

Board Appointment, Removal and Renewal Policy (Extract)

- Rules relating to the nomination, appointment and removal of Trustee directors

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1. Introduction

BUSS (Queensland) Pty Ltd is the trustee of the Building Unions Superannuation Scheme (Queensland) ('Fund') and BUSS (Queensland) Pooled Superannuation Trust ('PST').

The SIS Act, in particular SPS 510 made under the Act¹, requires the Trustee to have to have a Board approved policy on the nomination, appointment and removal of Directors² and Board renewal³, including defined Director terms in office and maximum tenure periods.⁴

The Board, Appointment, Removal and Renewal Policy ('Policy') forms part of the Trustee's Governance Framework. The Policy must be approved by the Board,⁵ and should be read in conjunction with other elements of the Framework, especially the Fit and Proper Policy and Procedures.

2. Definitions

Terms	Definitions
APRA	Australian Prudential Regulation Authority
Board	Board of the Trustee
Constitution	Memorandum of Association dated 17 June 1994 as amended in 2005 and by Articles of Association adopted on 12 July 1994 and as subsequently amended
CFMEUQ	Construction, Forestry, Mining & Energy, Industrial Union of Employees, Queensland in respect of its State Construction and General Division
Director	Director of the Trustee
Fit and proper	The process described in the Trustee's Fit and Proper Policy in order for the Trustee to comply with its Policy and its statutory obligations
Fund	Building Unions Superannuation Scheme (Queensland)
MBQ	Queensland Master Builders Association, Industrial Organisation of Employers
PCRN	People, Culture, Remuneration and Nominations (Committee)
PST	BUSS (Queensland) Pooled Superannuation Trust
SIS Act	Superannuation Industry (Supervision) Act 1993
Shareholders	CFMEUQ and MBQ
SPS	Superannuation Prudential Standard
SPG	Superannuation Prudential Guidance
Trustee	BUSS (Queensland) Pty Ltd

¹ SIS Act 34C

² SPS 510 (18)(c)(iii) and 23

³ SPS 510 (18)(c)(ii) and 22

⁴ SPS 510 (23)(a - b)

⁵ SPS 510 (17)

5. Nomination and Appointments

5.1 Directors⁶

The appointment of Directors is governed by Sections 32 to 34 and 38 of the Constitution.

Under section 44 of the Constitution, Shareholder may pre-appoint Directors who are able to take up office to fill a vacancy of that Shareholder's Board - nominees. A Pre-appointed Director (as that term is defined in the Constitution) is only appointed to the position of Director at such time that the vacancy is filled. It is only at such time that the obligations and powers granted to a Director (including those under the Fit and Proper Policy) will be applicable to that Pre-appointed Director.

Shareholders are provided with the Fit and Proper Policy which include a details of the competencies needed from individual Directors and the Board as a collective. Shareholders, when appointing a Director, are also encouraged to consider:

- Director tenure terms;
- current and past associations, directorships and similar positions;
- calls on their time from other commitments; and
- any other factors that may influence a Director appointment at the time it is being considered.

The Trustee expects Directors to devote the necessary time to the tasks entrusted to them. It is a requirement that all Directors always act in the best financial interests of the Fund's members.

The nomination and appointment process is:

- 1) Where the Board is aware of an upcoming vacancy,⁷ the Board should review if there are any specific desired competency or diversity attributes in light of the vacancy, the Board's composition, culture and strategic direction and objectives. The Board may delegate the review to its PCRN Committee. Notification to Shareholders of attributes may be through Directors that have roles with Shareholders, or by the Board Chair, or Board agreed delegate.
- 2) Shareholders appoint directors in writing to the to the Trustee, through the Board Chair or Company Secretary.
- 3) The Board Chair or Company Secretary advise all Directors of the appointment.
- 4) The Company Secretary is to conduct the initial fit and proper assessment.
- 5) The PCRN Committee reviews the fit and proper assessment started by the Company Secretary and considers the appointee's skills, knowledge and

⁶ SPS 510 18(c)(iii) & 23

⁷ Director changes are typically advised to the Trustee by the Shareholders

experience and how the appointment will help provide the optimal composition for the Board.

