

# RULES RELATING TO THE NOMINATION, APPOINTMENT AND REMOVAL OF DIRECTORS

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# EMPLOYER AND MEMBER DIRECTOR NOMINATION PROCEDURE

*In accordance with the requirements of the Constitution, this procedure was approved by the Shareholders on 21 August 2020.*

## Step 1: Shareholder Long List:

- (a) Each Shareholder will endeavour to maintain a “Long List” of potential candidates to be considered for selection to fill vacancies on the Board as their nominee directors.
- (b) The Long List is intended to identify candidates from a broad talent pool who can fill the identified skills gaps on the Board having regard to the Skills Matrix and any Active Super policies relating to diversity on the Board;

## Step 2: Vacancy Notification:

- (a) The Trustee will notify a Shareholder of any current vacancy or three months prior to an upcoming vacancy in the position of their nominee directors. The Trustee must notify the Shareholder of:
  - (i) the reason for the vacancy (e.g. resignation, removal, maximum tenure etc);
  - (ii) where the vacancy has arisen due to a current Director completing their appointed term, the Board will confirm to the Shareholder that the Board has considered whether the reappointment of the Director is appropriate, having regard to its policies and procedures, and notify the Shareholder of the outcome of that assessment;
  - (iii) the reason why the vacancy has been directed to the Shareholder to be filled;
  - (iv) the required Director Profile; and
  - (v) the legislative or regulatory timeframes within which the vacancy must be filled.

## Step 3: Shareholder Selection Process:

- (a) Following the above notification by the Trustee, the Shareholder will conduct a merit based Expression of Interest (EOI) process aimed at identifying suitable candidates, forming the preferred shareholder short list.
- (b) The preferred shareholder short list will be forwarded to the Trustee for evaluation by the Active Super Governance team on behalf of the Governance, Remuneration and Nomination Committee (GRN committee). All applications submitted during the EOI process shall be evaluated against the Director Profile and a report prepared for the Shareholder's consideration.
- (c) The candidates identified as most suitable will be interviewed by a panel including a Shareholder representative(s) and the Chair of the Board (or nominee). The preferred candidate(s) will be forwarded to the Shareholder for their final consideration.

## Step 4: Notification:

- (a) The Shareholder will notify the Trustee of the Shareholder's preferred candidate(s) to fill the vacancy on the Board.

# INDEPENDENT DIRECTOR SELECTION PROCEDURE

## Step 1: Board Needs Analysis and Skills Matrix:

- (a) The Board will review and consider the Skills Matrix.

## Step 2: Vacancy Notification:

- (a) Where possible, the Active Super Governance Team will notify the GRN Committee of a vacancy three months prior to an upcoming vacancy in the position of an Independent Director.
- (b) The GRN Committee must notify the Board of the:
  - (i) reason for the vacancy (e.g. resignation, removal, maximum tenure etc);
  - (ii) reason why the vacancy has been directed to the Board to be filled;
  - (iii) required Director Profile or Chair Profile as appropriate; and
  - (iv) legislative or regulatory timeframes within which the vacancy must be filled.

## Step 3: Board Selection Process:

- (a) Once notified of a vacancy, the Board, or its delegate, will commence a merit based recruitment process to identify suitable candidates for appointment to the vacant position having regard to the Director Profile and if required the Chair Profile.
- (b) The process may be undertaken internally or outsourced to an external executive recruiter and involve a combination of the following:
  - (i) an EOI;
  - (ii) advertising campaign; or
  - (iii) talent quality identification through a market search process.
- (c) All applications submitted during the recruitment process shall be provided to and evaluated by the governance team on behalf of the GRN against the Director Profile, and if applicable, the Chair Profile. A report will be prepared for the Board's consideration.

- (d) The candidates identified as most suitable will be interviewed by the Board, or its delegate, to determine the most suitable and preferred candidate to fill the vacancy on the Board.

## Step 4: Board Approval:

- (a) Once a suitable candidate has been identified, the GRN Committee will recommend the appointment of that candidate to the Board, subject to satisfactory Fit and Proper and Independence Assessments to be undertaken in accordance with the Fit and Proper Policy.

# DIRECTOR APPOINTMENT PROCEDURE

## Step 1: Candidate due diligence assessment:

- (a) Following notification from the nominating shareholder or the completion of the Independent Director Selection Process, the Board, or its delegate, will undertake appropriate due diligence on the candidate(s) in accordance with the Fit and Proper Policy. Due diligence will, in relation to a:
  - (i) Employer Director or Member Director: consist of a Fit and Proper Assessment and review of the candidate as against the relevant Director Profile; or
  - (ii) Independent Director: consist of a Fit and Proper Assessment and an Independence Assessment.
- (b) Employer Director and Member Director: Where the due diligence assessment of a shareholder nominated candidate is unable to be satisfactorily completed, or concerns are identified by the Trustee, these issues are to be raised with the nominating shareholder. The nominating shareholder may determine to revoke its nomination.
- (c) Independent Director: Should a candidate for the position of an Independent Director not be able to satisfy the Fit and Proper and/or Independence assessment as required by the Fit and Proper Policy, then the Board is unable to proceed with the appointment of that candidate.

