

CHRISTCHURCH CITY COUNCIL

POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS ADOPTED 27 OCTOBER 2011

PURPOSE

1. The purpose of this policy is to set out, in accordance with Section 57(1) of the Local Government Act 2002 (“the Act”), an objective and transparent process for:
 - (a) The identification and consideration of the skills, knowledge and experience required of directors of a Council organisation.
 - (b) The appointment of directors to a Council organisation.
 - (c) The remuneration of directors of a Council organisation.

PRINCIPLES

2. 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 Council-controlled trading organisations 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.
 - (e) Where organisations are subsidiaries of Christchurch City Holdings Ltd (CCHL) or companies directly owned by CCC, then CCHL will act as the interface and monitoring body between the Council and those subsidiaries.

DEFINITIONS

3. The term “Council organisation” (“CO”) is used as defined in Section 6 of the Act.
4. The Act also creates two sub-categories of COs – “Council-controlled organisations” (“CCOs”) and “Council-controlled trading organisations” (“CCTOs”).
5. The Council has interests that fall in each of these 2 sub-categories.
6. The following statements used in this Policy are provided for guidance purposes only. Fuller definitions are provided in Section 6 of the Act.

Meaning of “Council organisation”

7. In broad terms, a CO is an organisation in which the Council has a voting interest or the right to appoint a director, trustee or manager (however described). This is a wide-ranging definition, covering a large number of bodies.

Meaning of “Council-controlled organisation”

8. A CCO is a CO in which one or more local authorities control, directly or indirectly, 50% or more of the votes or have the right, directly or indirectly, to appoint 50% or more of the directors, trustees or managers (however described).

Meaning of “Council-controlled trading organisation”

9. A CCTO is a CCO that operates a trading undertaking for the purpose of making a profit.
10. For the purpose of this document only:
 - (a) Christchurch City Holdings Limited (CCHL) is excluded from the definition of a CCTO (there is a separate section in this Policy (page 3) for the appointment and remunerations of directors to CCHL).
 - (b) Transwaste Canterbury Limited (TCL) is also excluded from this Policy (there is a separate appointment process for directors to TCL).
 - (c) Orion New Zealand Limited and Lyttelton Port Company Limited are considered for the purpose of this Policy only to be CCTOs, notwithstanding specific exemptions for energy and port companies under Section 6 of the Act.
11. Attached as **APPENDIX 1** are the Council Controlled Organisations, including CCO's and CCTO's currently subject to this Policy. Any new Council organisations in which the Council will have a voting interest or the right to appoint a director, trustee or manager will be subject to this Policy.
12. Attached as **APPENDIX 2** are the Council Organisations, that are not Council Controlled Organisations, that are currently subject to this Policy. Any new Council Organisation will be subject to this Policy.
13. Attached as **APPENDIX 3** is the CCHL Chairperson Succession Planning Policy.
14. Directors of non-operating shelf companies owned by CCHL or Council may have directors appointed outside the process described in this policy. Once a shelf company becomes operational, directors shall be selected and appointed in accordance with this policy.

CHRISTCHURCH CITY HOLDINGS LIMITED

Introduction

15. CCHL is 100% owned by the Council, and holds shares in the majority of the Council's CCTOs. It monitors the performance of all CCTOs, whether owned directly by CCHL or the Council, and recommends new director appointments for these organisations for the Council's approval.

CCHL Director appointment process and Identification of required skills, knowledge and experience

16. The CCHL constitution provides for a maximum of eight directors and it is intended that it comprises a mix of four Council and four non-Council directors. It is critical to the success of this board that it has a composition which is capable of maintaining the confidence of both the Council and the subsidiary companies.
17. The Council will establish a Council Appointments Committee immediately after the triennial Council election to recommend to the Council the appointment of Council and non Council Directors to CCHL. This committee will be comprised of four members who are not seeking appointment to the CCHL Board. Where possible the committee members will include the current chair of CCHL, Councillor, a recently retired Councillor and an external experienced director.
18. In the process of selecting Council and non Council directors the Council Appointments Committee will first determine the required skills, knowledge and experience which is necessary for an effective board. In general terms, the committee will apply similar criteria to potential candidates to those used by CCHL in its assessment of candidates for other CCTOs. However, where necessary the committee will also take into account a candidate's potential to quickly acquire business and financial skills, as well as his or her existing skills and experience. The candidates' skills must be relevant to the requirements of CCHL in terms of its governance and provide as far as possible that there is a suitable cross- section of skills available at the board table which is capable of meeting the normal criteria of good governance.
19. The committee will use the services of a specialist consultant in making an assessment of the suitability of candidates for a Council Director position.