The PCRN Committee may seek further information from the Shareholder making the appointment or discuss, through a PCRN Committee or Board appointed delegate, how the appointee fits with the Trustee's requirements at that time.

- 6) The PCRN Committee provides a recommendation to the Board.
- 7) The Board approves the appointment, or otherwise, after completing the fit and proper assessment of the appointee. Committee appointments for the new Director are to be determined by the Board (refer 5.2).

The Board may seek further information from the Shareholder making the appointment, or discuss, through a Board appointed delegate, how the appointee fits with the Trustee's requirements at that time.

- 8) Once the Board approves the appointment, the new Director should sign their agreement to a letter of appointment that includes confidentiality provisions. A Deed of Indemnity and Access must then be executed on behalf of the Board and the new Director. The Company Secretary will arrange these documents.
- 9) On successful completion of the above, the new Director may begin training as follows:
 - a) participation in a Director induction workshop; and
 - b) development and implementation of a training plan.

Contentious Appointments

If a Shareholder appoints a person as a Director that is considered to be potentially inappropriate by the Board, a meeting with the appointing Shareholder/s will be convened to discuss the course of action. If a decision of the Board cannot be reached, the dispute resolution provisions of the Constitution must be followed.⁸

5.2 Appointment to Board Committees

The Board determines Director members of each Committee⁹ after recommendation by the PCRN Committee.

The Committee allocation for new Directors will be determined on appointment. A new Director appointment may be used for a broader review of Committee composition. In general Committee composition is reviewed annually, with Directors appointed to two Committees.

To provide specific expertise and to help the flow of new and independent ideas, Shareholders may appoint one person for each share, to be an additional attendee non-voting Committee member on the Member Services Committee, Investment Committee

⁸ Constitution (section 52)

⁹ Constitution (51)

and Audit and Risk Committee. Such appointments should consider the skills, knowledge and experience requirements of each Committee.

Committee composition, roles and responsibilities are described in detail in the Governance Framework and Committee Charters.

5.3 Board Chair

The Board will elect a Director to act as Chair of the Board.¹⁰

The Chair of the Board requires additional skills from that of Director positions. These skills, along with the responsibilities of the Chair are outlined in the Chair Position Description in the Governance Framework. The Director who is appointed as Chair, must have these skills prior to appointment.

5.4 Committee Chairs

The Board will be asked to appoint one Director to act as Chair of each Committee. The Chair of the Board cannot be nominated for these roles.

The Chair of each Committee requires additional skills from that of a Director. These skills, along with the responsibilities of the Chair of each Committee are outlined in the individual Committee Chair Position Descriptions within the Governance Framework. The Director who is appointed as Chair of each Committee, must have these skills prior to appointment.

5.5 Succession planning for Chair of the Board and Committees

To support succession planning, the Board aims for all Directors to be developed to be capable Chairs. To this end, all Directors:

- a) are encouraged to complete the Australian Institute of Company Directors Role of the Chair course, or a similar course; and
- b) should chair a Committee prior to being eligible to act as Chair of the Board.

6. Terms of Appointment for Directors

The Board has set a tenure of four years for each Director with the maximum of three full terms, or 12 years, in total unless otherwise approved by APRA.

The Board accepts that tenure can be an important factor in determining the mix of skills, experience and personal qualities for the Board. This will help retain the history and deep understanding of the Trustee, Fund and PST while supporting fresh ideas and perspective being brought to the Trustee.

¹⁰ Constitution (46)

Exceptional circumstances for reappointment exceeding tenure

In exceptional circumstances a Director may, with the approval of APRA, be appointed for a fourth term or part thereof. It would be expected that this would only arise in the following circumstances;

- the unexpected loss of more than a third of the Board in a six-month period;
- the average tenure of the Board falls to under three years;
- the unexpected loss of the CEO and Chair in the same 12-month period; or
- the Fund is going through a merger process and the relevant Director/s is/are considered critical to the merger process.

The Board must, in consultation with Shareholders, decide on any request for approval of an extended term.

