

Management report to Council**Agenda item 6.3****Adoption and Changes to Wholly Owned Subsidiary Governance Policy****Council****Presenter:** Michael Tenace, Chief Financial Officer**27 July 2021****Purpose and background**

1. The purpose of this report is to propose adoption of revised Governance Protocols for Wholly Owned Subsidiary Companies (Protocols). The Protocols were adopted by Council in May 2021 as part of a suite of policies without detailed review. Prior to that the Protocols were reviewed by Management under delegation as changes were administrative in nature.
2. The revised Protocols have been updated to reflect changes and to align to the existing Committee Structure, and to strengthen the interaction between Council, Council Executive management and our Wholly Owned Subsidiaries.

Key issues

3. The substantive changes to the revised Protocols are to change:
 - 3.1 'Audit Committee' to 'Audit and Risk Committee'
 - 3.2 'Chair of the Finance and Governance Committee' to 'Lead of Finance, Governance and Risk Portfolio'
 - 3.3 'Council's Finance and Governance Committee' to 'Finance, Governance and Risk Portfolio Group Meeting'
 - 3.4 'Corporate Management Team' to 'Executive Leadership Team'
4. The changes are referred to the Council due to the change proposed in paragraph 3.3 being a matter for Council.
5. In February 2010 Council dissolved the Former Finance and Governance Committee and appointed Councillors as Chair and Deputy Chair, of the Finance and Governance segment of the Future Melbourne Committee agenda. No change was made to the Protocols at that time and the Chair of the Finance and Governance portfolio was seen as the natural successor and assumed the role previously held by the Chair of the Finance and Governance Committee in relation to the Protocols.
6. With the change in the structure of portfolios, there is no natural Councillor successor to the Chair of the Finance and Governance portfolio. It is proposed that the Lead and Deputy Lead of the Finance, Governance and Risk Portfolio Group Meeting or their nominee now be the Council's nominees.
7. In addition, the Lord Mayor is required to be consulted as part of the recommendations from the Joint Nominations Committee.

Recommendation from management

8. That Council adopt the revised Governance Protocols for Wholly Owned Subsidiary Companies (Attachment 2 of the report from management).

Attachments

1. Supporting attachments (Page 2 of 68)
2. Wholly Owned Subsidiary Companies Policy (Page 3 of 68)
3. Wholly Owned Subsidiary Companies Policy (marked up version) (Page 36 of 68)

Supporting Attachment

Legal

1. Legal advice has been provided in respect to the revised Protocols.

Finance

2. No direct financial issues arise from the recommendation from management.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report.

Health and Safety

4. In developing this policy, no Occupational Health and Safety issues or opportunities have been identified.
5. No direct external consultation was undertaken. The changes adopted are an update of nature to existing protocols that have been updated as indicated under section 3.

Relation to Council policy

6. Wholly Owned Subsidiary Governance Policy

Environmental sustainability

7. There are no direct impacts on environmental sustainability as a result of this report.

City of Melbourne

**Governance Protocols for
Wholly-Owned Subsidiary
Companies**

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Statement of purpose of governance protocols

The governance protocols deal with the policies and procedures the corporate entity, the City of Melbourne (the Council), has in place to ensure consistency in governance practices between the Council, including Council Committees, and its wholly-owned Subsidiary Companies:

- CityWide Service Solutions Pty Ltd (CityWide); and
- Queen Victoria Market Pty Ltd (QVM).

These governance protocols document the roles and responsibilities, reporting requirements and other issues, to enable greater clarity, transparency and accountability.

In documenting these governance protocols, we have taken into account the ASX Corporate Governance Council Corporate Governance *Principles and Recommendations*, as updated in 2019, and other better governance practices.

Management reviews these corporate governance protocols at least annually, and makes changes as necessary.

All new Subsidiary Board Members should be given a copy of these protocols as part of their induction process.

The Chief Financial Officer is responsible for the maintenance and review of these protocols to the Council and communication of any changes to the Subsidiary Companies.

A. Governance Framework

A.1 Corporate governance

Corporate governance is a system or process by which corporate entities, exercising accountability to shareholders and responsibility to stakeholders, are directed and controlled to achieve sustainable improvement in shareholder value.

In the context of these protocols, corporate governance refers to the roles, responsibilities and relationships that exist between the Council, its Committees and Executive Officers and the Boards of the wholly-owned Subsidiaries, and the systems that are in place to ensure that responsibilities are understood and met.

A.2 Governance framework for wholly-owned Council subsidiary boards

The Council governance framework incorporates the following key elements:

- Governance protocols: to create a structured and consistent process for governance and communication between Council committees, Council Officers and Subsidiary Boards;
- Board charters (codes of governance practices): to ensure that the board of each Subsidiary Company has appropriate policies and procedures in place for the governance of their Company; and
- Committee structure: that allows specific issues to be covered by either the Board or a Committee as determined by each Subsidiary Company Board.

A.3 Legislative restrictions

The *Local Government Act 2020* (LGA) and constitutional items included in the constitutions of each Subsidiary Company places the following restrictions on the Subsidiary Companies.

- **Risk management**
 - a. Section 101 of the LGA requires Council to manage prudently financial risk of the beneficial enterprises of the Council
 - b. Section 111 of the LGA requires that Council must assess the total investment involved and the total risk exposure and ensure that its total risk exposure does not exceed its total investment. As a result, Council will not borrow money to participate in a beneficial enterprise
 - c. Section 111 of the LGA requires Council to establish risk management arrangements
 - d. Section 111 of the LGA requires Council to implement regular performance monitoring and reporting arrangements in relation to the beneficial enterprise

For the purpose of managing risks associated with wholly owned subsidiaries, the Council will assess and report the risk of the beneficial enterprises at minimum on a quarterly basis based on the wholly owned subsidiaries' quarterly report.

Any material financial risk will be reported to the Chief Financial Officer and Council immediately

- **Borrowings**

For so long as the Council remains a shareholder, any wholly-owned Subsidiary Company of the Council may not exercise the power to borrow or raise money or enter into any transaction having the substantive effect of borrowing money from a person and/or company other than from the Council without the prior consent in writing of the Treasurer for the time being of the State of Victoria. (pursuant to each Subsidiary Company's constitution).

- **National competition policy**

When competing in the market place for business, Council Subsidiary Companies shall not have competitive advantage pursuant to the principles originally developed under the National Competition Policy (in accordance with National Competition Policy and Local Government – A Revised Statement of Victorian Government Policy, January 2002).

B. Strategic Intent

B.1 Shareholder guiding principles

The guiding principles of the governance and communication arrangements with the Council are

- The Council exercises shareholder control;
- The relationship with the shareholder are detailed in these protocols for Subsidiary Companies;
- Each Subsidiary Company is managed in the best interests of the Company;
- Requirement for an annual statement of corporate intent and corporate plan;
- Subsidiary Company Chairpersons have formal access to the Lord Mayor and Chair of the Finance, Governance and Risk Portfolio Group Meeting;
- All communication is on the basis of continuous disclosure in a corporate culture of “no surprises”;
- The Subsidiary Boards and their Management maintain the highest standards of integrity, accountability and responsibility; and
- The key Council contact is the Chief Financial Officer

B.2 Purpose of Council Subsidiary Companies

The statement of corporate intent sets out the intentions and expectations for each of the wholly-owned Subsidiary Companies by the City of Melbourne for the coming financial year.

B.3 CityWide Service Solutions Pty Ltd (CityWide)

The principal objective of CityWide is to operate as a successful and profitable business so as to maximise the return (capital enhancement, annual dividend and tax equivalents) to the shareholder. In summary the objective is achieved by ensuring:

- Services are provided at a level of price and quality which retains the ongoing business of existing clients as well as attracting new ones;
- As per Article 91 (3) of CityWide’s constitution, for long as the Council remains a shareholder, the Company may not exercise the power to borrow or raise money or enter into any transaction having the substantive effect of borrowing money from a person other than the Council without the prior consent in writing of the Treasurer for the time being of the State of Victoria.
- As per Article 93 of CityWide’s constitution,
 - a. (4) the members may comment on the business plan. The Company must consider any comments on the proposed plan that are made to it by the members within one month after the plan was submitted to the members
 - b. (5) the Company must consult in good faith with the members following communication to it of the member’s comments, must make such changes to the plan as are agreed between the Company and the members and must deliver the completed plan to the members within two months after the plan was first submitted to the members.
 - c. (6) the business plan may be amended from time to time by the Directors subject to the approval of the members
 - d. (7) the Directors must not undertake any operations or activities not included in the business plan or make any expenditure in excess of the amount provided in the business plan, except in the case of emergency, the Directors may make such immediate expenditure as necessary for the protection of the safety of any person or the property of the Company. The Directors must promptly notify the members of any such expenditure.
- Maintenance of commercial pressure in the market place that is reflected in lower service delivery costs to the Council;
- Focus on customer service is developed and maintained;

- Staff are managed so that they perform their work to standards, promote individual growth, and ensure that their work is personally rewarding as well as providing greater flexibility and improved productivity for the Company;
- Company's structure, work practices and organisation are developed so as to maximise the use of resources and to provide a safe place in which to work;
- A moderating influence is exerted on the competitive environment for local government services; and
- Values of good corporate citizenship are always upheld.

B.4 Queen Victoria Market Pty Ltd (QVM)

The primary objective of QVM is to ensure that the market is a place where people go to experience Melbourne; the glorious fresh food, the array of goods, the vibrancy and the atmosphere. It is quintessential Melbourne; it shows our history and defines our future, and is a place where you feel welcome and at home.

In achieving this, the Company will:

- protect the underlying principles of a market;
- operate the Market to optimise financial and social returns;
- be an exemplar of sustainability, safety, health and wellbeing, education, Victorian grown and manufactured goods and tourism;
- provide access to all; and
- add to the Market experience.

B.5 Shareholder value

The test of a Board's effectiveness is its ability to increase shareholder value, without ignoring the interests of other stakeholders.

The Council, as custodians for the community, residents and ratepayers, and as shareholder, has the following expectations for each subsidiary in the medium to longer term:

- CityWide - profitable growth.
- QVM - as an important historical and cultural city icon and tourist attraction to remain wholly-owned by the Council, with a strong emphasis on sustainable profitability.

