

## OPERATING POLICIES AND PROCEDURES

### Chapter 9

#### Appointment and Evaluation of Directors Policy and Procedures

1 September 2013

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#### 1. Background and Introduction

- 1.1 The directors, employees and committees of the PIDG Companies should have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively.
- 1.2 The search for directors should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.
- 1.3 The boards of the PIDG Companies should satisfy themselves that plans are in place for orderly succession for appointments to the boards so as to maintain an appropriate balance of skills and experience within each board and to ensure progressive refreshing of the board.
- 1.4 In accordance with the PIDG Constitution and the Amended and Restated Declaration of Trust, the PMU (or Chair's Office) shall seek the approval of all board appointments from those PIDG Members funding the PIDG Company concerned (except in relation to any permitted lender-nominated Directors) before the PIDG Trust gives its approval as shareholder of the PIDG Company.

#### 2. Appointments Committee

- 2.1 Subject to paragraph 2.6, each PIDG Company shall have an Appointments Committee to:
  - a. make plans for the orderly succession for appointments to the Board so as to maintain an appropriate balance as set out in paragraph 1.1 above;
  - b. make recommendations to the PIDG Members funding the PIDG Company regarding the extension of any directors' term, such recommendations to be submitted via the PMU; and
  - c. manage the recruitment and evaluation of directors in line with this Appointment and Evaluation of Directors Policy and Procedures.
- 2.2 No more than two directors on any board (assuming a board of at least 5) shall be due to retire in any year.
- 2.3 Subject to paragraph 2.6, the Chair of each board shall be the Chair of the Appointments Committee unless otherwise agreed by the board, except that no director may sit on, or vote on decisions of the Appointments Committee if it is his/her term or his/her replacement that is being considered.

- 2.4 The Appointments Committee shall have clear terms of reference, explaining its role and the authority delegated to it by its board.
- 2.5 No member of an Appointments Committee should be a close friend or family member of any candidate, or have any other similar conflict of interest. If such a conflict arises in relation to any recruitment, s/he should step down from the Appointments Committee and be replaced by another Director for that recruitment. Each Appointments Committee shall confirm to the Chair's Office (via the PMU) in relation to each appointment that no member of the Appointments Committee has any such conflict.
- 2.6 For the purposes of the appointment of a Chairperson of a PIDG Company, the Appointments Committee shall not be a committee of the board of the PIDG company, but shall consist of the Special Counsellor, the Chair of the PIDG Governing Council, a representative of those PIDG Members funding the PIDG Company concerned and any other person the Chair's Office may select to be a member of the Appointments Committee.

### **3. Recruitment Procedure**

- 3.1 The recruitment procedure must be open, formal, rigorous and transparent:
  - a. a candidate specification for each position shall be sent by the Appointments Committee to the PMU for the PIDG Members funding the PIDG Company to approve;
  - b. Appointments Committee/search firm will place an advertisement in publication(s) most appropriate to securing candidates who meet the terms of reference. A copy of the advert should be placed on the PIDG Company's website and sent to the PMU for placing on the PIDG website and circulating to all PIDG Members and throughout PIDG networks;
  - c. Appointments Committee/search firm will review applications received to develop a long-list of candidates;
  - d. Appointments Committee/search firm will develop a short-list of candidates for submission to the relevant PIDG Members (and in the case of the appointment of a Chairperson, to the other directors of the PIDG Company concerned) via the PMU;
  - e. for all appointments excluding the appointment of a Chairperson, the Chair of the Appointments Committee (or his/her alternate), another director and a representative of the PIDG Members funding the corporate entity (which may be the Executive Director of the PMU) shall interview short-listed candidates to select the preferred candidate. The PMU shall attend all interviews to support the interview panel in its deliberations;
  - f. for the appointment of a Chairperson, the Appointments Committee shall interview short-listed candidates to select the preferred candidate. The PMU shall attend all interviews to support the interview panel in its deliberations;

