



Board Appointment and Renewal Policy

20 October 2020

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Version	V2.1
Date Approved	20 October 2020
Date Last Reviewed	18 December 2019
Next Review Date	December 2021
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1. Background

Good corporate governance is key to ensuring a fund is properly managed in the best interests of its members and beneficiaries. This document details the Aracon Board's approach to the appointment, renewal and removal of Directors.

This document should be read in conjunction with the Trust Deed and the Constitution, policies as well as the relevant Regulations.

This policy aims to achieve an overall Board composition which is appropriate for the RSE licensee's business operations and provides a foundation for sound governance. Sound governance is achieved through the implementation of robust processes to support the nomination of appropriate candidates for appointment to the Board.

2. Board Composition

1. The Board is composed of a minimum of four (4) Directors.
2. At least one third of the Board must be composed of Independent Directors.
3. A Chairperson will be elected by the Board and must be an Independent Director.
4. A majority of directors of an RSE licensee must be ordinarily resident in Australia.

3. Power to Appoint, Renew and Remove

The Trustee Board is empowered to elect, appoint, renew and remove Directors. All future directors shall be approved by resolution of the current sitting directors.

The Directors of Aracon must appoint a sufficient number of independent non-executive Directors to form a majority and meet the minimum requirements under APRA Superannuation Prudential Standard 510 Governance (SPS 510).

4. General

In each 4 year period (i.e. one term), 2 directors must stand for election.

The periods for election will be staggered to ensure ongoing effective governance, continuity and the appropriate transfer of skills and knowledge to new directors.

5. Selection Criteria

When considering potential candidates and appointing new directors, the RSE Licensee must assess:

- the current and past associations of the candidate(s);
- the appropriateness of other directorships held by the candidate director, in particular directorships of other RSE Licensees;

- the skills and capabilities of nominated candidates against the role and responsibility of the vacancy and the needs of the Board as a whole, including consideration of committee vacancies, if any; and
- the fitness and propriety of nominated candidates.

An individual may not be eligible for nomination as an Executive Director if they are:

- consultants and advisors (including their employees) of the Fund or any other fund or perceived competitor (includes tax advisors and auditors);
- a former employee of the Fund or any associated company or body (for a period of 1 year after ceasing such employment);
- otherwise having a conflict of interest deemed to be so by the Independent Chair at the time of the nomination process.

6. Nomination to Office

An individual will not be eligible for nomination as an Independent Director if they are:

- a. directly associated with, or employed by an entity that has a material relationship* with,
 - if the RSE licensee is a body corporate – the RSE Licensee, or
 - if the RSE Licensee is a group of individual trustees, any of the trustees;
- b. has, at any time in the last three (3) years been an executive officer or director of a body corporate that has, or has at any time in the last three (3) years, had a material relationship with;
 - if the RSE Licensee is a body corporate – the RSE licensee; or
 - If the RSE Licensee is a group of individual trustees – any of the trustees, or if they are;
- c. employed by a service provider or otherwise associated directly or indirectly with a service provider;
- d. consultants and advisors (including their employees) of the Fund or any other fund that is a perceived competitor (includes tax advisors and auditors);
- e. employed by the Fund or any associated company or body thereof;
- f. a former employee of the Fund or any associated company or body (for a period of 3 year after ceasing such employment);
- g. otherwise having a conflict of interest deemed to be so by the incumbent Independent Chair or in their absence the Head of Trustee Office, at the time of the nomination process;
- h. personally related to or with strong associations to a sitting director or executive of the Xplore Wealth Group;

- i. a shareholder of the Xplore Wealth Ltd;
- j. a person who is reasonably perceived not to be independent or with conflicts of interest.

*(*Material Relationship will include professional advisors, consultants or suppliers).*

7. Term of Office

A term of office is considered to be 4 years however a Director may be engaged for a term of less than 4 years.

Directors are eligible to serve a maximum of 3 terms of office.

At the expiration of each Director's term of office, the Trustee will review the Director's conformity with, and ability to continue to conform with, the propriety and competency requirements outlined in the Trustee's Fit and Proper Policy, the number of previous terms held, if any, and consider whether it is appropriate that the individual stand for re-election.

At the end of the maximum term of office the Trustee may request that Director to continue beyond the maximum term, having regard to the Fit and Proper Policy, and must take into consideration overall effective governance principals. Careful consideration should be given to the re-election of a director in circumstances where the maximum tenure limit of 12 years will be exceeded if reappointed.

The Trustee is of the opinion that this renewal policy, with its staggered terms of tenure, ensures that the Board remains open to new ideas and independent thinking, whilst supporting continuity and the appropriate transfer of knowledge and skills.