7. Removal

Director positions become vacant if the Director:¹¹

- a) is removed by the Shareholder which appointed them and a replacement appointed;
- b) resigns by notice in writing to the Board;
- c) dies;
- d) becomes of unsound mind or a person whose personal estate is liable to be dealt with in any way under the laws relating to mental health;
- e) becomes physically incapacitated to such a degree that all other Directors resolve that such a Director is not able to carry out its duties as a Director;
- f) is absent without the consent of the Directors from meetings of the Directors held during a period of three consecutive months; and
- g) is considered to not meet the Trustee's fit and proper criteria.

The removal of a non-Director Committee attendee member shall be in writing by the Board Chair to the applicable Shareholder.

8. Board Renewal¹²

The Board collectively, and Directors individually, needs to have appropriate skills and experience to provide effective direction and oversight of the organisation.

¹¹ Constitution (37). These reasons are subject to complying with legislated requirements.

¹² SPS 510 18 (c) (ii) & (iii); SPS 510 (22); SPS 510 (23)

Skills, knowledge and experience

When a Director's four-year term ends, they will be considered for reappointment. The Board will consider the skills, knowledge and experience the Director brings to the Board and how it complements those of the other Directors along with the results of the last Board performance review.

If the Board determines that other skills, knowledge and experience are desirable, it should discuss its requirements with the applicable Shareholder/s through Directors that have roles with Shareholders or by the Chair, or Board agreed delegate/s, contacting Shareholder/s.

The Trustee will also consider whether it still considers the Board to have sufficient skills in place to carry out the objectives of the Board without independent Directors, considering complexity, size and characteristics of the Trustee, Fund and PST and the Trustee's strategic objectives.

Diversity

Diversity of the Board will be considered when renewing Directors. The Trustee recognises the importance of a diverse Board with a range of professional and personal backgrounds, experience, age and gender.

Length of service

The Board will also consider whether Directors have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the beneficiaries and provide fresh ideas.

Staggering terms

To the extent practicable, the Trustee will liaise with Shareholders to stagger Director terms to help guard against sequencing risk and ensure a managed transition of Directors. Directors' terms of office are four years, to be reviewed at the end of each term. If necessary, to ensure terms are staggered, the Board may shorten the four-year term at its discretion.

Renewal consideration at Board Performance Review

At each Board performance review the Board will review the skills and knowledge of the Directors to help ensure that:

- the Trustee collectively has the necessary skills, knowledge and experience to protect the interest of, and meet the expectations of, the beneficiaries; and
- each Director has the skills and knowledge to make an effective contribution to the Board.

Refer to the Board Performance Review Policy and Procedures for further information on the annual review process.

Process

The renewal process is managed by the PCRN Committee, with a recommendation to the Board.

- 1) If eligible for reappointment (i.e. the Director has not served more than two terms):
 - a) the Company Secretary should notify the appointing Shareholder that a four-year term for the Director is coming to an end; and
 - b) the PCRN Committee will consider the Board's broader skills, experience and composition requirements and how the Director is likely to continue to bring new ideas and independent thinking to the Board and if there is any reason they cannot continue to act in the best financial interests of beneficiaries. The review should be conducted at least three months prior to the Director's current four-year term expiring. This review should consider:
 - the continued support of the appointing Shareholder;
 - fit and proper requirements and the Director's ability to meet these;
 - the desired and current skills, knowledge and experience of the Director and the Board as whole;
 - the Trustee's strategic direction and objectives;
 - the Trustee's size, business and complexity;
 - the Board's diversity aims;
 - the annual Board performance assessment;
 - the Director's contribution to Board discussions and decision making and attendance record at meetings; and
 - The desirability of smooth transitions when Board changes occur and a staggered replacement process.
- 2) The Committee makes a recommendation to the Board.
- 3) The Board considers the recommendation. The Board may discuss with the applicable Shareholder the Trustee's requirements at that time.

9. Document Review

This Policy will be reviewed biennially or earlier if considered necessary due to a change in legislation or a significant change in the structure or operations of the Trustee, Fund or PST.