

## Board Renewal and Assessment Policy

<b>Trustee:</b>	Linear Asset Management Ltd (Linear)
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This is the **Board Renewal and Assessment Policy** of Linear.

The policy was approved by the board of directors of Linear by circulating resolution passed on 23 October 2013.

Signed by the Chairman of Linear (as at 23 October 2013) as a true record.



Chairman – Colin Peterson

Date 23 October 2013

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## Board Renewal and Evaluation Policy

### Table of Contents

1.	Introduction .....	3
2.	Background and Prudential Standards.....	3
3.	Board collective and individual requirements .....	3
4.	Board Renewal .....	4
5.	Board performance evaluation .....	5
6.	Conflicts of Interest.....	6
7.	Review of Policy .....	6

## **1. Introduction**

- 1.1 This policy applies to the Board of Directors of Linear Asset Management Ltd.
- 1.2 The Board renewal and review process provides an opportunity for the Board to reassess the contributions of retiring directors, the blend of qualifications, experience and knowledge represented on the Board, the specific requirements of regulatory authorities to which the Company is responsible and to plan Board succession accordingly.

## **2. Background and Prudential Standards**

- 2.1 It is a requirement of APRA's Prudential Standards relevant to the Company that the Board must have a *Board Renewal and Assessment Policy* which is required generally to:-

- (a) set out how the Board intends to renew itself in order to ensure it remains open to new ideas and independent thinking, while retaining adequate expertise;
- (b) give consideration to whether Directors have served on the Board for a period that could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of beneficiaries; and
- (c) include a process for appointing and removing Directors, including the factors that will determine when an existing Director will be reappointed.

- 2.2 The Board must also have procedures in place for assessing, at least annually, the Board's performance relative to its objectives as well as the performance of individual directors.

- 2.3 The purpose of this policy is to provide a process by which the board reviews the composition and performance of the Board and its members on an annual basis in accordance with the Prudential Standards.

## **3. Board collective and individual requirements**

- 3.1 All Directors have a responsibility to ensure the Board operates effectively and efficiently and adds value to the Company.

- 3.2 Collectively, the Board must have the necessary skills, knowledge and experience for:

- (a) the effective and prudent operation of Linear's business operations;
- (b) understanding the risks of Linear's business operations, including both its legal and prudential obligations; and
- (c) ensuring Linear's business operations are managed appropriately.

- 3.3 Each director must demonstrate throughout the course of their tenure, that the Director has the necessary skills, competence and expertise to make a contribution to the Board process and that the Director understands the risks and prudential obligations associated with the business.

3.4 The Board must ensure that it possesses the relevant attributes which enable Linear to properly discharge its duties as a licensee in a prudent manner.

#### **4. Board Renewal**

4.1 In order to ensure that the Prudential Standards are met, and for the good governance of the Company, it is intended to provide a mechanism to assist the Board in annually reviewing the composition of the Board and Board succession by way of an agreed policy.

4.2 It is intended that all incoming non-executive Directors shall be engaged under a services agreement to act as a director of the Company for a period of 12 months, or such other period as is determined by the Board and agreed by the Director at the time of appointment, after which time the Director agrees to voluntarily offer to retire or resign the Director's position as director, or the Company may otherwise terminate the engagement.

4.3 Each year upon the retirement of a Director or the expiry of the Director's term under the Services Agreement, the Board or any Director may nominate a party deemed suitable to act as a director, including any retiring Directors, for election to the Board to fill the vacancy.

4.4 The retiring Director is entitled to nominate him or herself for re-election to the Board.

4.5 The remaining board members are then provided the opportunity to support, by majority vote, the election of the Director or Directors who have been nominated for election.

4.6 The Board is not obliged to automatically support for re-election a Director who is required to retire by virtue of this rotation policy and who wishes to stand for re-election or whose term has expired.

