

## Board Appointments and Roles

<b>Policy</b>	SUB-APT: Board Appointments and Roles
<b>Version</b>	2.0
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### Introduction

This Policy sets out the following matters:

- Key principles for Board appointments
- Specific principles applying to Council members
- Terms of appointment
- The Appointments Panel
- Appointment process for subsidiary directors
- Re-appointment of directors
- Induction of new directors
- Board functions
- Linkage to Owner
- Board approach and focus
- Board Code of Ethics and Proper Practice
- Conflict of Interest
- Chair Role description

## Organisational Change - Transition arrangements in 2018

1. Following two public consultations, at the InternetNZ Council meeting in October 2017 changes to the Organisational structure of the InternetNZ Group were agreed
2. The changes included; disestablishment of NZRS with all Registry functions moving to InternetNZ, a change in scope of tasks for DNCL, reduction in the size of the DNCL Board to three Directors, and appointment of the InternetNZ CEO as Chair of the DNCL Board
3. To ensure that there is a smooth transition to the new Organisational structure, the InternetNZ CEO will be appointed as a Director of both subsidiary companies in February 2018
4. Following completion of the Organisational changes at the start of the 2018/19 financial year the InternetNZ CEO will be appointed Chair of DNCL, and if NZRS continues to exist as a company at that time will be the sole company Director until such time as the company is de-registered.

## Key principles

1. All appointments to the boards of any subsidiaries are made by the Council of InternetNZ
2. All nominations for appointment must come through the Appointments Panel of the InternetNZ Council
3. The process for nominations and appointments to the boards of subsidiaries must be consistent across all boards
4. The size, skills and experience of any subsidiary board will be determined by the Terms of Reference for that subsidiary board, as approved by the InternetNZ Council.
5. InternetNZ Councillors may be appointed to a subsidiary board. Any limitations on the number of Councillors that may be so appointed will be specified in the Terms of Reference for that subsidiary board.
6. Any Council member appointee to each board will go through the same process as the independent directors (i.e. they will be assessed and interviewed by the Appointments Panel)
7. A non-Council board member may be appointed to the boards of more than one of the subsidiaries, where there are sound reasons to do so, and it does not create any conflict of interest.

8. Where Council decides not to make an appointment, it instructs the Appointments Panel to conduct the process again. It does not short-cut the process by making its own selection
9. All vacancies for directors must be advertised to members of InternetNZ as well as more generally, to help create the widest possible pool of potential applicants
10. All appointees to boards of subsidiaries must become members of InternetNZ and must maintain that membership throughout their appointment term

### **Specific principles applying to Council members**

- a member of Council may serve on only one subsidiary board at any one time
- a Council member may not be the Chair of a subsidiary board
- Council members serving on a subsidiary board are not representatives of the Council: they are fully participating ordinary members of the board. They are expected to provide a connection with and convey the views and position of the Council but are required generally to act in the best interest of the subsidiary itself
- no Council member may participate in proceedings of the Appointments Panel which he/she is being considered for appointment or re-appointment to a subsidiary board

### **Terms of Appointment**

- directors of subsidiary boards are generally to be appointed for three year terms
- the maximum consecutive term for appointment to an individual subsidiary board is three three-year terms. In the case of a director appointed as chair during their second three-year term, an extension may be available in order not to prevent that person serving in the chair role for two three-year terms
- where a Council member appointed to a subsidiary board finishes his/her term on Council, the Council may agree to that person completing their current three year term as a director

### **Appointments Panel**

- a standing committee of the Council

- four members
- standing members will be the President and one other member of the Council
- additional members will be:
  - the Chair of the relevant subsidiary board (except when the Chair him/herself is the subject of the process, when the Chair of one of the other subsidiary boards would be co-opted),
  - an independent, experienced governance practitioner (e.g. recommended by the Institute of Directors) who is remunerated on a consultancy basis
- where the Chair of a board is the subject of the process, additional information will be sought from the board to ensure that any contextual issues are taken into account in the nominations process
- will be supported by InternetNZ staff

## Appointments Process

A 5 stage process

- I. The relevant board, in conjunction with the Appointments Panel, recommends to Council the skills, experience and other attributes it believes are desirable in the appointee, as well as succession planning requirements. If a current director is being considered for reappointment, the Chair of the relevant board should also provide confidential advice to the Council about the performance of the director.
- II. The Council agrees/decides the skills, experience and other attributes it is seeking for the position taking into account the input from the relevant board.
- III. The Appointments Panel conducts a search, shortlisting, interview and due diligence process and provides substantive documentation on the candidates to enable an informed decision to be made by Council.
- IV. The Council accepts or rejects the nomination(s). In the event that it rejects a nomination, the Council will instruct the Appointments Panel to conduct the process again – the Council does not short-cut the process by making its own selection.

