1 or more of the trustees, directors, or managers (however described) of the entity.

The control of shares or votes, or the right of appointment may be direct or indirect (i.e. through the Council's interest in another company or entity).

(b) **Council-controlled Organisation**

A Company in which the Council holds or controls 50% or more of the shares, or has the right to appoint half or more of the directors.

An entity in which the Council controls 50% or more of the votes at any meeting of the members or controlling body of the entity, or the right to appoint half or more of the trustees, directors, or managers (however described) of the entity.

The control of shares or votes, or the right of appointment, may be direct or indirect (i.e. through the Council's interest in another company or entity).

(c) **Council-controlled Trading Organisation**

A Council-controlled Organisation which operates a trading undertaking for the purpose of making a profit.

(d) **Entity**

For the purposes of the LGA 2002 (and this policy) an entity may be any partnership, trust, arrangement for the sharing of profits, union of interest, co-operation, joint venture, or other similar arrangement. It does not include a company, committee, or joint committee of the Council.

If a Council Organisation is not a company, references relating to that entity are further defined as follows:

- (i) equity securities include any form of voting rights;
- (ii) the directors and the board include trustees, managers, members, or office holders (however described);
- (iii) shareholders include any partners, joint venture partners, members, or other persons holding equity securities; and
- (iv) the constitution includes any rules or other documents constituting the organisation or governing its activities;

(e) **Organisations that are not Council-controlled Organisations**

S.6(4) of the LGA 2002 lists a number of entities that are not Council-controlled Organisations, even though 50% of their shares may be held or controlled by a local authority. These include an energy company within the meaning of the Energy Companies Act 1992 and a port company within the meaning of the Port Companies Act 1988.

Orion New Zealand Ltd is an energy company, and Lyttelton Port Company Ltd is a port company. The Council, through CCHL, holds all or the majority of shares in these two companies.

4. OTHER RELEVANT LEGISLATION

- 4.1. In addition to this policy, the appointment and re-appointment of directors to Council Organisations are governed by their respective constitutions, trust deeds or, in some cases specific legislation. In the event of a conflict, the regulatory requirements of those documents take precedence over this policy.

- 4.2. Where Council Organisations are jointly owned with other entities governance arrangements may be established through shareholder agreements or other documentation. These also take precedence over this policy.

5. POLICY STRUCTURE

- 5.1. There are four parts to the policy:

Part One: appointments to Council Organisations that are not Council-controlled Organisations;

Part Two: appointments to Christchurch City Holdings Ltd (CCHL);

Part Three: appointments to other Council-controlled Organisations;

Part Four: remuneration;

6. PART ONE - APPOINTMENTS TO COUNCIL ORGANISATIONS

- 6.1. The Council has a minority interest in numerous Council Organisations. This may have been sought by the Council, or requested by the organisation. In some cases, the Council's involvement may be a statutory requirement or provided for in the organisation's founding document (such as a trust deed, rules, or constitution).
- 6.2. As soon as practicable after each local body triennial election, the Council will establish a panel, to be known as the Council Organisation Appointments Panel, for the purpose of recommending elected members and others to Council Organisations. Members of the Panel will be the Mayor and the Deputy Mayor (or their nominees).
- 6.3. Before considering an appointment, the Panel will determine whether there is a benefit to the Council being represented on the governing body of the organisation.
- 6.4. The Panel will call for expressions of interest from all elected members, including Community Board members if the Panel considers this appropriate. Potential appointees will be assessed against the skills, knowledge, and experience the Panel has determined are required for each position.
- 6.5. The Panel will report its recommendations to the Council to enable appointments to be made in a timely manner.
- 6.6. Council officers, in their capacity as employees of the Council, may be appointed to a Council Organisation, with the approval of the Chief Executive. This will usually be for the purpose of ensuring the Council's interests are monitored and managed.
- 6.7. Officer appointments will be deemed to be part of that officer's normal duties and will lapse on completion of his or her employment with the Council, or earlier at the direction of the Chief Executive.