Council Directors of CCHL

20. The CCHL constitution provides that Council directors must resign on a date specified by the Council being no later than three months after the triennial Council elections, although they may offer themselves for re-appointment. The date selected will be chosen to allow time to select Council directors for appointment as replacement directors in accordance with this policy.
21. The Mayor shall be appointed a director of CCHL ex officio. Only a Councillor may be appointed as a Council Director of CCHL.
22. The Council Appointments Committee will, after the triennial Council elections, interview all Councillors expressing an interest in appointment to the CCHL Board. This includes existing CCHL Council directors retiring and offering themselves for re-appointment.
23. Following the interviews, the Committee will make its final recommendations in a report to the Council. The report will be considered in the public part of the agenda. The Council will consider the report and make its decision.
24. Public announcement of the appointments will be made as soon as practicable after the Council has made its decision.

25. It is important that the selected Council directors will be able to gain the confidence of the Council and the subsidiary company boards, given the confidential and commercially sensitive nature of much of the business being considered.

Non Council directors of CCHL

26. The CCHL constitution provides that the Non Council directors will retire by rotation with at least one, and up to two directors retiring each year.
27. The CCHL governance committee or full Board (excluding any retiring director) will give consideration to whether a retiring Non Council director should be reappointed by rotation and make a recommendation to the Council regarding reappointment where the term of that director will be within the policy for tenure for CCTO directors as provided in this policy.
28. In the case of a vacancy for a non-Council director appointment, whether it be a casual vacancy or arising from the non reappointment of a retiring non-Council director, the same procedures will be followed as applies to the appointment of a director to a CCTO.
29. Non-Council directors will be selected according to the same criteria as used by CCHL in its assessment of candidates for other CCTOs. In making appointments every endeavour will be made to ensure that a range of good governance skills will be available to the CCHL board as a whole.
30. A non-Council Director of CCHL may be a person who is not a Councillor, a Community Board member or an employee of the Council.

Chairperson

31. The Council shall nominate who will be the chair of the CCHL board and take account of the experience and appropriate skills of the existing board. This nomination will be made in accordance with the policy adopted by Council on 7 September 2006 regarding CCHL Chairperson succession. A copy of this Chairperson's Succession Policy is attached at **APPENDIX 3**. The policy is to ensure that there can be continuity of knowledgeable and capable leadership of the CCHL Board. The policy envisages that work commences to identify a successor to the chairperson at least a year before the planned retirement of the incumbent and that in making any replacement board appointments that consideration be given to whether there is sufficient potential on the board for a replacement chairperson should that be needed unexpectedly.
32. The Council Appointments Committee is responsible to make a recommendation to the Council on the nomination of the CCHL Chairperson.

All directors of CCHL

33. It is expected that all appointees to the CCHL board will undergo, or already have undergone, formal corporate governance training, or have the requisite experience in this area. CCHL will generally pay for at least part of any such training.

Length of tenure

34. The same policy as is followed with CCTO directors with regard to overall length of tenure will be applied to CCHL directors.

Remuneration of CCHL directors

35. Periodically, normally every three years but more frequently if considered appropriate, CCHL will review the level of remuneration being paid to the boards of the CCTOs.
36. As part of this function, CCHL will also review the levels of fees considered appropriate for the CCHL board after the triennial Council elections.
37. The fees for CCHL directors will be assessed using the same methodology that is used for other CCTOs, with no distinction made between non-Council and Council directors.

38. CCHL will then report to the Council with a recommendation with regard to the level of fees for the CCHL board. When the Council considers this issue, those Councillors who are directors of CCHL or any other CCTO may not take part in discussions or vote on the issue except where a declaration permitting Councillors to discuss and vote on the issue has been granted by the Auditor-General.
39. CCHL will arrange and pay for directors' liability insurance, and indemnify each of the directors.

Removal of a director

40. The CCHL Constitution provides that any director of CCHL may be removed from office at any time by notice in writing from the majority shareholder (Council).
41. Without limiting the right of the Council in the constitution, the likely reasons which would justify removal of a director would be where a director:
 - (a) No longer has the confidence of the board or the Council
 - (b) Has breached ethical standards and this reflects badly on the board and/or Council
 - (c) Does not act in the best interests of the company
 - (d) Breaches the confidence of the board in any way including speaking publicly on board issues without the authority of the board
 - (e) Does not act in accordance with the principles of collective responsibility.
42. Where the CCHL board has concerns regarding the behaviour of one of its directors it shall be considered first by the board and where necessary the board may recommend the removal of the director to the Council.
43. CCHL may remove a director from any of its subsidiaries for similar reasons as set out above without reference to the Council.