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- g. the preferred candidate for any Chairperson position shall then be interviewed by a representative of the other directors of the PIDG Company concerned prior to appointment; and
  - h. the Appointments Committee shall effect the appointment of the approved candidate, obtaining any references as may be requested by the interview panel.
- 3.2 The candidate specification for each position must include an accurate assessment of time commitment, recognising the need for availability in the event of crises, particularly in relation to the position of Chairperson of boards or committees. They should accurately reflect all elements of the role and should state both the essential and desirable criteria in terms of skills, aptitudes, knowledge and experience that are required, all of which should be directly related to the position and applied equally to all applicants. Care should be taken when drawing up the terms of reference to avoid including criteria that may have the effect of indirectly discriminating against certain groups of applicants.
- 3.3 Advertisements should be based on the candidate specification and identify a number of the essential criteria in order to maximize the number of suitably qualified applicants.
- 3.4 Applications shall be by covering letter and curriculum vitae.
- 3.5 Appointments will be based on merit and all applicants should be assessed against the terms of reference and should meet the essential criteria as a minimum. Care must be taken to ensure that appointees have enough time available to devote to the job, that they will be able to freely discuss and make judgements about the status and/or performance of contractors, including the managers, and where relevant, lenders, without conflicts of interest and that they are able to freely discuss strategy without any conflicts of interest.
- 3.6 The appointment of a politically exposed person should be avoided, unless the political exposure is/was in a low risk jurisdiction.
- 3.7 Interview panels shall be responsible for agreeing a selection method suitable for assessing both the essential and desirable criteria in the terms of reference. Interview questions and the structure of the interview should be consistently applied to all candidates and should be based on the terms of reference.
- 3.8 The PMU and the interviewers shall take notes recording the salient points of each interview so that they can be used when assessing candidates against the terms of reference and making decisions.
- 3.9 In the event that a candidate requests feedback about their performance in the selection process this should be arranged by the Chair of the interview panel, although s/he may delegate this to another member of the interview panel where appropriate.
- 3.10 Unsuccessful interview candidates should be dealt with courteously and sensitively and should as a minimum receive written notification of the outcome of the selection process.
- 3.11 Where there is disagreement amongst the interview panel as to the successful candidate the majority view shall prevail.

- 3.12 Information sought from referees should be structured around the requirements of the position and the terms of reference should be provided. It should be noted that many organizations have a policy of not providing personal references and therefore references provided may only confirm details of current appointment. Referees should not be contacted without the candidate's consent and the information provided should be treated as confidential and should be used only to verify information collected through the selection process.
- 3.13 All individuals involved in the recruitment process must treat documents relating to all applicants with the utmost confidentiality and in accordance with applicable data protection legislation.
- 3.14 The recruitment procedure may be adjusted with the prior approval of the PIDG Members funding the PIDG Company concerned, where good reasons are given for why this is appropriate in a particular case.
- 3.15 The Chairperson of the board, with such support from the other directors as required, shall be responsible for the induction of new directors in accordance with that company's induction procedure and to ensure that each director is aware of the Code of Conduct and these PIDG OPPs. The Chairperson Appointments Committee, with such support from the other directors as required, shall be responsible for the induction of a new Chairperson.

#### **4. Terms and Conditions of Appointment**

- 4.1 Successful candidates will be required to enter into a service contract for an initial term of up to 3 years, which may be extended for two further three year terms (or, if the initial period is less than three years, such longer periods as shall bring the total period of service to no more than nine years, but with no period to be longer than five years).
- 4.2 A further one year extension may be permitted in exceptional circumstances on a "comply or explain basis" taking into account the need to progressively refresh the board.
- 4.3 The service contract shall set out the number of days the director is expected to spend on PIDG business each year.
- 4.4 Current levels of remuneration are set out in the Remuneration Policy and Procedures.