7. PART TWO – APPOINTMENTS TO CHRISTCHURCH CITY HOLDINGS LTD (CCHL)

Background

- 7.1. CCHL's constitution contains a number of provisions relating to the appointment of directors.
- 7.2. For example, the size of the board may not be fewer than three nor more than eight, subject to the Council determining otherwise. Currently the Council has decided there should be eight, comprising the Mayor, three Councillors, and four Non-Council directors.
- 7.3. A Council director is defined as a Council member, Community Board member, or an employee of a Local Authority.
- 7.4. The Council is entitled to appoint and remove any person as a director. At least two members of the board must be Non-Council directors.
- 7.5. The constitution also requires Council directors of CCHL to retire on a date specified by the Council, but which must be within three months of each local body triennial election. Of the four Non-Council directors, two are required to retire annually in accordance with CCHL's rotations policy.
- 7.6. All retiring directors are deemed to be re-appointed, unless the Council has given notice that re-appointment is not to be assumed, another person has been appointed to the vacated office, or that the vacated office is not to be filled for the time being.
- 7.7. CCHL directors will not generally be appointed for more than three terms of three years each, subject to the requirements referred to in paragraphs 7.5 and 7.6 above.
- 7.8. Directors may be removed from office at any time by notice in writing by the Council, as shareholder. Without limitation, the Council may give such notice if it believes a director
 - (a) No longer has the confidence of the CCHL board;
 - (b) Has breached ethical standards in circumstances where the Council believes the breach reflects badly on CCHL or the Council;
 - (c) Has not acted in the best interests of the company;
 - (d) Has breached an obligation of confidentiality imposed on directors, including speaking publicly on board matters without the board's authority.
 - (e) Has breached the principles of collective responsibility.

Appointments Committee

- 7.9. As soon as practicable after each local body triennial election, or as otherwise required, the Council will establish an Appointments Committee for the purpose of recommending the appointment of directors to CCHL (Council and Non-Council directors). The members of the committee will comprise the chairperson of the CCHL

board, an external commercial advisor with relevant experience and knowledge, and up to two other members nominated by the Council.

7.10. Any recommendation made must be the unanimous decision of the committee.

Appointments process

7.11. The Appointments Committee will assess the skills, knowledge and experience required for appointment as a director of the CCHL board (both independent and Council directors), taking into account such other factors as:

- (a) encouraging diversity;
- (b) the Council's objectives for CCHL (described in its Statement of Intent);
- (c) CCHL's relationship with the Council, as CCHL's sole shareholder;
- (d) succession planning;

7.12. In addition, there are a number of core competencies expected of all appointees, including:

- (a) sound judgement and decision-making;
- (b) a public service ethos;
- (c) a high standard of personal integrity;
- (d) commercial and governance experience;
- (e) clear communication skills and an ability to debate in a reasoned manner;
- (f) effective teamwork and collaboration;
- (g) ability to think strategically;
- (h) risk assessment and contingency management;
- (i) commitment to the principles of good corporate citizenship;
- (j) understanding of the wider interests of the Council, as a publicly accountable shareholder.

7.13. The committee will prepare a list of possible candidates to be interviewed. In preparing the list, the committee will use a number of resources including, but not exclusively, public advertising, a data base of potential candidates maintained by CCHL, personal recommendations and self-referrals, identifying individuals with the required skills and competencies, and a specialist consultant.

7.14. Where a candidate is being re-appointed or has previously been a director on the board of another Council-controlled Organisation, the committee may choose not to interview that person but will first discuss the matter with the relevant board Chairperson. The process for considering re-appointment will be as set out in paragraphs 8.16 – 8.19 of this policy.

- 7.15. The Appointments Committee will report to the Council on the outcome of the appointments process and the committee's recommendations. The Council will be the final decision-maker.
- 7.16. The Council expects all participants in the appointment process to undertake the work required of them in a timely manner.