COUNCIL CONTROLLED TRADING ORGANISATIONS

Introduction

44. The Council has significant shareholdings, direct and indirect, in a variety of CCTOs. These all operate at arm's length from the Council on a commercial basis.
45. The Council may establish further CCTO'S during the life of the Policy.
46. CCHL has been charged by the Council with monitoring and recommending new director appointments for Council approval in respect of the CCTO's in which CCHL directly holds shares as well as those CCTO's where the shares are held directly by Council. The only exception to this relates to Transwaste Canterbury Ltd.
47. CCTOs in which the Council or CCHL hold shares directly are empowered under this policy to appoint directors to their own subsidiaries or associates in accordance with their own policies.
48. No directors will be appointed to CCTO boards other than through the process described in this policy.

Identification of required skills, knowledge and experience of CCTO directors

49. The required skills, knowledge and experience for director appointments to a CCTO board are assessed in the first instance by the Governance Committee of CCHL, in consultation with the Chairperson of the relevant CCTO. Reference is made to current governance best practice in this area, as encapsulated in the Institute of Directors' guidelines and other relevant material. External assistance may be used by CCHL in some cases.
50. The mix of skills and experience on the CCTO board will be taken into account, and consideration given to complementing and reinforcing existing skills and reducing known weaknesses where necessary.
51. In general terms, the following qualities are sought in directors of CCTOs:
 - (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.
52. As a general principle, the Council would seek to appoint a person who, while meeting all of the above criteria, has particular strengths in terms of attribute (g).
53. It is expected that all appointees to CCTO boards will undergo, or already have undergone, formal corporate governance training, or have the requisite experience in this area.
54. Neither Councillors nor Council staff are precluded under this policy from appointment to CCTO boards.

Appointment process for CCTO directors

55. When a vacancy arises in any CCTO, the CCHL Governance Committee, having identified the skills, knowledge and experience required for the position (in consultation with the CCTO Chairperson), will then follow the process set out below:

Search

- (a) CCHL will maintain a database of potential candidates for appointment to CCTO boards. This will be updated on a regular basis, utilising contacts with the business community and other relevant sources. The database and its detail will be confidential to the Board of CCHL. A Councillor is eligible to be included in his database on merit.
- (b) The database will be the first point of reference in the search process. However, in most cases, a specialist consultant will also be contracted to assist with the provision of names of possible candidates and the initial evaluation. In most cases, the vacant CCTO board position will not be advertised, as this would not normally be expected to add any significant value to the process.
- (c) In some circumstances, CCHL may wish to appoint one of its own directors for a particular purpose.
- (d) If the CCHL Governance Committee, after consultation with the chairperson of a particular CCTO board, determines that there is a need for a Councillor on the board of that CCTO to bring the specific skills and relationships of a Council Director to the board, then the process of selection of candidates will be varied in the following manner:
 - i. The CCHL Governance Committee, assisted by a specialist consultant, will call for nominations from all interested Councillors and will interview all Councillors expressing an interest in an appointment to the CCTO and make an appointment in a manner which is consistent with this policy in all other respects.
 - ii. If the term of appointment for a Councillor who is appointed under this clause is due for reconsideration in terms of the constitution of the CCTO they may be considered for reappointment by CCHL without further consultation with Council under a process consistent with clauses 52 to 55.
 - iii. Appointments of any Councillor appointed under this clause by CCHL shall expire 31 March in the year following a triennial election.
 - iv. If following the triennial local government election the appointee is not re-elected as a Councillor CCHL will commence a process for selection of a new appointee to the board, which may or may not be a Councillor.
 - v. CCHL will re-assess in consultation with the CCTO at no less than three yearly intervals whether there remains a need for a person to be appointed to the board who is specifically an elected Councillor.
 - vi. If the CCHL Governance Committee determines there is an ongoing need for a Councillor on the board of that CCTO, the committee shall carry out a process consistent with paragraphs 15 – 22 of this policy to recommend the appointment of a Councillor to the CCTO.
 - vii. This clause does not apply to appointments where a Councillor is appointed other than in accordance with this sub-clause.

Interview

- (a) Following the search process, the CCHL Governance Committee 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 committee. The committee will then decide its preferred candidate, check all references and report back to the full CCHL Board for ratification.