8. Vacancy

Where a Director wishes to vacate their position, the Trustee requires a suitable period of notice, generally at least 3 months in order to provide sufficient time for the resourcing of a replacement Director (if required).

The Office of a Director immediately becomes vacant:

- a. if a Director's circumstances materially change during his or her term of office to such an extent that he or she is ineligible to be a Director by reason of the selection criteria outlined above; or
- b. by giving written notice of their resignation; or
- c. if a Director fails a condition of appointment as outlined in the Trustee's Fit and Proper Policy, or
- d. if a Director fails to maintain the propriety and/or competency requirements as outlined in the Trustee's Fit and Proper Policy; or
- e. on the expiration of the Director's term of office.

Any vacancy must be filled within one hundred and twenty (120) days (or such other period prescribed by the Superannuation Law) of the vacancy occurring.

If, during the term of office a position of Director becomes vacant for any reason, the remaining directors must appoint a person to fill the vacancy.

The candidate appointed to fill the vacancy will be deemed to have commenced their term of tenure from the date of appointment as Director.

If the office of a Director has become vacant due to resignation but that Director is otherwise eligible to act as a Director, that Director is eligible to be appointed to fill the relevant vacancy.

If the office of a Director has become vacant under Clause 8, 9 or 10 of the Replaceable Rules of the Trustee Constitution but an election to fill the vacancy has not yet commenced, and:

- a. in the case of a vacancy under a breach of the APRA Fit and Proper Standards, the Board is satisfied on reasonable grounds that the relevant Director is no longer subject to the relevant disqualifying situation;
- b. in the case of a vacancy under Replaceable Rule 10 of the Trustee Constitution, the relevant Director has by notice in writing to the other Directors withdrawn his or her resignation; or
- c. in the case of a vacancy triggered by the continued absence from meetings, the Board is satisfied on reasonable grounds that the previous absences of the relevant Director should be excused;

then the relevant Director will, if otherwise eligible, resume the office of Director from the date specified by the Board (or from the date of withdrawing his or her resignation, whichever is applicable).

This procedure may be applied regardless of whether or not any person (including the relevant Director) has already been appointed to fill the relevant vacancy.

9. Appointing Directors to the Board

Where a vacancy occurs and an appointment of a Director to the Board is required, a search for candidates will be conducted using the resources of the Xplore Wealth group's Head of People & Culture. Candidates will be interviewed and screened to assess their suitability for the position of Director. Fit and Proper checks will be completed to further assess the appropriateness of the candidate. On completion of this process a summary of their skills, experience and confirmation of screening outcomes will be submitted to the Board for the current directors to review and make a resolution to approve (or otherwise) the appointment.

Should the Board consider it necessary to obtain additional information from the candidate, the Board or Chairman may conduct an interview with the candidate.

The Board may consist of the following types of Directors:

Independent non-executive Director

An Independent Non-executive Director is a member of the Board who is not a member of the executive management team of the Xplore Wealth group of companies, nor affiliated in any way with Aracon Superannuation Fund Pty Ltd or the Xplore Wealth group

To be eligible for appointment, an individual must satisfy the requirements detailed in Clauses 2 and 4 of the Replaceable Rules of the Trustee's Constitution and be considered by the Trustee to be Fit and Proper according to the Fit and Proper Policy.

Nominations for the position of Independent Non-executive Director cannot be considered from the following persons:

- a. a person, who was a member of an audit firm or a director of an audit company, and who served in a professional capacity in the audit of the Aracon Superannuation Fund, in the last two years;
- b. a person, who was an employee of an audit company, other than a director of that company, and who acted as the lead auditor or review auditor in the audit of the Aracon Superannuation Fund in the last two years;
- c. a person who was, or is, a director of the audit company or a member of the audit firm that was, or is, responsible for the audit of Aracon or the Fund and there is already another person appointed or employed as a Director of Aracon who was a director of the audit company or a member of the audit firm, at a time when the audit company or audit firm undertook an audit of Aracon at any time during the previous two years.

Non-executive Director

A non-executive director is one who is not a member of the RSE licensee's management.

Executive Director

An Executive Director is one who is a member of the licensee's management.

To be eligible for the position of Director, an individual must not be a disqualified person which includes never being convicted of a dishonest act, being insolvent under administration, subject to a civil penalty order or disqualified by APRA or a court.

10. Term of Office

At the time of any appointment of an Independent Non-executive Director, the Directors must determine whether or not a term of office, shorter than the standard term and subject to Board approval, is to be specified.