B.6 Wholly-owned stakeholder needs and expectations

The Directors of the Subsidiary Boards, the Council as shareholder, and as represented by the Finance, Governance and Risk Portfolio Group Meeting, the Audit and Risk Committee and Council Executive Management in their decision-making and/or reviewing roles need to take a balanced approach when dealing with the needs and expectations of the shareholder and the other stakeholders.

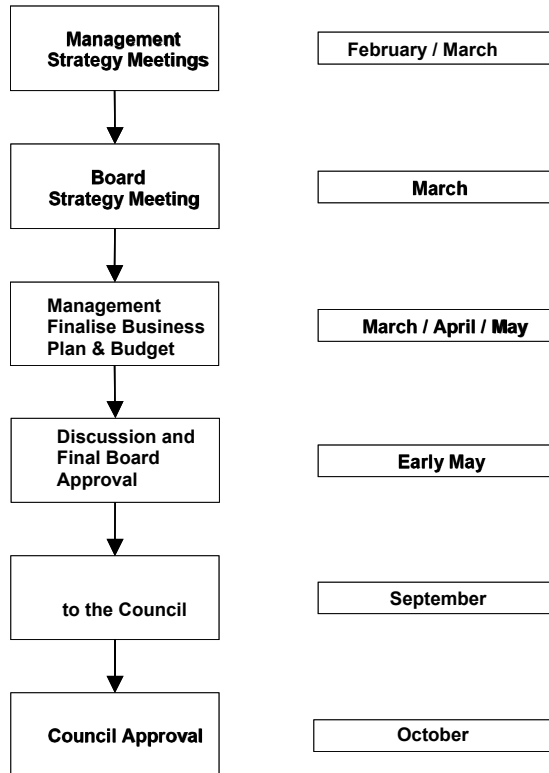
In the statement of corporate intent, the needs and expectations of the shareholder and the anticipated needs and expectations of the other stakeholders are to be detailed in the macro.

As perceptions change over time, the Subsidiary Boards, Subsidiary Company Management, the Council, the Committees and the Council Corporate Managers need to be alert to these changes and ensure they are taken into account in any decision-making and / or reviewing process.

B.7 Strategic planning process

Through the Finance, Governance and Risk Portfolio Group Meeting ("the Portfolio Group"), the Council is able to provide policy input in the early stages of the strategic planning process of the Subsidiaries and to articulate any expectations, priorities or objectives.

Annually



The Subsidiary Board Director's role is more than just adopting/approving the strategic plan. Directors add value to the strategic planning process by:

- Ensuring a participative strategy development process is in place;
- Rigorous probing and examination;
- Challenging underlying assumptions;
- Stretching management's thinking;
- Questioning the impact of trends, especially technology and communication, in a rapidly changing business environment; and
- Translating changes and initiatives from other industries and environments to which Directors are exposed.

B.8 Emergency disaster planning role (CityWide)

The Council's emergency management responsibilities are detailed in the *Emergency Management Act*. The Council is required to provide resources to assist with the control/containment during any emergency and support any recovery effort.

The Council's primary emergency management response is provided by CityWide through the Civil Infrastructure Services contract. In addition, CityWide can provide emergency callout resources through other Council service contracts i.e., street cleaning, waste management and tree maintenance.

These requests are initially received into the Council's security control room and are issued to CityWide to respond accordingly.

B.9 Review of strategy

Given the nature of the changing environment a Subsidiary Company may need at any time to change their strategy. Such changes may be needed because other opportunities arise or risks for the existing business become too high.

- In any event that requires significant changes to the strategic plan, the Chief Financial Officer is to be advised immediately and must seek approval from Council. A significant change is defined as that which could have a material effect on the profitability and/or value of the Subsidiary Company..

B.10 Annual business plan

Annual business plans are to be submitted to Council as per the time table in section B.7. At a minimum Business plans must adhere to a standard format as per Appendix C, with any additional information added that may be required.

1 Protocol 1: Lay solid foundations for management and oversight¹

1.1 Board charter (code of governance practices)

Board charters are to be established that detail the policies and procedures each Subsidiary Company Board has in place for managing the Board's affairs and the governance of their Company. By documenting Board procedures, there will be consistent implementation of Board policies. The charter is to be reviewed at least annually and submitted to the Council for information if any significant changes are made.

Included in the charter should be a formal statement of matters reserved to the Board and the delegated authorities to Senior Management

The charter is different to these governance protocols, which establish the policies between the Council and the Subsidiary Companies.

1.2 Undertake appropriate checks before appointing a director or senior executive

The following information about a candidate standing for election or re-election as a director should be provided to Council:

In the case of a candidate standing for election as a director for the first time: –

- Confirmation that the entity has conducted appropriate checks into the candidate's background and experience
- If the board considers that the candidate will, if elected, qualify as an independent director, a statement to that effect;

1.3 Letter of appointment for Directors

As soon as a candidate has consented to become a Director of a Subsidiary Company, the Board should formally confirm the appointment by means of a letter signed by the Chair.

This could contain information on:

- Term of appointment;
- Time commitment envisaged;
- Power and duties of Directors;
- Council's governance protocols for Subsidiary Companies;
- Board charter;
- Expectations regarding Committee work;
- Remuneration and expenses;
- Superannuation arrangements;
- Requirement to disclose Director's interests and any matter which affects the Director's independence;
- Fellow Directors;
- Induction process and continuing education arrangements;
- Board policy on access to independent professional advice;
- Indemnity and insurance arrangements;
- Confidentiality and rights of access to corporate information;
- A copy of the constitution;
- Organisational chart of management structure; and
- Review of performance by the Chair.

¹ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 1 (4th Edition 2019).

1.4 The Company Secretary

The role of the company secretary should include:

- Advising the board and its committees on governance matters;
- Monitoring that board and committee policies and procedures are followed;
- coordinating the timely completion and despatch of board and committee papers;
- ensuring that the business at board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

Each director should be able to communicate directly with the company secretary and vice versa.

The decision to appoint or remove a company secretary should be made or approved by the board.

1.5 Diversity policy

The subsidiary company should:

- (a) have and disclose a diversity policy;
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
- (c) disclose in relation to each reporting period:
 - (1) the measurable objectives set for that period to achieve gender diversity;
 - (2) the company's progress towards achieving those objectives; and
 - (3) either:
 - (a) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or
 - (b) if the company is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.³¹

1.6 Board, committees and individual directors evaluation

The performance of Senior Executives should be reviewed regularly against agreed measurable and qualitative indicators.

1.7 Senior Executive evaluation

The performance of Senior Executives should be reviewed regularly against agreed measurable and qualitative indicators.

2 Protocol 2: Structure the board to add value²

2.1 Duties of Councillors and Council Officers

How Councillors and Council Officers deal with confidential information received from the Subsidiary Companies is important for the following reasons:

- Confidential customer information involved;
- Commercial sensitivity;
- Corporate reputation; and
- Legal implications.

All data will be considered in the public domain unless Subsidiary Companies provide a rationale for when reporting is “Commercial-in-Confidence”. Confidential information or “Commercial-in-Confidence” information that Councillors and Council Officers may obtain from Subsidiary Companies needs to be treated in keeping with the requirements of the Corporations Act and as detailed in the *Local Government Act*.

Subsidiary Directors, Subsidiary Company Management, Councillors and Council Officers should take all reasonable steps to ensure the exchange of information between parties is kept secure to avoid unauthorised disclosure

The *Local Government Act 2020* requires councillors and Council officers to have regard for the following:

- A Council is a body corporate with perpetual succession. (LGA s14 (1)(a))
- A Council may sue or be sued in its corporate name. (LGA s14 (1)(c))
- A Council is capable of doing and suffering all acts and things which body corporates may by law do and suffer and which are necessary or expedient for performing its functions and exercising its powers. (LGA s14 (1)(d))
- A Council must indemnify and keep indemnified each Councillor, member of a delegated committee and member of a Community Asset Committee against all actions or claims whether arising during or after their term of office in respect of anything necessarily done or reasonably done or omitted to be done in good faith:
 - a. In the performance of a duty or a function or the exercise of a power under the LGA 2020, the regulations or a local law or any other Act; or
 - b. In the reasonable belief that the act or omission was in the performance of a duty or a function or the exercise of a power under the LGA 2020, the regulations or a local law or any other Act (LGA s43).
- LGA Section 125 Confidential Information

(1) Unless subsection (2) or (3) applies, a person who is, or has been, a Councillor, a member of a delegated committee or a member of Council staff, must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.

Penalty: 120 penalty units.

(2) Subsection (1) does not apply if the information that is disclosed is information that the Council has determined should be publicly available.

(3) A person who is, or has been, a Councillor, a member of a delegated committee or a member of Council staff, may disclose information that the person knows, or should reasonably know, is confidential information in the following circumstances—

 - (a) for the purposes of any legal proceedings arising out of this Act;
 - (b) to a court or tribunal in the course of legal proceedings;
 - (c) pursuant to an order of a court or tribunal;
 - (d) in the course of an internal arbitration and for the purposes of the internal arbitration process;
 - (e) in the course of a Councillor Conduct Panel hearing and for the purposes of the hearing;
 - (f) to a Municipal Monitor to the extent reasonably required by the Municipal Monitor;
 - (g) to the Chief Municipal Inspector to the extent reasonably required by the Chief Municipal Inspector

² ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 2 (4th Edition 2019).

- (h) to a Commission of Inquiry to the extent reasonably required by the Commission of Inquiry;
- (i) to the extent reasonably required by a law enforcement agency;

- **LGA Section 123 Misuse of Position**

(1) A person who is, or has been, a Councillor or member of a delegated committee must not intentionally misuse their position—

- (a) to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or
- (b) to cause, or attempt to cause, detriment to the Council or another person.

Penalty: 600 penalty units or imprisonment for 5 years.

(2) An offence against subsection (1) is an indictable offence.

(3) For the purposes of this section, circumstances involving the misuse of a position by a person who is, or has been, a Councillor or member of a delegated committee include—

- (a) making improper use of information acquired as a result of the position the person held or holds; or
- (b) disclosing information that is confidential information; or
- (c) directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or
- (d) exercising or performing, or purporting to exercise or perform, a power, duty or function that the person is not authorised to exercise or perform; or
- (e) using public funds or resources in a manner that is improper or unauthorised; or
- (f) participating in a decision on a matter in which the person has a conflict of interest.