#### **5. Evaluation of Directors**

- 5.1 The performance of each director shall be reviewed on an annual basis by the Chairperson of the Board, who may use such external support as s/he requires to undertake such reviews.
- 5.2 The Chair's Office shall be responsible for annual performance evaluations of the Chairpersons, taking into account the views of the directors. The Chair's Office may use such external support as required to undertake such reviews.
- 5.3 Before consideration of the renewal of each director's term and at least once every three years, the Chair's Office shall commission an independent external evaluation of the director concerned. This shall be carried out in a manner which permits the evaluation report to be disclosed on a confidential basis to the Chair's Office and subject to the signing of a confidentiality agreement, the PIDG Members providing funding to the relevant PIDG

Company. The Chair's Office shall discuss the findings of the evaluation with the director and the Senior Independent Director. The findings of such reviews shall inform the process of reappointment for each director.

- 5.4 The Chairperson of the board shall be responsible for an annual performance evaluation of the board and at least once every three years, the Chair's Office shall commission an independent external evaluation of the Board. This shall be carried out in a manner which permits the evaluation report to be disclosed on a confidential basis to the Chair's Office and subject to the signing of a confidentiality agreement, the PIDG Members providing funding to the PIDG Company. The Chair's Office shall discuss the findings of the evaluation with the Chairperson and the Senior Independent Director (if one is appointed).

## **6. Lender Nominated Directors**

- 6.1 In order to avoid conflicts of interest, lenders should be discouraged from requiring the right to appoint directors to the board of any PIDG Company and such appointments should only be made on an exceptional basis. If a PIDG Company has a Credit Committee, lenders should wherever possible be encouraged to protect their interests by appointment to Credit Committee rather than to the board to ensure that the independence of the board is maintained. If a PIDG Company considers that a lender should be given a seat on its Board, the PIDG Company should inform its supervising entity (as set out in Annex 1 of the Code) of its decision under the comply or explain principle set out in the Code
- 6.2 If a lender is reluctant to give up an existing position on a board, they should be encouraged to appoint someone who is not an employee or director of that lender. The lender must ensure that the appointee has the required skills, experience and time required for the position. If a lender wishes to continue to appoint an employee or director to a Board, the PIDG Company should inform its supervising entity (as set out in Annex 1 of the Code) of the lender's request under the comply or explain principle set out in the Code
- 6.3 A lender nominated director shall not except on an exceptional basis enter into a service contract with the PIDG Company or receive any fees from the PIDG Company for the position. If a PIDG Company considers that such a service contract and/or fees are required for any lender nominated director, the PIDG Company should inform its supervising entity (as set out in Annex 1 of the Code) of its decision under the comply or explain principle set out in the Code.
- 6.4 The performance of each lender nominated director shall be reviewed in accordance with this Appointment and Evaluation of Directors Policy and Procedures.

## **7. Representatives of Management Companies**

- 7.1 Representatives of the management companies providing services to a PIDG Company shall not be permitted to be appointed a director of a PIDG Company except that (i) on an exceptional basis, a member of the management team may be appointed a director of a PIDG Company where the consent of the Chairperson of the relevant board has been granted and the relevant board has documented and submitted to the PMU how they intend to address any conflicts of interest and how they will ensure that the board's ability to discuss the performance and terms and conditions for the manager is not inhibited by such appointment; and (ii) where a representative(s) of a management company is already

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appointed a director of a PIDG Company pursuant to the terms of a management services agreement or other agreement, the appointment shall continue so long as the relevant board has documented and submitted to the PMU how they address any conflicts of interest and how they ensure that the board's ability to discuss the performance and terms and conditions for the manager is not inhibited by such appointment.

- 7.2 The representative shall not enter into a service contract with the PIDG Company and will not receive any fees from the PIDG Company for the position.
- 7.3 The performance of the representative shall be reviewed in accordance with this Appointment and Evaluation of Directors Policy and Procedures.