11. Diversity

The Trustee recognises that a Board comprising both personal and professional diversity supports effective leadership, management and decision making. As such, where a vacancy exists, the Board will as far as practicable take diversity into account when making an appointment.

12. Renewal

Generally, no Director will serve more than 3 consecutive terms on the Aracon Board. This is intended to create a balance between the benefits of continuity and a fresh perspective.

The Board will retain the discretion to permit a Director to continue in office or be reappointed having exceeded their tenure under special circumstances such as where they possess a skill that is required at that time and cannot be easily replaced by another and they are able to continue to act in the best interests of beneficiaries.

13. Succession Planning

The Board recognises that benefits of succession planning to the Trustee, such as preventing 'group think', ensuring diversity, obtaining new talent and maintaining balance of power on the Board. The Board will actively maintain a succession plan which will form part of the Trustee's Business Plan and review this on a continual basis.

14. Removal of a Director

The Board may by resolution remove a Director from the Board.

15. Appointment of Independent Chairperson

The appointment of the Chairperson to Aracon Superannuation Pty Ltd is by resolution of the Board.

16. Disputes

All disputes shall be referred to the Chair of the Board who shall attempt to settle the dispute. In the event that the Chair unable to settle the dispute, it shall be dealt with by the Fund's legal adviser whose decision shall be final.

If the dispute involves the Chair of the Board, it shall be considered by an independent party.

17. Insurance

The Trustee and RSE Licensee will insure and keep insured all directors against any liability incurred by him or her in or arising out of the conduct of the business of the Trustee Company or in or arising out of the discharge of the duties of the director unless the liability was incurred by the director through his or her own dishonesty, fraud, negligence, lack of good faith or breach of duty.

18. Skill, Competency and Assessment

The Initial appointment and ongoing tenure on the Board is dependent upon the incumbent director satisfying the skill and competency standards detailed in the Aracon Fit and Proper Policy.

The Board as a collective must always meet the skill and competency standards required of a Trustee detailed in APRA's Prudential Standard SPS 520 Fit and Proper, SPS 510 Governance and the Aracon's Fit and Proper Policy.

The Aracon Governance Framework sets out the procedures for undertaking internal and external Board performance assessments, which incorporate an assessment of the Board's collective competency.

19. Consent to Act as Director/Secretary

A Director/Company Secretary must consent in writing to holding the position of Director/Company Secretary. The Trustee must retain the consent and must notify ASIC of the appointment.

20. Notification to ASIC

The Company Secretary will notify ASIC of any appointments or changes it makes in respect of its Directors or other Company Office holders.

A change in the Director or Company Secretary must be notified to ASIC within 28 days after the change (unless the Director or Company Secretary has notified ASIC of the change) under section 205B – Corporations Act 2001.

Any changes in the name or address of the Company's Directors or Company Secretary must be notified to ASIC within 28 days of the change occurring also under section 205B of the Corporations Act 2001.

21. Policy Review

This policy will be reviewed on a biennial basis or as required should a material change occur within the business or in relation to the relevant requirements. The review will be undertaken internally by the Risk and Compliance Function and the Audit, Risk, Compliance and Complaints Committee. The outcome of any review or proposed changes will be reported to the Board for approval. Board

22. Performance Assessment

It is expected that Boards and their associated committees will have the skills and experience to competently fulfil their roles, performing strategically as well as prudently and in accordance with all relevant legislative requirements. Accordingly, the Head of Trustee Office will co-ordinate an annual assessment of the performance and effectiveness of the Board as a whole, the Board's Committees and individual directors to identify any gaps or opportunity for improvement.

The process will include:

- The completion of a questionnaire by each Director regarding issues such as the Board's performance and effectiveness against objectives, appropriateness of current governance processes, efficiency of Board meetings and decision making;
- Satisfying Fit and Proper assessments and review of skills mix;
- Individual director interviews with the Chairperson to assess of each Director against the objectives of the Board and any relevant Committee they participate in, which may include understanding of the business and risks, commitment to training, collaborative relationship with other Directors, meeting attendance and effective participation, etc.
- A report on the findings will be submitted to the Board and discussion of the findings will be undertaken at the next Board meeting. The Head of Trustee Office will be responsible for taking appropriate action to ensure the assessment is completed when it falls due.

An independent review of the Board's performance will be conducted on at least a triennial basis. In addition to the above annual requirements, the independent assessment will include but not be limited to:

- Governance processes
- Meeting effectiveness and efficiency in using Director's skills and experience in quality decision making;
- Leading strategic direction; and
- Oversight of material risks and finances in setting risk appetite,

This process is designed to assist the Board in fulfilling its functions and ensuring that it remains an effective in decision making.