2.2 Duties of individual Directors

Under Common Law, Company Directors have a general duty to act honestly, with reasonable care, skill and diligence, and to discharge their fiduciary duties. Under the *Corporations Act* they are expected to use a reasonable degree of care and diligence in discharging their duties.

They must also act in good faith and must not use their position or the information they gain as a Director to advantage themselves or others, or to cause harm to the Company. Directors failing to meet these obligations can be charged with various offences under the *Corporations Act* as well as face being sued under Common Law.

The *Corporations Act* in Australia recognises that Directors are not infallible. It includes a “business judgement rule” which provides the Directors who:

- Make informed business judgements in good faith
- For a proper purpose
- Rationally believing the judgements to be in the best interests of the Company, shall be regarded as having met their duties of care and diligence under the *Corporations Act* and Common Law.

This does not mean Directors can take a cavalier attitude to business risk as Directors are still expected to make informed business judgements and they must have a rational belief that their decisions are in the best interests of the Company.

Company Directors also have obligations under various Federal and State legislation including taxation, equal opportunity laws etc. It is important to note that Directors can be held personally liable under some of these laws – liability is not necessarily confined to the Company itself.

2.3 Majority of the Board should be independent

An independent Director is a non-executive Director (that is, not a Member of Management) who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

All Directors, whether classified as independent or not, should bring independent and objective judgement to bear on board decisions.

To facilitate this there should be a procedure agreed by the Board for Directors to have access in appropriate circumstances to independent professional advice at the Company’s expense.

Non-executive Directors should consider the benefits of conferring regularly without Management present, including at scheduled sessions.

2.4 Independence materiality

When determining the independent status of a Director the Board should consider whether the Director:

- is a substantial shareholder of the Company or an Officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- is employed, or has previously been employed in an Executive capacity by the Company or another Group Member, and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- has within the last three years been a Principal of a material Professional Adviser or a material Consultant to the Company or another Group Member, or an employee materially associated with the service provided.
- is a material supplier or customer of the Company or other Group Member, or an Officer of or otherwise associated directly or indirectly with a material supplier or customer.
- has a material contractual relationship with the Company or another Group Member other than as a Director of the Company.

Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by Directors to the Board.

The Board should regularly assess whether each non-executive Director is independent. Each non-executive Director should provide to the Board all information that may be relevant to this assessment.

If a Director's independence status changes, this should be immediately disclosed and explained to the Chief Financial Officer.

2.5 CEO as a Director

In accordance with commercial practice, the Chief Executive Officer (CEO) of the Company may be appointed as a Director of the Company in line with its constitution.

Pursuant to the *Corporations Act* a CEO who attends all Board meetings may be said to be acting as a “de facto” Director and is liable in the legal sense in the same way a Director is who has been formally appointed.

The non-executive Directors should periodically meet for a short time without the CEO or other Management present.

2.6 Chair should be an independent Director

The chair of the board should be an independent director and should not be the same person as the CEO of the entity.

The Chair is responsible for the leadership of the Board and for the efficient organisation and conduct of the Board’s functioning.

The Chair should facilitate the effective contribution of all Directors and promote constructive and respectful relations between Board Members and Management.

The role of Chair is demanding, requiring a significant time commitment. The Chair’s other positions and outside commitments should not be such that they are likely to hinder effective performance in the role.

2.7 Chair’s position description

The division of responsibilities between the Chair and the CEO should be agreed by the Board and set out in a statement of position authority.

2.8 Nomination Committee

If the board decides to establish a Nomination Committee, it should comprise of two non-executive Directors. For the nomination of new Directors only, a representative from the Council or the Council’s Executive Management (or equivalent), and the Nomination Committee may also seek additional input from Advisors as required.

The key roles and responsibilities for this Committee, that are detailed in the charter and approved by each Subsidiary Board, should include:

- assessment of the necessary and desirable competencies of Board Members;
- review of Board succession plans;
- evaluation of the performance of the Board, its Committees and each Director; and
- recommendation for appointment and re-election of Directors.

Ultimate responsibility for these practices rests with the full Board, whether or not a separate Committee exists.

A sample Committee Charter is included in Appendix A

Alternatively, the Company may wish for the full Board to act as the Nomination Committee with meetings held concurrently, as required, with Board meetings. However, they are still required to have present a representative from the Council or Council’s Executive Management (or equivalent) when discussing the nomination of new Directors.

Any nomination of New Directors or extension of existing Directors will be subject to a Joint Nomination approval process

2.9 Board succession planning

Each Subsidiary Company has three-year terms for the Chair and Directors, which are rotated to ensure continuity of experience on the Boards.

The succession planning process must be robust and strategically focused on future needs, and on the skills required for each Subsidiary Company Board.

There also needs to be a clear understanding of whether there is an existing Director who could succeed the Chair.

Board Members appoint their Chair, in accordance with each Company's constitution.

2.10 Election of Directors

The names of candidates submitted for election as directors should be accompanied by the following information to enable Councillors to make an informed decision on their election.

- Biographical details, including competencies and qualifications and information sufficient to enable and assessment of the independence of the candidate
- A statement by the board as to whether it supports the nomination of the proposed candidates(s)
- Details of the relationships between the candidate and the company and the directors of the company
- Directorships held
- Particulars of other positions which involve significant time commitments
- The term of office currently served by any directors subject to re-election
- Any other particulars required by law

Non-executive directors should be appointed for specific terms and subject to re-election.

Reappointment should not be automatic.

2.11 Board composition and skill mix

Subsidiary Company Boards should consist of Directors who bring a mix of skills, experience and diversity based on the needs of the individual Boards in meeting their medium term strategic objectives.

When considering appointments, consideration should be given to how an individual can add value to the board by an analysis of the skills they will bring to the Board and taking into account the skills that are already possessed by the Board. Consideration also needs to be given to what skills will be required on Board Committees when appointing Directors.

The Subsidiary Board should provide for greater transparency of the process which the board adopts in searching and selecting new directors to the board. Such reporting should include

- Details of the a board skills matrix used to indemnify any 'gaps' in the skills and expertise of the directors of the board,
- The process by which candidates are identified and selected including whether professional intermediaries are used to identify and assess candidates,
- The steps taken to ensure that a diverse range of candidates is considered , and
- The factors taken into account in the selection process.

Desirable skills and experience may include:

- Business acumen and management;
- Finance and accounting;
- Risk management: understanding the risk management processes and internal control;
- Community liaison;
- Commercial Director experience;
- Retail;
- Technology;
- Marketing and understanding consumers;
- Heritage or town planning;
- Contracting;
- Human resources;

- Environment; and
- Information.
- A draft skills matrix is included at appendix B

2.12 Director selection, appointment and re-appointment processes

To ensure a pro-active and transparent process in the appointment of new Directors:

- **Pro-active and systematic process:** Subsidiary Boards should be proactive and systematic by undertaking rigorous and independent search (where appropriate) and selection to identify suitable candidates. Ideally, when the situation is a normal rotation retirement, this should commence at least nine to twelve months in advance of a Board vacancy.
- **Analysis of Board needs:** Determination of suitable candidates should be based on a careful analysis of the Board's existing strengths and weaknesses, gaps in skills and experience, diversity of Directors and the Company's future plans. The subsidiary Board and/or Subsidiary Nominations Committee should develop a skill needs assessment and gap analysis including technical, cultural and experience elements. Consideration of rotation and succession plans also need to be considered on an ongoing basis. The subsidiary to advise Council of reappointment requirement, provide skills matrix, gap analysis and determine if any retiring directors are seeking re appointment. Consideration of total Board numbers is also required for ongoing governance. The council will provide input into analysis, including any key skills and requirements. This activity should commence at least six months prior to the director appointment date.
- **Appoint Joint Nomination Committee:** The Chair of the subsidiary board or nominee of the chair in liaison with the Council Lead and Deputy Lead of the Finance, Governance and Risk Portfolio Group or nominee. in consultation with the Lord Mayor or nominee must appoint a joint nomination committee. Secretariat will be provided by CFO or nominee.
- **Agree skill requirements and call for nominations:** Debate requirements and develop a summary of skill requirements to be validated by subsidiary Board. Ask both Council and subsidiary for nominations. Nominations must be accompanied by a rationale linked to agreed skill requirements. Appoint a search consultant and/or advertise the position. This activity should commence at least 4- 5 months prior to the director appointment date.
- **Conduct Interviews** The Search Consultant and/or Nomination Committee will interview and create a shortlist using agreed criteria. Scoring of candidates will be formally recorded to validate shortlist. All shortlisted candidates to be subject to reference checks. Nominations committee will interview shortlist, if they were not involved in initial interviews, and confirm selection. This activity should commence at least three months prior to the director appointment date. Produce a selection report for the Board and Council including candidates, scores and any other rationale to validate the shortlist presented. The report should also document the selection process followed.
- **Approval of nominated candidates:** Subsidiary to first approve nominated candidates. Any changes to be referred to Nomination Committee for review and re documentation of rationale. Following subsidiary approval, Council approval. Any changes in the nominations requested to be reviewed with the subsidiary prior to finalisation.
- **Appointment:** Following subsidiary and Council approval. Any changes in the nominations requested to be reviewed with the subsidiary prior to finalisation. The Subsidiary Secretary will formally appointment the director under the terms approved by Council and issues the letter of appointment.
- **Casual vacancy:** If the process has been used to fill a casual vacancy, then the appointment must be confirmed at the next annual general meeting.

2.13 Board, Committee and individual Director performance evaluation

To be effective, Subsidiary Boards should be conscious of their own culture, their strengths and weaknesses and the possibilities for constructive change. They should also be open to continuous learning through a self-assessment or similar process for the Board, Committees and individual Directors.

The performance of the Board should be reviewed regularly against appropriate measures.

2.14 Director induction and education

Newly appointed Directors must have the opportunity for a formal induction to the Company.

This could include:

- An individual meeting with the Chair and the CEO to discuss expectations and responsibilities, including governance practices, protocols and the role of Board Committees.
- Attendance at a briefing session convened by the Company Secretary that includes presentations on the business by Senior Management to provide an overview of the Company's culture and values, financial, strategic, operational and risk management position.
- Introduction to key Councillors and Members of the Council Executive Management (or equivalent), either as a group or individually.
- Provision of a comprehensive package of briefing materials in relation to the Company.
- Visits to the respective Subsidiary Company's facilities or sites and meeting with key Staff.
- Meeting arrangements

Directors should have access to continuing education to update and enhance their skills and knowledge. This should include education concerning key developments in the Company and in the industry and environment in which it operates.

