



Board Renewal Policy



An objective of the Board is to liaise with the Minister for Finance and nominators to discuss Board composition, including nominating and appointing individuals of high calibre with the ability to make a valuable contribution to Board deliberations.

The Board values a degree of continuity while also seeking to refresh its membership. Its approach sees value in openness to new ideas and independent thinking, while retaining adequate expertise.

The Board seeks balance by encouraging diversity of gender, age, experience, skills and qualifications through merit based appointments.

While the composition of the Board is a responsibility of the Minister for Finance, this policy sets out how the Board considers renewal and will seek to communicate with the Minister and those who are able to nominate directors to achieve these objectives.

Board composition, nomination, appointment and removal

CSC's establishing legislation, the *Governance of Australian Government Superannuation Schemes Act 2011* (GAGSS Act) sets out specific requirements regarding the composition, nomination, appointment and removal of CSC directors. The following is an outline of these requirements. More information is outlined in the **Board Charter**.

Composition: A Board consisting of an independent Chair and 10 other directors is required under the GAGSS Act.¹

Nominations: Three directors must be nominated by the President of the Australian Council of Trade Unions (ACTU), and two must be nominated by the Chief of the Defence Force (nominating bodies).²

Appointments: All directors are appointed by the Minister for Finance by written instrument, on a part-time basis.³

Term of directorship: The term of each directorship is specified in the instrument of appointment, which must not exceed three years.⁴ Directors can be re-appointed, however must not hold office continuously for more than nine years.⁵

Removal by resignation: A director may resign by giving the Minister for Finance a written resignation.⁶ If a director nominated by the President of the ACTU or the Chief of the Defence Force resigns, the director must also give a copy of the resignation to the President or Chief, as appropriate.⁷ Directors are encouraged to communicate their intentions to resign from the Board as soon as possible, to assist in Board renewal.

Termination of appointments: Director appointments can be terminated by the Minister for Finance, in consultation with the Minister for Defence and nominating bodies as appropriate, in particular circumstances.⁸ Reasons for termination include contraventions of fitness and propriety standards, becoming a disqualified person under the *Superannuation Industry (Supervision) Act 1993* (SIS Act), and grounds relating to financial circumstances and misbehaviour.

In the absence of these exceptional circumstances, it is expected that a director will serve on the Board for the term for which the director is appointed.

¹ GAGSS Act s11(1).

² *Ibid* s11(2).

³ *Ibid* s12(1).

⁴ *Ibid* s13(1).

⁵ *Ibid* s13(2).

⁶ *Ibid* s16(1).

⁷ *Ibid* s16(3).

⁸ *Ibid* s17.

Board target size and renewal

Board target size: A Board of 11 directors is required under the GAGSS Act.

Tenure

Terms of directorship: A director holds office for the period specified in the instrument of appointment, as determined by the Minister for Finance, and which must not exceed three years.

Maximum tenure: A director may be re-appointed, but must not hold office continuously for more than nine years.

Communication

The Board seeks to assist in the renewal and reappointment process by communicating with nominating bodies and the Minister for Finance. In communicating with nominating bodies and the Minister for Finance, the Board aims specifically to:

- optimise the composition of the Board in terms of collective experience, knowledge and skills, taking CSC's strategic and corporate plans into account, and may note any skill issues regarding the current Board membership
- participate in succession planning strategies for the Chair and the Board
- ensure that organisational knowledge and continuity is preserved through staggered terms of office for directors
- outline the Board's expectations regarding time commitments for service and continuity of tenure, and
- seek balance by having diversity in relation to gender, age, experience, skills and qualifications through merit based appointments.

In relation to the consideration of an existing director for re-appointment, communication may, in addition, include details of the director's:

- contribution to the Board and committees
- current disclosed interests and appointments
- current skills
- date of initial appointment, and
- where appropriate, the Board's view of an incumbent if that director is seeking re-appointment, including advising if the Board is dissatisfied with the performance of the director.

Tenure: Under SPS 510 paragraph 23(g), APRA requires that when determining whether an existing director will be reappointed, regard will be had as to whether the director has served on the Board for a period that could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of beneficiaries. [For CSC note that the GAGSS Act provides that a director must not hold office continuously for more than nine years.⁹]

⁹ Ibid ss13(2).