Appointment

- (a) The CCHL Board will then make a recommendation to the Council. The report will be “public excluded” in order to protect the privacy of the individual concerned. The Council will consider the report from CCHL and make its decision.
- (b) Public announcement of the appointment will be made as soon as practicable after the Council has made its decision.

Reappointment

56. Where a director’s term of appointment has expired and he or she is offering him/herself for reappointment, a representative of the CCHL Board (normally the Chairperson) will consult on a confidential basis with the Chairperson of the CCTO 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 issues.
57. The CCHL Governance Committee will consider the information obtained and, taking into account the director’s length of tenure (see below), form a view on the appropriateness of reappointment or making a replacement appointment.
58. Where reappointment is considered appropriate then the CCHL Board is authorised to approve it without further reference to the Council.
59. Where it is not intended to reappoint the existing incumbent, the appointment process outlined above will apply.

Length of tenure

60. CCTO directors will normally be appointed for periods of three years. Subject to a review of the director’s performance after each three year period, the normal tenure for a director will be six to nine years. Following nine years of service, a director may be re-appointed for a further three years in special circumstances.

Chairpersons of CCTOs

61. It is the responsibility of the board of each CCTO to appoint its own Chairperson. However, normally the CCTO board will consult with CCHL on the person to be so appointed, and where CCHL considers it appropriate, it will give its view on who it considers to be the appropriate person to fill the Chairperson’s position.

Lyttelton Port Company

62. The Lyttelton Port Company (LPC) is a company listed on the New Zealand Stock Exchange and is subject to the listing rules which are designed to protect the interests of minority shareholders. There is a requirement for a minimum number of independent directors on the board of LPC and to ensure this is the case the process for selection of some of the directors of LPC will therefore be lead by a committee of the LPC board. CCHL will seek representation on that committee and LPC will be expected to follow a process similar to that described in this policy through appropriate search assisted by a specialist consultant. CCHL will seek Council approval for supporting the selection recommended to the annual meeting of LPC for final approval by all shareholders. Other LPC directors will be selected by the method outlined in this policy for other Council Controlled Trading Organisations.

Remuneration of CCTO directors

63. CCHL has been charged with monitoring and, where appropriate, approving changes in remuneration levels for the boards of CCTOs.

64. Periodically CCHL will review the level of remuneration made available to the boards of the CCTOs for distribution amongst directors on each board.
65. The fees will be reviewed on an overall basis for each CCTO, leaving the board of that CCTO to apportion the fee between board members as it sees fit. Under exceptional circumstances, CCHL may approve an application from a CCTO for additional fees, for a special project.
66. In performing its review of remuneration, CCHL will take account of 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 and any changes in the nature of its business.
 - (d) Any other relevant factors.
67. In general, it is intended that boards of CCTOs will receive a level of remuneration that is competitive with the general market, while recognising that there will be differences from time to time, particularly in the period between reviews. Professional advice will be sought where necessary.
68. Council directors will be entitled to receive normal directors' fees due to this policy being based on all appointments being based on merit and directors being appointed to act in the interests of the company and not as representatives. It is considered that all directors on any board should be treated equally in recognition of the responsibility taken on by all directors to act in the interest of the company they serve. However, in the event of a Council or CCHL staff member being appointed to a CCTO board, the fees for that appointee shall either not be paid or be paid to the Council or CCHL, unless there are special circumstances. This reflects the employee being appointed as part of their existing position.
69. The Council also supports the payment by CCTOs of directors' liability insurance and the indemnification of all directors.

COUNCIL-CONTROLLED ORGANISATIONS

Introduction

70. The Council has an interest in CCOs which are not trading organisation. These CCO's are Riccarton Bush Trust and Central Plains Water Trust. These are not-for-profit bodies and, in contrast with the section that deals with CCTOs, Christchurch City Holdings Ltd has no involvement in monitoring or the director/trustee appointment process.
71. Appointments to a CCO are generally for a three year term, and are made after the triennial Council elections.

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

72. The Council will determine the required skills, knowledge and experience for each appointment to these Council Controlled Organisations and make its appointments accordingly.
73. In general, the attributes required for directors of CCTOs will be applicable, but the weightings given to each attribute may vary according to the nature of the appointment.
74. In most cases, Councillors will be the appointees, but there may be instances where it is appropriate to appoint external directors or Council staff.
75. As appointees to the Central Plain Water Trust are to be made jointly by the Christchurch City Council and the Selwyn District Council, the relevant sections and principles of the Policy will be used by the CCC in consideration of the appointment of those Trustees.