3 Protocol 3: Promote ethical and responsible decision making³

3.1 Subsidiary Companies should articulate and disclose its values

Values are the guiding principles and norms that define what type of organisation it aspires to be and what it requires from its directors, senior executives and employees to achieve that aspiration.

3.2 Code of conduct

Subsidiary Companies should establish a code of conduct covering:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- The policy concerning diversity and disclose the policy or a summary of that policy. The policy should include the requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and the progress in achieving them.

Good corporate governance ultimately requires people of integrity. Personal integrity cannot be regulated. However, shareholder confidence can be enhanced if the company clearly articulates acceptable practices for Directors, Senior Executive and Employees.

The Board has a responsibility to set the ethical tone and standards of the Company. Senior Executives have a responsibility to implement practices consistent with those standards.

Companies should ensure that training on the code of conduct is updated on a regular basis.

3.3 Frequency of meetings

3.2.1 Board meetings

All Subsidiary Boards shall hold sufficient meetings per year to enable Directors to discharge their duties. They are also expected to hold at least one one-day strategy meeting to allow time to adequately consider the strategic plan.

3.2.2 Committee meetings

- Audit and Risk Committee (or similar) should meet at least four times per year.
- Other Committees should meet as required.

3.4 Ad-hoc Committees

Subsidiary Company Boards may establish ad-hoc Board Committees to assist them in carrying their duties.

The key roles and responsibilities for any ad-hoc Committee must be detailed in a charter and be approved by each Subsidiary Board, indicating either a review date or sunset clause.

3.5 Complaints to Councillors regarding Subsidiary Companies

From time to time, complaints may be made to Councillors about the operations of Subsidiary businesses.

All complaints from stakeholders of the Subsidiary Companies to councillors are to be directed through the Chief Financial Officer who will follow-up the issue with either the Chair or CEO, and as appropriate, report back to the Councillor concerned.

³ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 3 (4th Edition 2019).

3.6 Complaints to Council Officers or Employees

All complaints from stakeholders of Subsidiary Companies to Council Officers or Employees are to be directed through the Chief Financial Officer who will follow-up the issue with the CEO and, as appropriate, report back to the person who received the complaint.

3.7 Subsidiary Companies should have and disclose the following policies:

- Whistle-blower policy
- Ant-bribery and corruption policy

4 Protocol 4: Safeguard integrity in financial reporting⁴

4.1 Management attestation

For each Subsidiary Company, the Managing Director and CFO must give their Directors (with a copy to Chief Financial Officer) a declaration that in their opinion:

- the financial records of the Company have been properly maintained in accordance with section 286 of the *Corporations Act*;
- the financial statements, and the notes referred to in Section 295 (3) (b) for the financial year comply with the accounting standards; and
- any other matters required by regulations or by the Council (shareholder) in relation to the financial statements and the notes for the financial year are satisfied.

The attestation must also declare:

- that the Subsidiary Company's financial reports are based on a sound system of risk management and internal control which implements the policies adopted by each Subsidiary Board, in relation to financial reporting risks and that the system is operating effectively in all material respects (refer to Protocol 7.4.).

4.2 Audit and Risk Committee

Each Subsidiary Board should have an Audit and Risk Committee (or similar e.g., audit and risk) comprising at least the two most suitably qualified independent non-executive Directors. Better practice suggests that the Board Chair should not chair the Audit and Risk Committee, although he or she may be a Member.

Alternatively, the Company may wish for the full Board to act as the Audit and Risk Committee (if the full Board comprises of non-executive Director) with meetings held concurrently, as required, with Board Meetings. In this case the Audit and Risk Committee should have a separate agenda. As above, the Audit and Risk Committee Chair should not also chair the full Board.

Each Audit and Risk Committee formed shall have a charter detailing its composition, attendance of non-Committee Members, role, responsibilities and reporting requirements that shall be approved by each Subsidiary Board.

At present, both the Council and Subsidiary Companies share:

- External Auditor, appointed by the Auditor-General; and
- Internal Auditor.

The Council has established a Council Audit and Risk Committee, which comprises two Councillors, and three independent members. It also has an independent Chair (that is, a person who is neither a Council Officer nor an elected Member of Council)

The key functions of the Subsidiary Company Audit and Risk Committees include:

- Fulfilling its statutory and fiduciary responsibilities relating to reporting, accounting policies, financial practices and procedures and internal control systems.
- Maintaining an effective and efficient business risk management framework.
- Maintaining effective and efficient compliance and audit functions.
- Reviewing of the risk management and internal control.

The ultimate responsibility for the integrity of a Company's financial reporting rests with the full Subsidiary Board, whether or not a separate Audit and Risk Committee exists.

⁴ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 4 (4th Edition 2019).

4.3 Council's Audit and Risk Committee protocols

The Council's Audit and Risk Committee has in place the following protocols for the Subsidiary Boards through their Audit and Risk Committees:

- **Internal Audit plan**

The Subsidiary Companies will provide a copy of the annual Internal Audit plan by 15 August each year.

- **Audit plan reporting**

The Subsidiary Companies will provide a quarterly Audit Status report detailing progress against the Plan, issues and risks identified and remedial activities scheduled.

- **Internal Auditor annual report**

At the end of the year, the Subsidiary companies will provide an independent report from the Internal Auditors which summarizes the status of all internal Audit recommendations.

- **Meetings**

The Chairpersons of the Council and Subsidiary Audit and Risk Committees should meet at least annually for exchange of information and ideas.

- **External Audit Management Letter matters**

At the end of the year, The Subsidiary Companies will provide a copy of the External Auditors annual management letter

- **Audit performance**

At the end of the year, The Subsidiary Companies will provide a report on their assessment of the performance of the Internal and External auditor.

- **Committee charter**

The Subsidiary Companies will provide a copy their Audit and Risk Committee charters, including any proposed changes thereto, at such time as the charters are reviewed.

- **Risk profile**

The Subsidiary Boards to provide a macro risk profile at least annually to the Council Audit and Risk Committee and to advise the Audit and Risk Committee of any significant changes to that profile. In addition the Subsidiary Boards are to provide the following reports to the Council Audit and Risk Committee

- 1) A risk matrix identifying the top five key strategic risks for subsidiary be presented annually);
- 2) Any new major risks or changes to the top five key strategic risks that emerge during the course of the year. (to be communicated quarterly);

- **Other issues**

The Subsidiary Companies to provide quarterly updates relating to, inter alia,

- OH&S statistics, major incidents and near misses
- Actual and potential fraud activity, including resolutions
- Legal claims and resolutions
- Instances of non-compliance with laws and regulations
- Proposed changes to accounting policies
- Material, unusual accounting transactions and adjustments
- Any other matters considered appropriate.

4.4 Shareholder reporting

The following reports are required in a timely manner and contain the following information:

4.4.1. Reporting

- Financial and operating performance when requested, or when produced internally for Board meetings, or any other significant events for consideration between scheduled reporting dates. 4.4.2. Quarterly (30th Sept, 31st Dec, 31st Mar and 30th June)
- Financial and operating performance against budgets for the quarter and year to date, with concise comments regarding any significant variances and outlining any necessary remedial action.
- Updated forecast of financial and operating performance, with concise comments regarding significant variances.
- Non-financial reports, for elements measured during the previous quarter, with concise comments regarding performance.
- Major issues and risks that may have a significant effect on the Company's reputation, profitability, assets or the Council's reputation.
- Matters reviewed by the Auditors, significant risks identified and the resolution status.

4.4.3. Quarterly Audit & Risk Reports

- Chairpersons of the subsidiary Audit and Risk Committee (ARC) are required to attend Council's ARC.
- The Chairpersons are to presents their respective quarterly ARC report to Council ARC.

4.4.4. Annually (30th June)

- Annual report, statement of accounts and proposed dividend.
- Annual Auditor's report verifying that proper reporting has occurred during the year.
- Chair's report.
- Budget of financial and operating performance forecasts for the next year.
- Budget for capital works program for the next year.
- Rolling three-year business plan (as a minimum).
- Rolling three-year financial plan (as a minimum)
- Audit plan for the next year.
- The Council has a duty to monitor the performance of its Subsidiary Entities in the same way that a Holding Company is responsible for the activities of its Subsidiaries. The Council undertakes this duty through the use of Committees.

4.4.5. Other reporting

Subsidiary Companies are also to report immediately to the Chief Financial Officer in the following instances:

- Any proposed acquisitions, mergers or divestures;
- When crisis management procedures are acted upon;
- Public relations issues that could have a major effect on the reputation of the Council or Company; or
- Any other significant risks or issues.

5 Protocol 5: Make timely and balanced disclosure⁵

5.1 Continuous disclosure

The Chief Financial Officer must be advised immediately of any information regarding any:

- Material risks/matter that may have a significant effect on the Company's reputation, profitability or assets.
- Material issues that may affect the Council's reputation.

This policy supports a culture of "no surprises".

5.2 Informal meetings

The Chairpersons of the Subsidiary Boards meet the Lord Mayor at least annually. The Chair, Audit and Risk Committee Chair, CEO and the CFO may also attend the meetings of the Council Audit and Risk Committee and the Finance, Governance and Risk Portfolio Group Meeting, if requested.

Any formal communication between the Lord Mayor, Councillors and the Subsidiary Companies, excluding complaints, should be through the respective Chair, whilst any formal communication between Council Officers and the Subsidiary is to be directed through the Chief Financial Officer.

⁵ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 5 (4th Edition 2019).

6 Protocol 6: Respect the rights of shareholders⁶

6.1 Communications strategy

The Subsidiary Companies should respect the rights of the shareholders and the Companies should empower the shareholder by:

- communicating effectively with them;
- giving them ready access to balanced and understandable information from the Company; and
- encouraging meaningful participation in general meetings.

6.2 Communicating governance practices.

Subsidiary Companies may wish to communicate their key governance practices using their annual report and/or website for marketing and stakeholder purposes.

⁶ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 6 (4th Edition 2019).

