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| <i>First adopted:</i> | March 2014 |
| <i>Revision dates/version:</i> | June 2021 |
| <i>Next review date:</i> | November 2022 |
| <i>Engagement required:</i> | |
| <i>Document number:</i> | D-3746188 |
| <i>Associated documents:</i> | Governance Structure |
| <i>Sponsor/Group:</i> | Corporate |

Appointment and Remuneration of Board Members of:

- **Council Organisations (COs)**
- **Council Controlled Organisations (CCOs)**
- **Council Controlled Trading Organisations (CCTOs)**

Purpose and Scope

1. This Policy is required by Section 57 of the Local Government Act 2002 (LGA). This Policy assists Hamilton City Council (Council) to implement satisfactory governance over Council Controlled Organisations. This Policy applies to all CCOs, COs and CCTOs (all referred to as CCOs in this Policy document) as defined in Section 6 of the LGA. The Council's current CCO and COs are listed in Schedule 1.

Definitions

| Definition | Detail |
|------------|--|
| CO | A CO is an organisation in which Council has a voting interest and/or the right to appoint a director, trustee or manager. |
| CCO | A CCO is CO in which one or more local authorities control, directly or indirectly, 50 percent or more of the voting rights and/or have the right, directly or indirectly, to appoint 50 percent or more of the directors, trustees or managers. |
| CCTO | A CCO which operates a trading undertaking for which making a profit is one of its purposes. |

Principles

2. The Council must be transparent and objective in its appointment of competent and professional individuals to the governance bodies of Council's CCOs.
3. The Council should appoint independent directors. Elected Members and/or Council officers should only be appointed in exceptional circumstances.
4. The Council will actively work to ensure that appointments made under this policy will help to deliver boards of CCOs that reflect the diverse demographics of our city.
5. Where Council has a minority interest (less than 10%) in a CCO (i.e. where a CCO is controlled by a number of Councils and Hamilton City Council does not have a majority stake) then the process for the appointment and remuneration of directors will be agreed with the other shareholders in the CCO. As far as practicable, Council's involvement in the process will be consistent with the application of this policy and the Constitution of the entity, whichever is more relevant to the circumstances.

Policy Guidelines

Majority Shareholding

| Council Controlled Organisation | HCC Shareholding | Other Shareholders |
|--|--------------------|---|
| Waikato Innovation Growth Ltd (WIGL) | 100% | |
| New Zealand Food Innovation (Waikato) Limited (NZFIWL) | 70% (through WIGL) | 30% - Callaghan Innovation |
| Waikato Regional Airport Limited (WRAL) | 50% | 15.62% - Waipa District Council 15.62% - Waikato District Council 15.62% - Matamama-Piako District Council 3.12% - Otorohanga District Council |
| Waikato Local Authority Shared Services (WLISS) | 19.60% | 11 Councils in the Waikato region |

Appointments and Performance Management

- Appointees should have the appropriate balance of skills, knowledge, integrity and governance experience.
- Appointees should complement and bring diversity of skills, demographics and perspectives to the membership of boards of CCOs.
- All positions require a formal position description which all appointees must formally acknowledge and accept.
- An annual review of appointees' delivery against performance outcomes should be undertaken by the respective CCOs Chair.
- Subject to the principle in clause 3, no more than two Elected Members may be appointed to any particular CCO.
- Except under exceptional circumstances, Elected Members may not hold the position of Chair. This is subject to the principle in clause 3 of this policy.

Tenure and remuneration

- Board fee bands shall be set by Council once a triennium, based on the relevant Council Committee's recommendation to the Council.
- All Council appointments to the boards of CCOs, as well as remuneration of appointees, are based on the relevant Council Committee's recommendation to the Council.
- It is expected that, other than in exceptional circumstances, appointments are for two full and consecutive terms (term in this clause means the term as defined in the terms of reference of the CCO). A former appointee becomes eligible again after at least one full-term absence.
- Remuneration of appointees is a matter of public interest and will be approved by resolution at the CCOs Annual General Meeting.
- Board members' fees will reflect the element of public service in serving on the board of a CCO and will accordingly be set at or below the average for comparable roles as evidenced through The Institute of Directors remuneration survey results, taking into consideration:
 - The size and scale of the CCO;
 - Complexity and scope of operations;
 - Skills set, expertise and specialisation needed.
- Unless otherwise determined, Elected Members and Council officers appointed to the board of a CCO shall not be entitled to any remuneration, while in a Council position.

Appointment Process

- As per its delegated authority, the relevant Council Committee, will make a recommendation on all appointees to the Council.
- For each appointee the relevant Council Committee shall:

- a. Collaborate with the Chair, Board and other stakeholders of CCOs to ensure an agreed approach is followed that meets the policy requirements and the entity's Constitution;
- b. Confirm the formal position description and, subject to the process set out in point 19a of the appointment process, instruct Council officers to compile a shortlist of candidates;
- c. Determine, in a public excluded meeting, the appointee most suitable for the position;
- d. Gain acceptance of the appointment from the successful candidate; and
- e. Make a public announcement of the successful appointee as soon as is practicable.

Minority Shareholding

| Council Organisation/ Council Controlled Organisation | HCC Shareholding | Other Shareholders |
|---|------------------|---|
| New Zealand Local Government Funding Agency (LGFA) | 8.30% | 20% - New Zealand Government 80% - 30 Councils |
| Civic Financial Services Ltd | 1.80% | 96.98% - 71 Councils 1.22% - TrustPower |

20. Where Council has a minority (less than 10%) shareholding in a CCO, the level of influence over it is significantly reduced. Clauses 19-21 modify the application of this Policy in the case of minority shareholding.
21. The CE is delegated authority from Council to agree the process, appointment and remuneration of directors, as well as approve minor changes to the CCO's Constitution, with the other shareholders in the CCO.
22. A collaborative approach with the Board of the CCO will be followed to ensure the intent of this policy prevails as much as possible, acknowledging the minority influence Council has.

Conflicts of Interest

23. The Council expects that, in line with good governance practice, all appointees will avoid actions which could give rise to a conflict of interest. This includes, but is not limited to, the offering of gifts, hospitality, travel and entertainment. Appointees should follow the provisions of the New Zealand Institute of Directors' Code of Ethics.

Monitoring and Implementation

24. This Policy will be monitored by the relevant Council Committee which, as per its terms of reference, has been delegated the recommendatory power on the appointment and remuneration of directors to the boards of the CCOs.
25. Council officers will advise the CCOs as to the Council's strategic direction, requirements of Statements of Intent and other relevant matters on behalf of the relevant Council Committee.
26. The Policy will be reviewed:
 - a. At the beginning of the triennium or
 - b. at the request of Council or
 - c. in response to changed legislative requirements.

Schedule 1

At the time of writing the entities subject to this Policy are:

CCOs

- Waikato Local Authority Shared Services Ltd (WLASS).
- New Zealand Local Government Funding Agency Ltd (NZLGFA).
- Waikato Innovation Growth Ltd (WIGL) and its subsidiary New Zealand Food Innovation Waikato Ltd (NZFIW) and its subsidiary New Zealand Food Innovation Waikato D2 Ltd (NZFIW D2).
- Waikato Regional Airport Ltd (WRAL) and its subsidiaries Hamilton and Waikato Tourism Limited, Titanium Park Limited and Waikato Regional Airport Hotel Limited.

COs

- Civic Financial Services Ltd.
- Melody Dairies Limited Partnership – a subsidiary of NZFIW D2.
- Melody Dairies GP Limited – a subsidiary of NZFIW D2.