Succession Planning

- 7.17. These provisions are specifically for the position of Chairperson of the CCHL board.
- 7.18. A director appointed as Chairperson in their third three year term may serve in that role for a maximum of six years, unless the Council decides otherwise.
- 7.19. The Appointments Committee will be responsible for managing the succession planning process, which may (but not necessarily) be initiated by the board. This must commence at least six months before the settling-in period referred to below, and one year before the proposed retirement of the current Chairperson.
- 7.20. The process may be initiated by the board, and will include discussions with the Chairperson, assessing the skills, knowledge and expertise required for the role, and identifying any board members who may be possible candidates.
- 7.21. If the proposed candidate is new to the board there must be time for a settling-in period of at least one year before that person can be nominated for the role of Chairperson.
- 7.22. The qualities expected of the Chairperson include (but not exclusively) the ability to develop and maintain a sound relationship with the Council based on mutual trust and confidence and a close but independent working relationship with CCHL's Chief Executive, and to use the collective skills of the board and executive team for the purpose of achieving the Council's objectives for CCHL (described in its Statement of Intent).
- 7.23. The Chairperson must also be able to lead and encourage full participation in board decision-making, ensure the timeliness and relevance of information, assume the role of spokesperson for CCHL, and have a reputation for integrity and credibility within the business community.

8. PART THREE – APPOINTMENTS TO OTHER COUNCIL-CONTROLLED ORGANISATIONS

Background

- 8.1. CCHL or the Council holds all, or a majority of, the shares in Christchurch International Airport Ltd, City Care Ltd, Enable Services Ltd, Red Bus Ltd and Eco-Central Ltd. and Civic Building Ltd. These are Council-controlled Trading Organisation and, with the exception of Civic Building Ltd, are subsidiaries of CCHL.
- 8.2. CCHL or the Council holds all of the shares in Vbase Ltd, Development Christchurch Ltd, Tuam Ltd, and ChristchurchNZ Holdings Ltd (which holds all of the shares in

ChristchurchNZ Ltd). These are Council-controlled Organisations not engaged in trading for the purpose of making a profit.

- 8.3. CCHL also owns all, or a majority of, the shares in Lyttelton Port Company Ltd and Orion New Zealand Ltd which, as explained earlier, are not defined as Council-controlled Organisations in the LGA 2002. They are, however, treated as Council-controlled Trading Organisations for the purposes of this policy.
- 8.4. CCHL has responsibility for the appointment of directors to all of the organisations set out in paragraphs 8.1, 8.2, and 8.3.
- 8.5. Transwaste Canterbury Ltd was established as a joint venture company by private interests and five local authorities (including the Council) to develop, own and operate the Kate Valley regional landfill. It is a Council-controlled Trading Organisation but appointments to the board of Transwaste Canterbury are made and managed through the Canterbury Regional Landfill Joint Committee.
- 8.6. The Council recommends that appointments made by the joint committee follow a similar appointments process to that described in this Part Three.
- 8.7. The Central Plains Water Trust is a Council-controlled Organisation, but appointments are made and managed through the Central Plains Joint Committee established by the Council and Selwyn District Council. This policy does not apply to those appointments.
- 8.8. The Council has the right to appoint half or more of the members of governing bodies of other Council-controlled Organisations, such as Riccarton Bush Trust, World Buskers Festival Trust, Rod Donald Banks Peninsula Trust, and Christchurch Agency for Energy Trust. These appointments are made and managed in accordance with each organisation's constitution, shareholders agreement, specific legislation, or rules.
- 8.9. The Council may ask CCHL to undertake the appointments process in respect of these organisations, and any other Council-controlled Organisations not referred to in this policy or established after the policy has been adopted. Any process undertaken by CCHL will comply with the provisions of this Part Three.
- 8.10. Appointments to the governing bodies of Council-controlled Organisations will generally be for no more than three terms of three years each, unless the Council decides otherwise. Appointees are also subject to any requirements for the rotation of members contained in the organisations' constitution, shareholders agreement, or rules.
- 8.11. Where CCHL owns all or the majority of shares in a Council-controlled Organisation, CCHL will be responsible for exercising its rights as shareholder in respect of the removal of directors from the boards of those organisations. In doing so, CCHL will have regard to the matters contained in paragraph 7.8 of Part Two of this policy, as well as the views and preferences of the Council.

Governance and Appointments Committee

- 8.12. CCHL will establish a Governance and Appointments Committee to recommend the appointments for which CCHL is responsible. The membership and terms of reference of the committee will be determined by CCHL.