7 Protocol 7: Recognise and manage risk⁷

7.1 Risk profile

Each Subsidiary Board should establish the risk profile. A risk profile informs the Board and Management about material business risks relevant to the Company. Material business risks are the most significant areas of uncertainty or exposure, at a whole-of-Company level, that could have an impact on the achievement of the company's objectives. They present opportunities and threats for financial gain or loss.

Many business risks will be determined by the choice of Company activity, the external environment and the nature of the Company's assets. Factors that can influence the risk profile include:

- the health of the industry sector;
- market share and size;
- competition;
- industrial relations;
- foreign exchange and interest rates;
- equity and commodity prices;
- political visibility.

Companies will also have risks associated with their internal operating activities such as those emanating from:

- operating performance;
- compliance;
- financial control and reporting;
- technology;
- people and skills
- issues relating to the quality of management.

The risk profile should be regularly updated and reviewed.

Subsidiary Boards are to provide a macro risk profile at least annually, to the Council Audit and Risk Committee and to advise the Council Audit and Risk Committee of any significant changes to that profile.

⁷ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 7 (4th Edition 2019).

7.2 Risk management policy

Each Subsidiary Company should establish a risk management policy that takes into account the Company's risk profile and should clearly describe all elements of the risk management and internal control systems and the Internal Audit function.

When developing risk management policies the Subsidiary Company should take into account its legal obligations that include, but are not limited to, requirements dealing with trade practices and fair dealing laws, environmental law, privacy law, employment law, occupational health and safety and equal employment and opportunity laws. A Company should also consider the reasonable expectations of its stakeholders.

Failure to consider the reasonable expectations of stakeholders can threaten a Company's reputation and the success of its business operations. Effective risk management involves considering factors which bear upon the Company's good standing with its stakeholders.

The Audit and Risk Committee may decide that risk standards and policies are needed to institutionalise the activities to manage a particular risk. Such standards and policies would normally be applied across the entire business. At an operational level, the standards and policies can often be based around generally accepted technical practice. For risks of a more strategic nature, it is often necessary to draft original policies. Good risk management practice sees the introduction of risk standards and policies coordinated in a structured way, with appropriate implementation and change management plans.

A Company's risk management policies should clearly describe the roles and accountabilities of the Board, Audit and Risk Committee, or other appropriate Board Committee, Management and any Internal Audit function.

7.3 Management attestations on material risk reporting process

The Board should require Management to design and implement the risk management and internal control system to manage the Subsidiary Company's material business risks and report on whether those risks are being managed effectively. The Board should report to the Council's Audit and Risk Committee that Management has reported to it regarding the effectiveness of the Company's management of its material business risks.

Internal controls are an important element of risk management. Management should design, implement, and review the Company's risk management and internal control system.

As part of its oversight for the risk management and internal control system, the Board should review the effectiveness of the implementation of that system at least annually. The Board retains responsibility for assessing the effectiveness of the Company's systems for management of material business risks. It may be appropriate in the Company's circumstances for the Board to make additional enquiries and to request assurances regarding the management of material business risks.

7.4 Risk Management Committee

The Audit and Risk Committee (or Risk Management Committee) should focus on appropriate risk oversight, risk management and internal control.

Ultimate responsibility for risk oversight and risk management rests with the full Subsidiary Board, whether or not a separate Committee exists.

7.5 Management attestation on financial risks reporting

The Managing Director and CFO must provide an annual statement to the Board (refer to Protocol 4.1) in writing:

- Subject to section 295A of the Corporations Act, that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- That the declaration provided in accordance section 295A is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

8 Protocol 8: Remunerate fairly and responsibly⁸

8.1 Remuneration Committee

A Remuneration Committee should be formed for each Subsidiary Company and should comprise of two non-executive Directors and the Committee may also seek additional input from Advisors, as required.

The key roles and responsibilities for this Committee, that are detailed in the charter, approved by each Subsidiary Board, should include a review and recommendation to the Board on:

- the Company's remuneration, recruitment, retention and termination policies and procedures for Senior Executives.
- Senior Executives' remuneration and incentives.
- superannuation arrangements.
- the remuneration framework for Directors:
- remuneration by gender

Alternatively, the Company may wish for the full Board to act as the Remuneration Committee with meetings held concurrently, as required, with Board meetings.

8.2 Management remuneration policy

The Executive remuneration packages should involve a balance between fixed and incentive pay, reflecting short and long-term performance objectives appropriate to the Subsidiary Company's circumstances and goals.

Termination payments, if any, for the Managing Director should be agreed in advance, including detailed provisions in case of early terminations. There should be no payment for removal as a result of misconduct.

The provision of loans, guarantees or settlement of liabilities is prohibited.

8.3 Director remuneration

Remuneration review process

As Subsidiary Company Directors do not have immunity from liability under the *Corporations Act* it is appropriate that market rates be paid in order to attract suitably experienced candidates.

There is an annual review of Director's remuneration, based on an agreed process with Council, and a full review of Director's remuneration at four yearly intervals. This full review is to be on a professional basis (using external Consultants as appropriate) to ensure it is in line with industry standards and that Directors fees are at a level that will allow the Council to attract and retain appropriately skilled and experienced Directors.

The review process could take the following into account:

- Victorian State Government guidelines for the appointment and remuneration of part-time non-executive Directors and Officers:
- The amount of time allowed for Board meetings, including significant preparation time:
- The payment of a separate Committee fee based on meeting timings and preparation:
- Time needed for other Directors duties outside normal Directors meetings:
- Comparison of market rates in terms of daily rates for professionals such as consultants, accountants, lawyers;
- Recognition of the level of personal risk involved; and
- Benchmarking using industry remuneration reports and surveying comparable Companies

Given the additional time and responsibility, the Chairperson's remuneration in line with current market trends is to be up to double that of the other Directors.

⁸ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 8 (4th Edition 2019).

Board remuneration recommendations are to be submitted in advance of each Company's annual general meeting, to the Council's Finance, Governance and Risk Portfolio Group Meeting for consideration.

8.4 Directors' fees for Committee and other work

Directors who undertake additional duties and serve on Committees receive additional remuneration in recognition of these additional duties, based on an hourly rate equivalent, including preparation time.

Directors' fees for Committee and other work recommendations are to be submitted in advance of each Company's annual general meeting, to the Council's Finance, Governance and Risk Portfolio Group Meeting for consideration.

8.5 Reporting on Director's remuneration

Approval of any amendment to Directors' total remuneration must take place at each Subsidiary Company's annual general meeting, after being submitted in advance of each Company's annual general meeting to the Council's Finance, Governance and Risk Portfolio Group Meeting for consideration.

Appendix A – Draft Joint Nominations Committee Charter

Organisation

This charter governs the operations of the Joint Nominations Committee. The committee shall review and reassess the charter on each occasion that they are called together and obtain the approval of the subsidiary and the Council for any amendments to the charter.

The committee is authorised by the Council and the subsidiary to:

- (a) obtain any information it requires from any employee of the subsidiary or council that is relevant to the nomination process; and
- (b) obtain or retain outside legal or other professional advice at the subsidiary's or council's expense as appropriate.

Purpose

The principal purpose of the committee is to establish and maintain a formal and transparent procedure for the selection and appointment of new directors to the board, including the reappointment of existing directors retiring by rotation.

Membership

The committee will comprise of the following members: the Chairperson of the subsidiary or nominee of the Chairperson and the Lead and Deputy Lead of the Council Finance, Governance and Risk Portfolio Group Meeting. The Lord Mayor should also be consulted.

The Chief Financial Officer will act as secretariat to the Committee.

Meetings

The Committee will meet as and when required to discharge its responsibilities, but as a minimum to:

- Agree the skills, experience and other factors that should drive the selection process. This same meeting will also determine whether a recruitment firm or advertising or a combination of both will be used to facilitate the process.
- Assess the candidates received and develop a shortlist for more detailed evaluation and interview.
- Interview the short listed candidates.
- Approve a summary recommendation paper for both the subsidiary and the Council.

All meetings will be called by the Secretary at the request of the members of the committee.

Minutes

Minutes of meetings of the committee shall be kept by the Secretary and, once those minutes have been approved by the members, shall be available at the request of either the Board or the Council.

Duties and Responsibilities

The committee will source and make recommendations to the Board and Council for the appointment of new directors to the Board, including the reappointment of existing directors retiring by rotation.

In doing so the committee will take all reasonable steps to ensure that all individuals nominated for appointment to the board as a non-executive director, expressly acknowledge, prior to their election, that they are able to fulfil the responsibilities and duties expected of them.

The committee will review the succession plans in place for membership of the Board to ensure that an appropriate balance of skills, experience and expertise is maintained as part of this process.

The Committee will authorise a paper summarising the selection process followed and the scoring of all candidates nominated. The rationale for the selection of the agreed directors should also be provided.

Authority

The Committee is an advisory committee and as such has no final decision making powers. The appointments require approval by both the Board and the Council prior to finalisation of the appointment process.

Appendix B –Skills Matrix

Skill	Director 1	Director 2	Director 3	Director 4
Business Skills				
Strategy				
Local Government				
Financial				
Legal				
Risk				
Human Resources, incl OHS & workforce relations				
Marketing				
Environment				
Information Technology				
Qualities				
Integrity				
Teamwork				
Commercial acumen				
Active contributor				
Values aligned to subsidiary				
Stakeholder management				
Other				
Experience as director				
Experience as a leader				
Appropriate qualifications e.g. AICD				
Contacts and Networks				
QVM Specific				
Property				
Tourism				
Heritage				
Food marketing				
CityWide Specific				
Infrastructure management				
Horticulture				
Engineering				
Tendering				
Contracting				
Mergers & Acquisitions				

Appendix C – Standardised Business Plans for Subsidiaries

Executive Summary

- Outline the purpose of the plan and what it's trying to achieve.

Current State

- Summary of the current state of the business and challenges moving forward.
- Include SWOT analysis.
- Performance of KPIs for previous year and rectification plan for underperformance.

Define the company's business objectives (and how it will reach these objectives) and desired future state.

- Include mission, vision and statement of expectations/corporate intent between the subsidiary and the City of Melbourne.

List Goals / Objectives

- Key priorities for the year.
- Link back to enterprise strategy.
- How will it be achieved?
- How will it be measured?
- Response to key challenges.
- KPI's (financial and non-financial)

Key Challenges

- Challenges facing the business and initiatives to respond to challenges.