- V. Notification to the successful appointee, notification to unsuccessful candidates and public announcement of the appointment.

Further details for some of the stages are set out below.

### Stage I

Stage I should commence at least four months prior to the expiry of the current term.

### Stage III

#### The Search Process

- The critical issue is the widest possible canvassing for high quality candidates.
- Potential appointees to boards can be identified in various ways including:
  - advertising the vacancy to members on the InternetNZ website
  - advertising the vacancy publicly in other relevant publications/websites
  - advertising the vacancy with the Institute of Directors
  - seeking suggestions from current chairs and directors
  - seeking suggestions from the Institute of Directors
  - seeking names from professional networks or personal contacts
- All candidates' expectations should be carefully managed throughout any personal contact so that there is no implication or expectation of appointment.

#### Information from Candidates

- It should be clear to all candidates the information that is sought from them so that there can be a consistent review of the qualities and skills of all candidates.
- Candidates should be asked to identify whether they (or a partner, child or other close family member or friend) have or are likely to have any financial, personal or professional interests that might create a conflict if they were to be appointed.

#### Shortlisting

- All candidates should be assessed against the same critical requirements for the role. The potential for conflicts of interest should also be considered at this stage.

### Interviews

- Interviews should be handled in a consistent way and against clear criteria, so that fair comparisons can be made of all short-listed candidates.
- The membership of the panel for an appointment should remain the same, unless exceptional circumstances arise.
- An objective record should be kept of all interviews.

### Recommendations to Council

- The Appointments Panel will provide substantive documentation to the InternetNZ Council to enable the Council to make a choice between the appointable candidates.
- The Appointments Panel may choose to rank appointable candidates and make recommendations on its preferred candidate(s) for appointment.

## Stage V

### Letter of appointment

- A letter of appointment should be sent from the President of InternetNZ to the new director setting out as a minimum:
  - the position being appointed to and a role description
  - the proper name of the business unit
  - the term of appointment
  - the fees relating to the appointment
  - a clear indication that there is no guarantee of appointment for a further term
  - termination reasons and procedures.
- Existing directors being re-appointed should be sent a similar letter though the level of detail required would be less.
- Letters sent on the appointment of a new chair should contain additional detail and information about that particular role.

### Unsuccessful candidates

- Advising unsuccessful candidates should be left until after Council has made the appointment decision in respect of the vacancy. The notification should then be done promptly and sensitively.
- Where a person has been interviewed for a board vacancy, the Chair or another nominated member of the **Appointments Panel** should speak to the unsuccessful nominee. In all cases, a letter should be sent notifying the unsuccessful candidates of the decision of non-appointment.
- The notification of unsuccessful candidates must occur prior to any public announcement of an appointment being made.

### **Re-appointment of Directors**

- Directors should not be given any expectation that they will be offered a subsequent term of appointment.
- There is a balance between the benefits derived from continuity of service on a board, the value of the board gaining new ideas and perspectives, and the need to avoid the board losing a number of experienced directors over a short space of time. The board's goals, its overall skills needs, and/or a director's performance may have changed since their term began.
- Where a reappointment is being considered, the following points should be considered by the Appointments Panel:
  - the number of terms already served
  - are the current director role description and the contribution made by the incumbent still relevant to the work of the subsidiary and the mix of skills now on the board?
  - how well does the current composition of the board match the current and future work programme, governance requirements and general needs of the subsidiary?

### **Induction**

Induction of new directors is the responsibility of the board of the subsidiary to which the appointment is made.

Each board must have a comprehensive induction programme to help new directors contribute confidently to the work of the board.

### **Board Functions**

The function of any subsidiary board will be determined by the Terms of Reference agreed for that subsidiary board, as approved by Council.

## Board approach and Process

The Board will govern with an emphasis on:

- outward vision rather than inward focus
- leadership rather than administrative detail
- collective rather than individual decisions
- future focus
- a clear distinction between governance and operational matters
- a formally adopted set of Governance Principles.

The Board will govern through:

- cultivating a sense of group responsibility based on achieving a high level of governance excellence
- committing to excellence in all matters coming before it including the adoption of a code of ethics and proper practice (see below)
- formally inducting and training new directors on their role
- carrying out regular self-reviews of its performance against these policies.

## Board Code of Ethics and Proper Practice

The Board is committed to ethical conduct in all areas of its responsibilities and authority.