Proposed reappointment of candidate considered unsuitable by the Board: Where a reappointment of a director is made that the Board considers unsuitable, the Chair (or the Board where the nomination or appointment relates to the Chair) will communicate and seek to resolve this issue with the Minister for Finance, and nominating bodies if appropriate. The reappointment of a director can be considered inappropriate if their performance is below expectation or there is evidence that there has been a failure in the reappointment process with respect to board diversity.

Material that may be included in the communication: Communication with nominating bodies and the Minister for Finance may include the following materials:

- CSC's **Fit and proper policy**, with particular reference to the fitness and propriety standards
- collective assessment of directors' skills against the Board skills matrix contained in the **Fit and proper policy**, identifying areas of skill shortage or excess across the Board
- CSC's **Governance Framework** and **Conflicts management policy**, and
- the **Board Charter**, with particular reference to the Board's responsibilities.

Conflicts of interest may be considered: Communication with nominating bodies and the Minister for Finance may also refer to potential conflicts of interest for candidate directors holding a Board position on more than one superannuation entity, where one or more of those entities compete to attract the same members.

Expectations regarding time commitments and continuity of tenure may be discussed: Communication may also include the Board's expectations regarding time commitments for service and continuity of tenure.

Upcoming appointment expiry dates: The General Manager, Corporate will notify the Board in advance of upcoming appointment expiry dates. The Board will communicate to the Minister for Finance prior to the expiration of the appointment. The Board will communicate to the President of the ACTU and the Chief of the Defence Force regarding engagement with the Chair of the Board prior to nominations being made to the Minister for Finance.

Committee renewal

Standing committees

The Board has established the Audit Committee, the Risk Committee, the Board Governance Committee and the Remuneration and HR Committee as standing committees. Members of these committees are appointed by the Board.

Standing committee target size: These committees are made up of at least three directors. In accordance with APRA requirements, the Audit Committee is chaired by a director who is not the Chair of the Board and the Remuneration and HR Committee is chaired by the Chair of the Board (the only independent director).

Committee target size renewal: The target size is achieved and maintained by monitoring upcoming appointment expiry dates. Committee terms of appointment coincide with individual director terms of directorship as specified in the instrument of appointment, which cannot exceed three years. The term of appointment of members of the Audit Committee and the Risk Committee is set at a period of three years, which may be extended, at the discretion of the Board.

Committees established under scheme legislation

The Board has established the APS (Australian Public Sector schemes) Reconsideration Committee, the MSB (MilitarySuper) Reconsideration Committee and the Defence Force Case Assessment Panel, pursuant to scheme legislation, to reconsider certain decisions under scheme legislation.

Target size: The APS Reconsideration Committee comprises at least two CSC Directors, one of whom acts as Chairman, and two independent members appointed by the CSC Board.

Membership of the MSB (MilitarySuper) Reconsideration Committee and the Defence Force Case Assessment Panel is as required under scheme legislation.

The target size is achieved and maintained by monitoring upcoming appointment expiry dates and adhering to scheme legislative requirements.

Committee oversight

The Board Governance Committee provides oversight of key governance matters. This includes being responsible for:

- the operation of this policy
- review of the skills of the Board against the needs of the organisation and regulatory requirements (based on the Board Skills Matrix);
- development of succession planning strategies for the Chair and the Board; and
- identifying and recommending to the Board candidate directors who are considered to meet the criteria for selection in light of succession planning for the Board and committees.

Review of policy

This policy will be reviewed by the Board Governance Committee biennially or following a trigger event, in particular in the light of relevant regulatory initiatives or any significant changes to CSC's constituent legislation or business objectives, to assess its continuing currency. The committee will recommend to the Board for its approval any necessary or desirable amendments to ensure the policy remains current and consistent with best practice and applicable law.

Date	Author	Comments
December 2012	General Counsel Group	Establishment of document
April 2013	General Counsel Group	Regular review to assess continuing currency.
February 2014	General Counsel Group	Regular review to assess continuing currency.
17 June 2015	General Counsel Group	Regular review to assess continuing currency, the GAGSS Act, APRA Prudential Standard SPS 510 and clarify nomination and appointment processes as discussed by the Board on 27 February 2015. Board Governance Committee review 5 May 2015 meeting; Board approval 17 June 2015.
15 June 2017	General Counsel team	Updated APRA governance requirements: Prudential Standard SPS 510, Governance, and Prudential Practice Guide SPG 510, Governance. Reviewed by Board Governance Committee meeting 22 March 2017; Board meeting 15 June 2017.