## Step 2: Director Appointment and Agreement:

- (a) Employer Director or Member Director: Once the Employer and Member Director Nomination Process and due diligence requirements have been satisfied the:
  - (i) Shareholder will then nominate the successful candidate to the Board for appointment;
  - (ii) Trustee will negotiate a Directors' Agreement with the successful candidate; and
  - (iii) Trustee will appoint the nominated candidate as an Employer or Member nominated director, as appropriate, to fill the vacancy of the Board,

having regard, at all times, to the Trustee's requirements, the Fit and Proper Policy and the Constitution

- (b) Independent Director: Following the satisfactory completion of the candidates due diligence assessment, the Trustee will negotiate a Directors' Agreement with the candidate, following which the Board may appoint the candidate as a director to fill the vacancy on the Board in accordance with the Constitution of the Trustee.

### Step 3: Active Super policies and procedures:

- (a) The Trustee may, from time to time, develop or amend more detailed policies and procedures for the nomination and appointment of directors to the Board that are consistent with the key features set out above and publish those policies and procedures as required by legislation.



# EMPLOYER AND MEMBER DIRECTOR PERFORMANCE PROCEDURES

In accordance with the requirements of the Constitution, this procedure was approved by the Shareholders on 21 August 2020.

## (a) Annual Assessment:

The performance of Directors will be assessed annually against the Performance Criteria. This annual assessment will be undertaken by the Chair and Deputy Chair(s), or as delegated by the Board, with the assistance of the Active Super Governance Team or any outsourced service provider. A Director Performance Assessment guidance document may be developed by the Board and utilised in the assessment process to ensure consistency.

## (b) Results of assessments:

The Chair and Deputy Chair(s) or as delegated by the Board, will meet with each Director on a bi-annual basis to discuss:

- (i) the results of their individual performance assessment, which will be provided to the Company Secretary to be kept as part of the director's HR file;
- (ii) any identified training needs with training opportunities to be sourced by the Company Secretary;
- (iii) any identified mentoring opportunities and how they may be provided; and
- (iv) any identified underperformance and how the underperformance can be addressed to the reasonable satisfaction of the assessor. The underperformance will be communicated to the nominating shareholder of the director at least 10 business days' before the meeting with the director.

## (c) Failure to meet Performance Criteria:

If a Director is assessed as failing to meet one or more of the Performance Criteria that cannot be addressed to the reasonable satisfaction of the assessor(s) as outlined in the candidate due diligence assessment, paragraph (j), then the following process must be followed:

- (i) *response*:  
the director is to be provided with 5 business days within which to provide a response, or additional information, in relation to the adverse finding;

(ii) *consideration of response:*

the assessor(s) will then consider the provided response and additional information and determine whether or not such information has bearing on the adverse finding of the assessment process. Where the result of the assessment:

- A. remains unchanged, proceed to paragraph (d) below; or
- B. may be affected, then the assessor(s) will revisit the assessment in light of the additional information provided by the director;

## (d) Escalation process:

If the result of the assessment remains adverse having regard to the response provided by the director, then the results of the assessment are to be provided to the Board (other than the director who was assessed) and the relevant Shareholder for consideration;

## (e) Board determination:

If the Board upholds the adverse assessment, the director is to be removed from office effective by a resolution of the Board.

# INDEPENDENT DIRECTOR PERFORMANCE PROCEDURES

The performance of all Independent Directors will be assessed annually against the Performance Criteria in line with the Employer and Member Director Performance Procedures set out above, save for the following amendments:

- (a) underperformance: Paragraph (b)(iv). Any identified underperformance of an Independent Director will not be communicated to any Shareholder, however, such underperformance will be reported to the balance of the Board;
- (b) escalation process: Paragraph (d). Where an adverse finding in relation to an Independent Director is escalated, this adverse finding and/or escalation will not be provided to or reported to any Shareholder; and
- (c) Assessment of the Chair: The annual assessment of the Chair will be undertaken by the Board with the assistance of the Active Super Governance Team or any outsourced service provider.

# DIRECTOR REMOVAL

Directors may retire or be removed from office in accordance with clauses 13.15, 13.19 and 13.20 of the Constitution.