Appointments Process

- 8.13. CCHL is to ensure that the appointments process will be the same as that for the appointment of directors to CCHL. This will include an assessment of the skills, knowledge and experience required for each board and take into account the factors referred to in Part Two.
- 8.14. Elected members are not eligible for appointment to Council-controlled Organisations other than CCHL, unless there are compelling reasons for the Council deciding otherwise, or it is provided for in an entity's constitution, rules, or specific legislation.
- 8.15. The Governance and Appointments Committee will report its recommendations to the CCHL board, which will then seek the approval of the Council before confirming the nominations for appointment with the governing body of each organisation. How the appointments are made will be subject to the entity's constitution, shareholders' agreement, or rules.
- 8.16. Should appointments be required to Council-controlled Organisations not referred to in this policy, or established after the policy has been adopted, the Council may engage CCHL to conduct the appointments process in accordance with the provisions of this Part Three.
- 8.17. A current director whose term of office is about to expire may be entitled to seek re-appointment. If CCHL is responsible for appointments to that organisation, the re-appointments process will begin with the chairperson of the CCHL board consulting the chairperson of the organisation.
- 8.18. The matters discussed will include, without limitation, whether the skills of the incumbent add value to the work of the governing body or other skills are needed, the director's length of tenure, and/or succession planning.
- 8.19. The outcome of the discussion will be reported to the Governance and Appointments Committee which will form a view on whether or not to recommend re-appointment.
- 8.20. The CCHL board may approve a recommendation to re-appoint without further reference to the Council. If re-appointment is not approved, then CCHL will undertake an appointments process for the director's position in accordance with this Part Three.

9. PART FOUR – REMUNERATION

- 9.1. CCHL is responsible for approving remuneration levels for the directors appointed to the Council-controlled Organisations and Council-controlled Trading Organisations referred to in paragraphs 8.1, 8.2, and 8.3 of Part Two of this policy.
- 9.2. For that purpose CCHL will undertake a review of remuneration levels for appointees as soon as practicable after each local body triennial election, or more frequently if

CCHL considers it necessary. The review will cover all members of each board (elected members and independents), including CCHL.

- 9.3. CCHL will also be responsible for reviewing and approving any changes to remuneration levels that may be required should the Council decide that a Council-controlled Organisation has become a Council-controlled Trading Organisation. The review will be carried out in accordance with this Part Four.
- 9.4. CCHL will commission an independent consultant to benchmark the level of fees paid. This will include reference to organisations that are comparable to each Council-controlled Organisation (whether trading for a profit or not), and the annual Institute of Directors' Fees Survey.
- 9.5. The review will take into account factors such as the need to attract and retain appropriately qualified people, the external market for comparable positions, and the objectives of each organisation.
- 9.6. Also to be considered will be the size and scale of the organisation, its complexity and scope, the level of accountability, and the type of expertise and specialisation needed. CCHL will ensure it understands the role and responsibilities of each board of directors appointed to the organisations CCHL monitors.
- 9.7. An important principle for the Council is that the remuneration of members of the governing body of a Council-controlled Organisation will reflect the fact there is an element of public service involved. The Council will therefore expect fees to be set at or below the average for comparable private sector entities.
- 9.8. CCHL will apply this principle in the context of ensuring strong governance outcomes through attracting and retaining high quality appointees, and remuneration levels that recognise the public service element identified by the Council.
- 9.9. The information obtained by CCHL in the course of its review will be presented to the CCHL board for consideration and approval. CCHL will then confirm the remuneration levels to be set for each organisation it monitors, to be implemented in accordance with the organisation's constitution, shareholders' agreement, or rules.
- 9.10. To recognise the element of public service referred to earlier the Council has resolved that a person appointed to the governing body of an external organisation in his or her capacity as an elected member or employee of the Council will not receive the remuneration otherwise payable in respect of that appointment.
- 9.11. Instead, those organisations will be directed to donate an equivalent amount to recipients specified by the Council from time to time, to be paid as at 30 June each year. The recipients will be charitable organisations established for the purpose of benefitting the community (or a particular sector of it) or funds administered by the Council for the benefit of ratepayers, such as the Mayor's Welfare Fund and the Innovation and Sustainability Fund.
- 9.12. The external organisations referred to in paragraphs 9.10 and 9.11 include, (but not exclusively) Council Organisations, Council-controlled Organisations and Council-controlled Trading Organisations.