4.7 Where it is proposed to appoint a new Director, the consideration of potential candidates shall take into account that the Board strives to achieve a balance of skills, tenure, experience, diversity, and perspective amongst its Directors.

4.8 In considering the appointment of a Director or, where applicable, the re-appointment of a retiring Director, the Board (not including the retiring Director) will consider whether to support the election of a nominee and in doing so will consider the following:

- (a) the Director's qualifications, experience and knowledge;
- (b) the qualifications, experience and knowledge required on the Board, including as part of its business operations and regulatory requirements and the extent to which those qualifications and that experience and knowledge are represented on the Board;
- (c) the extent to which the appointment would enhance the Board's capacity to generate new ideas and independent thinking whilst retaining adequate expertise;
- (d) whether the composition of the Board is such that the members collectively have adequate and relevant expertise and skills for the operations of the business;

- (e) the independence of the Director by reference to the board's then current policy on independence; and
  - (f) In the case of a retiring Director:-
    - (i) the Director's performance as a Director
    - (ii) the Director's attendance at Board meetings, and contribution to, Board deliberations and establishment of strategic objectives;
    - (iii) the extent to which the Director has observed the requirements of the Linear Board Charter;
    - (iv) whether the retiring Director has served on the board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company and its shareholders;
  - (g) any other matter the Board (not including the retiring Director) considers appropriate, including all matters contained in the Superannuation Industry (Supervision) Act 1993, the Corporations Act 2001 and the Prudential Standards.
- 4.9 Only after considering those matters will the Board (not including any retiring Director) determine by simple majority whether to reappoint the retiring Director or such other nominee as may be nominated for election.
- 5. Board performance evaluation**
- 5.1 The Board as a whole must regularly, and no less than annually, assess the performance of the Board as a whole and the individual directors to ensure that each member of the Board maintains the competencies required and that the Board as a whole maintains the combination of skills and expertise necessary for the business operations.
- 5.2 This policy generally requires, on an annual basis:
- (a) the Board to undertake an assessment of its performance relative to its objectives and responsibilities at least annually, to determine whether it is adequately and efficiently carrying out its functions and responsibilities;
  - (b) the Chairperson to undertake an evaluation of individual Directors' performance annually; and
  - (c) a Director nominated by the Board to undertake an evaluation of the Chairperson.
- 5.3 In assessing the performance of Directors, the Chairperson will meet individually with each Director to discuss individual performance and ideas for improvement.
- 5.4 This assessment may include an assessment questionnaire or performance matrix which may be formulated by the Board or Chairperson from time to time.

- 5.5 The measures of performance for Directors (including the Chairperson) include:
- (a) demonstration of the required expertise, skills, knowledge, competence and experience required for the role;
  - (b) attendance and participation at Board meetings;
  - (c) observance of the Director's legal obligations;
  - (d) contribution to Board deliberations and the overall management and strategic objectives of Linear; and
  - (e) any other matters deemed to be relevant to the performance of the Director.
- 5.6 In relation to the evaluation of the performance of the Board as a whole, the Board must carry out a critical annual review and discussion of the Board's performance throughout the year, having regard to:-
- (a) The extent to which the Board has met and furthered the Company's strategic objectives;
  - (b) The extent to which the Board has observed and complied with the Board Charter;
  - (c) The Company's accountability to shareholders;
  - (d) The achievement of best practice corporate governance procedure;
  - (e) Compliance with regulatory provisions and prudential standards;
  - (f) Effectiveness and efficiency achieved in outcomes and discharge of duties; and
  - (g) Identification of any areas for change or improvement.

## **6. Conflicts of Interest**

- 6.1 Any conflicts of interest in assessing Board or Director performance or the appointment of a Director shall be managed in accordance with Linear's conflict management policy, Constitution, the *Corporations Act 2001* (Cth), prudential standards (including, SPS 521 *Conflicts of Interest*) and current best practice.

## **7. Review of Policy**

- 7.1 The Board must review this Policy annually for ongoing relevance and effectiveness.