Financial Information

- High level summary of financial information including:
 - o Actuals for previous year
 - o Actuals for current financial year.
 - o Budget for business plan year.
 - o Forecast for four additional financial years
- Commentary to include:
 - o Explanation in movements.
 - o Key assumptions.
 - o Return to council (if relevant).
- Detailed financial statements to be included as an appendix.

City of Melbourne

Governance Protocols for
Wholly-Owned Subsidiary
Companies

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Statement of purpose of governance protocols

The governance protocols deal with the policies and procedures the corporate entity, the City of Melbourne (the Council), has in place to ensure consistency in governance practices between the Council, including Council Committees, and its [key](#) wholly-owned Subsidiary Companies:

- CityWide Service Solutions Pty Ltd (CityWide); and
- Queen Victoria Market Pty Ltd (QVM).

These governance protocols document the roles and responsibilities, reporting requirements and other issues, to enable greater clarity, transparency and accountability.

In documenting these governance protocols, we have taken into account the ASX Corporate Governance Council Corporate Governance *Principles and Recommendations*, as updated in 2019, and other better governance practices.

~~The m~~Management reviews these corporate governance protocols at least annually, and makes changes as necessary.

All new Subsidiary Board Members should be given a copy of these protocols as part of their induction process.

The Chief Financial Officer is responsible for the maintenance and review of these protocols to the Council and communication of any changes to the Subsidiary Companies.

A. Governance Framework

A.1 Corporate governance

Corporate governance is a system or process by which corporate entities, exercising accountability to shareholders and responsibility to stakeholders, are directed and controlled to achieve sustainable improvement in shareholder value.

In the context of these protocols, corporate governance refers to the roles, responsibilities and relationships that exist between the Council, its Committees and Executive Officers and the Boards of the wholly-owned Subsidiaries, and the systems that are in place to ensure that responsibilities are understood and met.

A.2 Governance framework for wholly-owned Council subsidiary boards

The Council governance framework incorporates the following key elements:

- Governance protocols: to create a structured and consistent process for governance and communication between Council committees, Council Officers and Subsidiary Boards;
- Board charters (codes of governance practices): to ensure that the board of each Subsidiary Company has appropriate policies and procedures in place for the governance of their Company; and
- Committee structure: that allows specific issues to be covered by either the Board or a Committee as determined by each Subsidiary Company Board.

A.3 Legislative restrictions

The *Local Government Act 2020* (LGA) and constitutional items included in the constitutions of each Subsidiary Company places the following restrictions on the Subsidiary Companies.

• ~~Requirement for Minister and Treasurer approval~~

~~a. Section 110 and 111 of the LGA does not require the Minister or Treasurer to approve a Council's participation in a beneficial enterprise~~

• **Risk management**

- a. Section 101 of the LGA requires Council to manage prudently financial risk of the beneficial enterprises of the Council
- b. Section 111 of the LGA requires that Council must assess the total investment involved and the total risk exposure and ensure that its total risk exposure does not exceed its total investment. As a result, Council will not borrow money to participate in a beneficial enterprise
- c. Section 111 of the LGA requires Council to establish risk management arrangements
- d. Section 111 of the LGA requires Council to implement regular performance monitoring and reporting arrangements in relation to the beneficial enterprise

For the purpose of managing risks associated with wholly owned subsidiaries, the Council will assess and report the risk of the beneficial enterprises at minimum on a quarterly basis based on the wholly owned subsidiaries' quarterly report.

Any material financial risk will be reported to the Chief Financial Officer and Council immediately

• **Borrowings**

For so long as the Council remains a shareholder, any wholly-owned Subsidiary Company of the Council may not exercise the power to borrow or raise money or enter into any transaction having the substantive effect of borrowing money from a person and/or company other than from the Council without the prior consent in writing of the Treasurer for the time being of the State of Victoria. (pursuant to each Subsidiary Company's constitution).

• **National competition policy**

When competing in the market place for business, Council Subsidiary Companies shall not have competitive advantage pursuant to the principles originally developed under the National Competition Policy (in accordance with National Competition Policy and Local Government – A Revised Statement of Victorian Government Policy, January 2002).

B. Strategic Intent

B.1 Shareholder guiding principles

The guiding principles of the governance and communication arrangements with the Council are

- The Council ~~through the Finance and Governance Committee~~ exercises shareholder control;
- The relationship with the shareholder are detailed in these protocols for Subsidiary Companies;
- Each Subsidiary Company is managed in the best interests of the Company;
- Requirement for an annual statement of corporate intent and corporate plan;
- Subsidiary Company Chairpersons have formal access to the Lord Mayor and Chair of the ~~Finance and Governance Committee~~ Finance, Governance and Risk Portfolio Group Meeting;
- All communication is on the basis of continuous disclosure in a corporate culture of “no surprises”;
- The Subsidiary Boards and their Management maintain the highest standards of integrity, accountability and responsibility; and
- The key Council contact is the Chief Financial Officer

B.2 Purpose of Council Subsidiary Companies

The statement of corporate intent sets out the intentions and expectations for each of the wholly-owned Subsidiary Companies by the City of Melbourne for the coming financial year.

B.3 CityWide Service Solutions Pty Ltd (CityWide)

The principal objective of CityWide is to operate as a successful and profitable business so as to maximise the return (capital enhancement, annual dividend and tax equivalents) to the shareholder. In summary the objective is achieved by ensuring:

- Services are provided at a level of price and quality which retains the ongoing business of existing clients as well as attracting new ones;
- As per Article 91 (3) of CityWide’s constitution, for long as the Council remains a shareholder, the Company may not exercise the power to borrow or raise money or enter into any transaction having the substantive effect of borrowing money from a person other than the Council without the prior consent in writing of the Treasurer for the time being of the State of Victoria.
- As per Article 93 of CityWide’s constitution,
 - a. (4) the members may comment on the business plan. The Company must consider any comments on the proposed plan that are made to it by the members within one month after the plan was submitted to the members
 - b. (5) the Company must consult in good faith with the members following communication to it of the member’s comments, must make such changes to the plan as are agreed between the Company and the members and must deliver the completed plan to the members within two months after the plan was first submitted to the members.
 - c. (6) the business plan may be amended from time to time by the Directors subject to the approval of the members
 - d. (7) the Directors must not undertake any operations or activities not included in the business plan or make any expenditure in excess of the amount provided in the business plan, except in the case of emergency, the Directors may make such immediate expenditure as necessary for the protection of the safety of any person or the property of the Company. The Directors must promptly notify the members of any such expenditure.
- Maintenance of commercial pressure in the market place that is reflected in lower service delivery costs to the Council;
- Focus on customer service is developed and maintained;

- Staff are managed so that they perform their work to standards, promote individual growth, and ensure that their work is personally rewarding as well as providing greater flexibility and improved productivity for the Company;
- Company's structure, work practices and organisation are developed so as to maximise the use of resources and to provide a safe place in which to work;
- A moderating influence is exerted on the competitive environment for local government services; and
- Values of good corporate citizenship are always upheld.

B.4 Queen Victoria Market Pty Ltd (QVM)

The primary objective of QVM is to ensure that the market is a place where people go to experience Melbourne; the glorious fresh food, the array of goods, the vibrancy and the atmosphere. It is quintessential Melbourne; it shows our history and defines our future, and is a place where you feel welcome and at home.

In achieving this, the Company will:

- protect the underlying principles of a market;
- operate the Market to optimise financial and social returns;
- be an exemplar of sustainability, safety, health and wellbeing, education, Victorian grown and manufactured goods and tourism;
- provide access to all; and
- add to the Market experience.

B.5 Shareholder value

The test of a Board's effectiveness is its ability to increase shareholder value, without ignoring the interests of other stakeholders.

The Council, as custodians for the community, residents and ratepayers, and as shareholder, has the following expectations for each subsidiary in the medium to longer term:

- CityWide - profitable growth.
- QVM - as an important historical and cultural city icon and tourist attraction to remain wholly-owned by the Council, with a strong emphasis on sustainable profitability.

B.6 Wholly-owned stakeholder needs and expectations

The Directors of the Subsidiary Boards, the Council as shareholder, and as represented by the ~~Finance and Governance Committee~~ [Finance, Governance and Risk Portfolio Group Meeting](#), the Audit and Risk Committee and Council ~~Corporate Management~~ [Executive Management](#) in their decision-making and/or reviewing roles need to take a balanced approach when dealing with the needs and expectations of the shareholder and the other stakeholders.

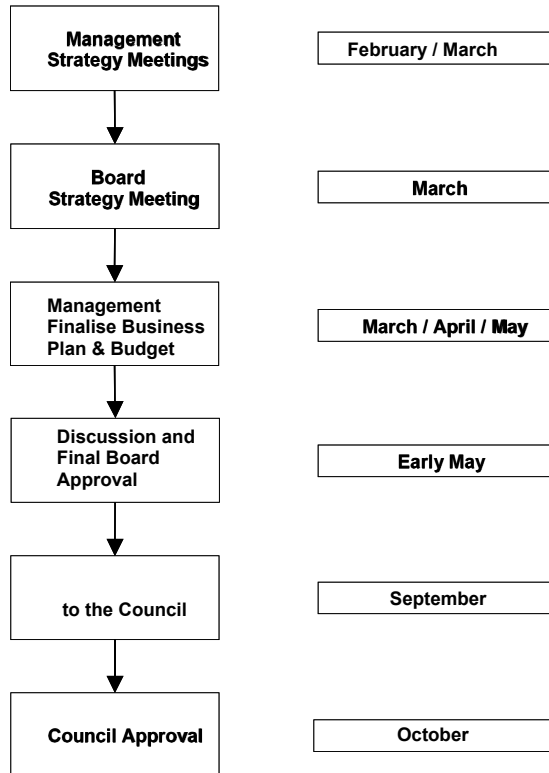
In the statement of corporate intent, the needs and expectations of the shareholder and the anticipated needs and expectations of the other stakeholders are to be detailed in the macro.

As perceptions change over time, the Subsidiary Boards, Subsidiary Company Management, the Council, the Committees and the Council Corporate Managers need to be alert to these changes and ensure they are taken into account in any decision-making and / or reviewing process.