This means that directors as individuals will:

1. act honestly and in good faith at all times in the best interests of the company and its shareholder (InternetNZ)
2. carry out their duties and responsibilities in a lawful and business-like manner, and ensure that the company carries out its business likewise
3. avoid conflicts of interest in as far as this is possible, and where such conflicts arise, will act within the Board's Conflicts of Interest policy set out below
4. attend Board meetings and devote sufficient time to preparation for Board meetings to allow for full and appropriate participation in the Board's decision making

5. observe the confidentiality of non-public information acquired by them in their role as directors, and not disclose information that might undermine the role of the company
6. interact with the Board and staff in a positive and constructive manner
7. be loyal to the collective nature of the Board, abiding by Board decisions once reached
8. not do anything that in any way denigrates the company or harms its image.

Directors as a whole will:

1. monitor the performance of management and the company, ensuring that appropriate monitoring and reporting systems are in place and utilised to provide accurate and timely information to the Board
2. ensure there is an appropriate separation of duties and responsibilities between itself and the chief executive, and that no-one has unfettered powers of decision making
3. ensure that the independent views of directors are given due consideration and weight in arriving at decisions
4. ensure that the shareholder (InternetNZ) is provided with an accurate and balanced view of the company's performance including of its agreed role/s and of its financial performance
5. regularly review its own performance as the basis for its own development and quality assurance
6. carry out its meetings in such a manner as to ensure fair and full participation of all directors
7. ensure that the company's assets are protected through a suitable risk management strategy
8. adherence to any Governance Principles adopted by the Board.

The Constitution of the company requires the directors of all subsidiary companies to put the interest of the shareholder (i.e. InternetNZ) above the interest of the company, should there be a conflict.

## Conflict of Interest

The Board places importance on making clear any existing or potential conflicts of interest for its directors. Directors should not have a conflict of interest (e.g. in the case of DNCL through their participation in the .nz market as a registrar entity or reseller or such association) that could give rise to challenges of conflicts of interest.

Accordingly,

1. Any business or personal matter which is, or could be, a conflict of interest involving the individual and his/role and relationship with the company, must be declared and registered in the Conflicts of Interest Register
2. The Register will be presented to the Board and formally received at each meeting
3. Where a conflict of interest is identified and/or registered, the director concerned shall not vote on that issue and may only with unanimous agreement participate in any Board discussion on that topic
4. The Chair must take whatever steps are necessary to ensure that any conflict is managed in an appropriate manner according to this policy
5. Individual directors, aware of a real or potential conflict of interest of another director, have a responsibility to bring this to the notice of the Board.
6. Examples of such conflicts of interest are:
  - o When a director, or his/her immediate family or business interests, stands to gain financially from any business dealings, programmes or services of the company
  - o When a director him or herself offers a professional service to the company
  - o When a director stands to gain personally or professionally from any insider knowledge if that knowledge is used to his or her personal or professional advantage
  - o Where a director is on another body that may have competing or conflicting interests or where knowledge of company views or information might unduly favour the director's other appointment/organisation.

## Chair Role Description

The Chair has the lead role for assuring the integrity of the Board's governance process and represents the Board to outside parties, and in so doing relies on the active support and participation of the other four directors of the Board.

Success in this position will mean that: the Board behaves consistently within its own rules and the constitution; meeting and discussion content will be only those issues which, according to Board policy, clearly belong to the Board, not the chief executive, to decide; and deliberation will be fair, open, and thorough as well as timely, orderly, and to the point.

Specifically, the Chair is responsible for:

1. the efficient functioning of the board and setting the agenda for board meetings
2. ensuring that all directors are enabled and encouraged to play their full part in the activities of the board and have adequate opportunities to express their views
3. ensuring that all directors receive sufficient and timely information to enable them to be effective board members

In addition, the Chair will be available upon request to meet with the President and Vice-President of InternetNZ and the Chairs of any other subsidiaries of InternetNZ, to discuss areas of common interest, to avoid duplication and to ensure that the activities of the subsidiary are aligned with both the strategic direction of InternetNZ and the activities of the other subsidiaries.

The authority of the Chair consists in making decisions that fall within Board policies except where the Board specifically delegates otherwise. The Chair is authorised to:

1. use any reasonable interpretation of the provisions in these policies
2. chair Board meetings, with all the commonly accepted power of that position
3. work closely with the chief executive without cutting across the chief executive's prerogatives and responsibilities as set out in the chief executive's Role Description and Delegations Statement
4. call on individual directors to address and take responsibility for specific issues or serve on sub-committees
5. co-ordinate the annual self-review by the Board of its performance against the governance policy
6. represent the Board to outside parties and the shareholder

7. delegate this authority to another director (while remaining accountable for its use).

In addition to the skills and attributes outlined in the Director Role Description, the Chair should have previous experience in chairing a governance body.