Remuneration of CCO directors

76. After each triennial Council election, the Council will determine whether there are any CCOs that may more properly be classified as CCTOs for the purposes of determining an appropriate level of remuneration. If any CCOs are so classified, the remuneration of their boards will be determined by CCHL in accordance with the policy for CCTOs set out on page 5.
77. In all other cases, 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.

TRANSWASTE CANTERBURY LIMITED

Introduction

78. The Council has a 37.5% interest in Transwaste Canterbury Limited ('TCL'). A further 12.5% is held by a number of other Canterbury local authorities, and 25% each by two private sector companies.
79. A Canterbury Regional Landfill Joint Committee ('the Committee') has been constituted to represent the ownership interests of the local authorities. This body has the power to approve TCL's Statement of Intent and to appoint directors (i.e. the 50% that represent the interests of the local authorities) to TCL without further reference to the Council.
80. Given that the Joint Committee is a separately constituted body in terms of the Local Government Act involving interests external to the Council, this Council's policy cannot be applied directly to that Committee. However, the Council has an interest in ensuring that appropriate appointments are made to the TCL board.
81. The Council expects its delegates on the Committee to support the principles set out in this policy when such matters are discussed by the Committee.

Identification or required skills, knowledge and experience of TCL directors, and appointment

82. The Committee has the power to appoint four directors to TCL. It has adopted the policy of appointing TWO council directors (one from Christchurch City Council and one from one of the rural Councils) and two external directors.
83. In general terms, the Council wishes the Committee to apply similar criteria to potential candidates to those used by CCHL in its assessment of candidates for other CCTO's. In particular the principle set out in this policy that directors of Council Controlled trading organisations will be appointed on the basis of the contribution they can make to the organisation, and not on the basis of representation, is considered to be relevant.
84. In respect of Council appointments, the Council would expect the Committee to also take into account a candidate's potential to quickly acquire business and financial skills, as well as his or her existing skills and experience.
85. In general terms, the Council would expect the Committee to apply similar policies and practices as are applied by CCHL in its review of the remuneration of CCTO boards.

CANTERBURY DEVELOPMENT CORPORATION

Introduction

86. The Council has a 100% interest in the Canterbury Development Corporation (CDC) through a company known as Canterbury Development Corporation Holdings Limited (CDCH). These two companies have a common directorship.
87. Christchurch City Holdings Limited (CCHL) has a memorandum of understanding with Council and CDC which defines the responsibility of CCHL to monitor the CDC and recommend new director appointments for the Council's approval.
88. The CDC constitution provides for a mix of Council and independent directors to be appointed. There is a requirement that a majority of independent directors be maintained (including a chairperson).

Council Directors appointment process

89. Following the triennial elections all Council directors will resign and may make themselves available for re-appointment in accordance with the process outlined below.
90. Following the triennial Council elections, or when a casual vacancy for a Council director arises, the CCHL Governance Committee will consult with the Chairperson of the CDC to determine the required skills, knowledge and experience which is necessary for an effective board. The Committee will then call for nominations from Councillors who are interested in being appointed to a position on the CDC board.
91. The CCHL Governance Committee, assisted if necessary by a specialist consultant, will interview all interested Councillors applying similar criteria to potential candidates to those used by CCHL in its assessment of candidates for other CCTO's and taking account as far as possible of the need to provide a suitable cross-section of skills around the board table.
92. The CCHL Governance Committee will make a recommendation to the CCHL board who will in turn make a recommendation to the Council for approval of replacement Council directors.

Independent Director appointment process

93. The CDC constitution provides that the independent directors and independent chairman shall comprise a majority of the board of CDC.
94. The CCHL Governance Committee (or full board) will give consideration to whether a retiring director should be reappointed by rotation and the CCHL board may determine whether to reappoint an incumbent director provided it is within the tenure for CCTO directors as provided by this policy.
95. In the case of a vacancy for an independent director, whether it be a casual vacancy or arising from the re-appointment of a retiring independent director, the same procedure will be followed as applies to the appointment of a director of a CCTO as provided by this policy.

COUNCIL ORGANISATIONS

Introduction

96. The Council has non-controlling interests in numerous COs. These are not-for-profit bodies and, in contrast with CCTOs, Christchurch City Holdings Ltd has no involvement in monitoring or the director/trustee appointment process.
97. 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.
98. Appointments to a CO are generally for a three year term, and are made after the triennial Council elections.
99. 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

100. 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.
101. The Council will determine the required skills, knowledge and experience for each appointment. Candidates are not restricted to Councils – in some cases, it may be more appropriate to appoint Council staff or external people with affiliations to the Council.

Remuneration of CO directors

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