B.7 Strategic planning process

Through the ~~Finance and Governance Committee~~ [Finance, Governance and Risk Portfolio Group Meeting](#) ("the ~~Committee~~ [Portfolio Group](#)"), the Council is able to provide policy input in the early stages of the strategic planning process of the Subsidiaries and to articulate any expectations, priorities or objectives.

Annually



The Subsidiary Board Director's role is more than just adopting/approving the strategic plan. Directors add value to the strategic planning process by:

- Ensuring a participative strategy development process is in place;
- Rigorous probing and examination;
- Challenging underlying assumptions;
- Stretching management's thinking;
- Questioning the impact of trends, especially technology and communication, in a rapidly changing business environment; and
- Translating changes and initiatives from other industries and environments to which Directors are exposed.

B.8 Emergency disaster planning role (CityWide)

The Council's emergency management responsibilities are detailed in the *Emergency Management Act*. The Council is required to provide resources to assist with the control/containment during any emergency and support any recovery effort.

The Council's primary emergency management response is provided by CityWide through the Civil Infrastructure Services contract. In addition, CityWide can provide emergency callout resources through other Council service contracts i.e., street cleaning, waste management and tree maintenance.

These requests are initially received into the Council's security control room and are issued to CityWide to respond accordingly.

B.9 Review of strategy

Given the nature of the changing environment a Subsidiary Company may need at any time to change their strategy. Such changes may be needed because other opportunities arise or risks for the existing business become too high.

- In any event that requires significant changes to the strategic plan, the Chief Financial Officer is to be advised immediately and must seek approval from Council. A significant change is defined as that which could have a material effect on the profitability and/or value of the Subsidiary Company..

B.10 Annual business plan

Annual business plans are to be submitted to Council as per the time table in section B.7. At a minimum Business plans must adhere to a standard format as per Appendix C, with any additional information added that may be required.

1

Protocol 1: Lay solid foundations for management and oversight¹

1.1 Board charter (code of governance practices)

Board charters are to be established that detail the policies and procedures each Subsidiary Company Board has in place for managing the Board's affairs and the governance of their Company. By documenting Board procedures, there will be consistent implementation of Board policies. The charter is to be reviewed at least annually and submitted to the Council for information if any significant changes are made.

Included in the charter should be a formal statement of matters reserved to the Board and the delegated authorities to Senior Management

The charter is different to these governance protocols, which establish the policies between the Council and the Subsidiary Companies.

1.2 Undertake appropriate checks before appointing a director or senior executive

The following information about a candidate standing for election or re-election as a director should be provided to Council:

In the case of a candidate standing for election as a director for the first time: –

- Confirmation that the entity has conducted appropriate checks into the candidate's background and experience
- If the board considers that the candidate will, if elected, qualify as an independent director, a statement to that effect;

1.3 Letter of appointment for Directors

As soon as a candidate has consented to become a Director of a Subsidiary Company, the Board should formally confirm the appointment by means of a letter signed by the Chair.

This could contain information on:

- Term of appointment;
- Time commitment envisaged;
- Power and duties of Directors;
- Council's governance protocols for Subsidiary Companies;
- Board charter;
- Expectations regarding Committee work;
- Remuneration and expenses;
- Superannuation arrangements;
- Requirement to disclose Director's interests and any matter which affects the Director's independence;
- Fellow Directors;
- Induction process and continuing education arrangements;
- Board policy on access to independent professional advice;
- Indemnity and insurance arrangements;
- Confidentiality and rights of access to corporate information;
- A copy of the constitution;
- Organisational chart of management structure; and
- Review of performance by the Chair.

¹ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 1 (4th Edition 2019).

1.4 The Company Secretary

The role of the company secretary should include:

- Advising the board and its committees on governance matters;
- Monitoring that board and committee policies and procedures are followed;
- coordinating the timely completion and despatch of board and committee papers;
- ensuring that the business at board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

Each director should be able to communicate directly with the company secretary and vice versa.

The decision to appoint or remove a company secretary should be made or approved by the board.

1.5 Diversity policy

The subsidiary company should:

- (a) have and disclose a diversity policy;
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
- (c) disclose in relation to each reporting period:
 - (1) the measurable objectives set for that period to achieve gender diversity;
 - (2) the company's progress towards achieving those objectives; and
 - (3) either:
 - (a) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or
 - (b) if the company is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.³¹

1.6 Board, committees and individual directors evaluation

The performance of Senior Executives should be reviewed regularly against agreed measurable and qualitative indicators.

1.7 Senior Executive evaluation

The performance of Senior Executives should be reviewed regularly against agreed measurable and qualitative indicators.

2 Protocol 2: Structure the board to add value²

2.1 Duties of Councillors and Council Officers

How Councillors and Council Officers deal with confidential information received from the Subsidiary Companies is important for the following reasons:

- Confidential customer information involved;
- Commercial sensitivity;
- Corporate reputation; and
- Legal implications.

All data will be considered in the public domain unless Subsidiary Companies provide a rationale for when reporting is “Commercial-in-Confidence”. Confidential information or “Commercial-in-Confidence” information that Councillors and Council Officers may obtain from Subsidiary Companies needs to be treated in keeping with the requirements of the Corporations Act and as detailed in the [LGA Local Government Act](#).

Subsidiary Directors, Subsidiary Company Management, Councillors and Council Officers should take all reasonable steps to ensure the exchange of information between parties is kept secure to avoid unauthorised disclosure

The [LGA Local Government Act 2020](#) requires councillors and Council officers to have regard for the following:

- A Council is a body corporate with perpetual succession. (LGA s14 (1)(a))
- A Council may sue or be sued in its corporate name. (LGA s14 (1)(c))
- A Council is capable of doing and suffering all acts and things which body corporates may by law do and suffer and which are necessary or expedient for performing its functions and exercising its powers. (LGA s14 (1)(d))
- A Council must indemnify and keep indemnified each Councillor, member of a delegated committee and member of a Community Asset Committee against all actions or claims whether arising during or after their term of office in respect of anything necessarily done or reasonably done or omitted to be done in good faith:
 - a. In the performance of a duty or a function or the exercise of a power under the LGA 2020,, the regulations or a local law or any other Act; or
 - b. In the reasonable belief that the act or omission was in the performance of a duty or a function or the exercise of a power under the LGA 2020, the regulations or a local law or any other Act (LGA s43).
- LGA Section 125 Confidential Information
 - (1) Unless subsection (2) or (3) applies, a person who is, or has been, a Councillor, a member of a delegated committee or a member of Council staff, must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.
 Penalty: 120 penalty units.
 - (2) Subsection (1) does not apply if the information that is disclosed is information that the Council has determined should be publicly available.
 - (3) A person who is, or has been, a Councillor, a member of a delegated committee or a member of Council staff, may disclose information that the person knows, or should reasonably know, is confidential information in the following circumstances—
 - (a) for the purposes of any legal proceedings arising out of this Act;
 - (b) to a court or tribunal in the course of legal proceedings;
 - (c) pursuant to an order of a court or tribunal;
 - (d) in the course of an internal arbitration and for the purposes of the internal arbitration process;
 - (e) in the course of a Councillor Conduct Panel hearing and for the purposes of the hearing;
 - (f) to a Municipal Monitor to the extent reasonably required by the Municipal Monitor;

² ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 2 (4th Edition 2019).

- (g) to the Chief Municipal Inspector to the extent reasonably required by the Chief Municipal Inspector
- (h) to a Commission of Inquiry to the extent reasonably required by the Commission of Inquiry;
- (i) to the extent reasonably required by a law enforcement agency;

- LGA Section 123 Misuse of Position

(1) A person who is, or has been, a Councillor or member of a delegated committee must not intentionally misuse their position—

- (a) to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or
- (b) to cause, or attempt to cause, detriment to the Council or another person.

Penalty: 600 penalty units or imprisonment for 5 years.

(2) An offence against subsection (1) is an indictable offence.

(3) For the purposes of this section, circumstances involving the misuse of a position by a person who is, or has been, a Councillor or member of a delegated committee include—

- (a) making improper use of information acquired as a result of the position the person held or holds; or
- (b) disclosing information that is confidential information; or
- (c) directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or
- (d) exercising or performing, or purporting to exercise or perform, a power, duty or function that the person is not authorised to exercise or perform; or
- (e) using public funds or resources in a manner that is improper or unauthorised; or
- (f) participating in a decision on a matter in which the person has a conflict of interest.

2.2 Duties of individual Directors

Under Common Law, Company Directors have a general duty to act honestly, with reasonable care, skill and diligence, and to discharge their fiduciary duties. Under the *Corporations Act* they are expected to use a reasonable degree of care and diligence in discharging their duties.

They must also act in good faith and must not use their position or the information they gain as a Director to advantage themselves or others, or to cause harm to the Company. Directors failing to meet these obligations can be charged with various offences under the *Corporations Act* as well as face being sued under Common Law.

The *Corporations Act* in Australia recognises that Directors are not infallible. It includes a “business judgement rule” which provides the Directors who:

- Make informed business judgements in good faith
- For a proper purpose
- Rationally believing the judgements to be in the best interests of the Company, shall be regarded as having met their duties of care and diligence under the *Corporations Act* and Common Law.

This does not mean Directors can take a cavalier attitude to business risk as Directors are still expected to make informed business judgements and they must have a rational belief that their decisions are in the best interests of the Company.

Company Directors also have obligations under various Federal and State legislation including taxation, equal opportunity laws etc. It is important to note that Directors can be held personally liable under some of these laws – liability is not necessarily confined to the Company itself.

2.3 Majority of the Board should be independent

An independent Director is a non-executive Director (that is, not a Member of Management) who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

All Directors, whether classified as independent or not, should bring independent and objective judgement to bear on board decisions.

To facilitate this there should be a procedure agreed by the Board for Directors to have access in appropriate circumstances to independent professional advice at the Company’s expense.

Non-executive Directors should consider the benefits of conferring regularly without Management present, including at scheduled sessions.

2.4 Independence materiality

When determining the independent status of a Director the Board should consider whether the Director:

- is a substantial shareholder of the Company or an Officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- is employed, or has previously been employed in an Executive capacity by the Company or another Group Member, and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- has within the last three years been a Principal of a material Professional Adviser or a material Consultant to the Company or another Group Member, or an employee materially associated with the service provided.
- is a material supplier or customer of the Company or other Group Member, or an Officer of or otherwise associated directly or indirectly with a material supplier or customer.
- has a material contractual relationship with the Company or another Group Member other than as a Director of the Company.

Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by Directors to the Board.

The Board should regularly assess whether each non-executive Director is independent. Each non-executive Director should provide to the Board all information that may be relevant to this assessment.

If a Director's independence status changes, this should be immediately disclosed and explained to the Chief Financial Officer.

2.5 CEO as a Director

In accordance with commercial practice, the Chief Executive Officer (CEO) of the Company may be appointed as a Director of the Company in line with its constitution.

Pursuant to the *Corporations Act* a CEO who attends all Board meetings may be said to be acting as a “de facto” Director and is liable in the legal sense in the same way a Director is who has been formally appointed.

The non-executive Directors should periodically meet for a short time without the CEO or other Management present.

2.6 Chair should be an independent Director

The chair of the board should be an independent director and should not be the same person as the CEO of the entity.

The Chair is responsible for the leadership of the Board and for the efficient organisation and conduct of the Board’s functioning.

The Chair should facilitate the effective contribution of all Directors and promote constructive and respectful relations between Board Members and Management.

The role of Chair is demanding, requiring a significant time commitment. The Chair’s other positions and outside commitments should not be such that they are likely to hinder effective performance in the role.

2.7 Chair’s position description

The division of responsibilities between the Chair and the CEO should be agreed by the Board and set out in a statement of position authority.

2.8 Nomination Committee

If the board decides to establish a Nomination Committee, it should comprise of two non-executive Directors. For the nomination of new Directors only, a representative from the Council or the Council’s ~~Corporate Management Team~~[Executive Management](#) (or equivalent), and the Nomination Committee may also seek additional input from Advisors as required.

The key roles and responsibilities for this Committee, that are detailed in the charter and approved by each Subsidiary Board, should include:

- assessment of the necessary and desirable competencies of Board Members;
- review of Board succession plans;
- evaluation of the performance of the Board, its Committees and each Director; and
- recommendation for appointment and re-election of Directors.

Ultimate responsibility for these practices rests with the full Board, whether or not a separate Committee exists.

A sample Committee Charter is included in Appendix A

Alternatively, the Company may wish for the full Board to act as the Nomination Committee with meetings held concurrently, as required, with Board meetings. However, they are still required to have present a representative from the Council or Council’s ~~Corporate Management Team~~[Executive Management](#) (or equivalent) when discussing the nomination of new Directors.

[Any nomination of New Directors or extension of existing Directors will be subject to a Joint Nomination approval process](#)

2.9 Board succession planning

Each Subsidiary Company has three-year terms for the Chair and Directors, which are rotated to ensure continuity of experience on the Boards.

The succession planning process must be robust and strategically focused on future needs, and on the skills required for each Subsidiary Company Board.

There also needs to be a clear understanding of whether there is an existing Director who could succeed the Chair.

Board Members appoint their Chair, in accordance with each Company's constitution.

2.10 Election of Directors

The names of candidates submitted for election as directors should be accompanied by the following information to enable Councillors to make an informed decision on their election.

- Biographical details, including competencies and qualifications and information sufficient to enable and assessment of the independence of the candidate
- A statement by the board as to whether it supports the nomination of the proposed candidates(s)
- Details of the relationships between the candidate and the company and the directors of the company
- Directorships held
- Particulars of other positions which involve significant time commitments
- The term of office currently served by any directors subject to re-election
- Any other particulars required by law

Non-executive directors should be appointed for specific terms and subject to re-election.

Reappointment should not be automatic.

2.11 Board composition and skill mix

Subsidiary Company Boards should consist of Directors who bring a mix of skills, experience and diversity based on the needs of the individual Boards in meeting their medium term strategic objectives.

When considering appointments, consideration should be given to how an individual can add value to the board by an analysis of the skills they will bring to the Board and taking into account the skills that are already possessed by the Board. Consideration also needs to be given to what skills will be required on Board Committees when appointing Directors.

The Subsidiary Board should provide for greater transparency of the process which the board adopts in searching and selecting new directors to the board. Such reporting should include

- Details of the a board skills matrix used to indemnify any 'gaps' in the skills and expertise of the directors of the board,
- The process by which candidates are identified and selected including whether professional intermediaries are used to identify and assess candidates,
- The steps taken to ensure that a diverse range of candidates is considered , and
- The factors taken into account in the selection process.

Desirable skills and experience may include:

- Business acumen and management;
- Finance and accounting;
- Risk management: understanding the risk management processes and internal control;
- Community liaison;
- Commercial Director experience;
- Retail;
- Technology;
- Marketing and understanding consumers;
- Heritage or town planning;
- Contracting;
- Human resources;

- Environment; and
- Information.
- A draft skills matrix is included at appendix B

2.12 Director selection, appointment and re-appointment processes

To ensure a pro-active and transparent process in the appointment of new Directors:

- **Pro-active and systematic process:** Subsidiary Boards should be proactive and systematic by undertaking rigorous and independent search (where appropriate) and selection to identify suitable candidates. Ideally, when the situation is a normal rotation retirement, this should commence at least nine to twelve months in advance of a Board vacancy.
- **Analysis of Board needs:** Determination of suitable candidates should be based on a careful analysis of the Board's existing strengths and weaknesses, gaps in skills and experience, diversity of Directors and the Company's future plans. The subsidiary Board and/or Subsidiary Nominations Committee should develop a skill needs assessment and gap analysis including technical, cultural and experience elements. Consideration of rotation and succession plans also need to be considered on an ongoing basis. The subsidiary to advise Council of reappointment requirement, provide skills matrix, gap analysis and determine if any retiring directors are seeking re appointment. Consideration of total Board numbers is also required for ongoing governance. The council will provide input into analysis, including any key skills and requirements. This activity should commence at least six months prior to the director appointment date.
- **Appoint Joint Nomination Committee:** ~~The~~ Chair of the subsidiary board or nominee of the chair in liaison with ~~the Council Lead Chair and Deputy Lead of Finance and Governance Committee~~ the Finance, Governance and Risk Portfolio Group or nominee, in consultation with the Lord Mayor, must ~~will~~ appoint a joint nomination committee. Secretariat will be provided by ~~Director~~ the CFO Corporate Business or nominee. ~~This activity should commence at least five months prior to the director appointment date.~~
- **Agree skill requirements and call for nominations:** Debate requirements and develop a summary of skill requirements to be validated by subsidiary Board. Ask both Council and subsidiary for nominations. Nominations must be accompanied by a rationale linked to agreed skill requirements. Appoint a search consultant and/or advertise the position. This activity should commence at least 4- 5 months prior to the director appointment date.
- **Conduct Interviews** The Search Consultant and/or Nomination Committee will interview and create a shortlist using agreed criteria. Scoring of candidates will be formally recorded to validate shortlist. All shortlisted candidates to be subject to reference checks. Nominations committee will interview shortlist, if they were not involved in initial interviews, and confirm selection. This activity should commence at least three months prior to the director appointment date. Produce a selection report for the Board and Council including candidates, scores and any other rationale to validate the shortlist presented. The report should also document the selection process followed.
- **Approval of nominated candidates:** Subsidiary to first approve nominated candidates. Any changes to be referred to Nomination Committee for review and re documentation of rationale. Following subsidiary approval, Council approval. Any changes in the nominations requested to be reviewed with the subsidiary prior to finalisation.
- **Appointment:** Following subsidiary and Council approval. Any changes in the nominations requested to be reviewed with the subsidiary prior to finalisation. The Subsidiary Secretary will formally appointment the director under the terms approved by Council and issues the letter of appointment.
- **Casual vacancy:** If the process has been used to fill a casual vacancy, then the appointment must be confirmed at the next annual general meeting.

2.13 Board, Committee and individual Director performance evaluation

To be effective, Subsidiary Boards should be conscious of their own culture, their strengths and weaknesses and the possibilities for constructive change. They should also be open to continuous learning through a self-assessment or similar process for the Board, Committees and individual Directors.

The performance of the Board should be reviewed regularly against appropriate measures.

2.14 Director induction and education

Newly appointed Directors must have the opportunity for a formal induction to the Company.

This could include:

- An individual meeting with the Chair and the CEO to discuss expectations and responsibilities, including governance practices, protocols and the role of Board Committees.
- Attendance at a briefing session convened by the Company Secretary that includes presentations on the business by Senior Management to provide an overview of the Company's culture and values, financial, strategic, operational and risk management position.
- Introduction to key Councillors and Members of the Council [Corporate Management Team Executive Management](#) (or equivalent), either as a group or individually.
- Provision of a comprehensive package of briefing materials in relation to the Company.
- Visits to the respective Subsidiary Company's facilities or sites and meeting with key Staff.
- Meeting arrangements

Directors should have access to continuing education to update and enhance their skills and knowledge. This should include education concerning key developments in the Company and in the industry and environment in which it operates.

3

Protocol 3: Promote ethical and responsible decision making³

3.1 Subsidiary Companies should articulate and disclose its values

Values are the guiding principles and norms that define what type of organisation it aspires to be and what it requires from its directors, senior executives and employees to achieve that aspiration.

3.2 Code of conduct

Subsidiary Companies should establish a code of conduct covering:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- The policy concerning diversity and disclose the policy or a summary of that policy. The policy should include the requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and the progress in achieving them.

Good corporate governance ultimately requires people of integrity. Personal integrity cannot be regulated. However, shareholder confidence can be enhanced if the company clearly articulates acceptable practices for Directors, Senior Executive and Employees.

The Board has a responsibility to set the ethical tone and standards of the Company. Senior Executives have a responsibility to implement practices consistent with those standards.

Companies should ensure that training on the code of conduct is updated on a regular basis.

3.3 Frequency of meetings

3.2.1. Board meetings

All Subsidiary Boards shall hold sufficient meetings per year to enable Directors to discharge their duties. They are also expected to hold at least one one-day strategy meeting to allow time to adequately consider the strategic plan.

3.2.2. Committee meetings

- [Audit Committee](#)[Audit and Risk Committee](#) (or similar) should meet at least four times per year.
- Other Committees should meet as required.

3.4 Ad-hoc Committees

Subsidiary Company Boards may establish ad-hoc Board Committees to assist them in carrying their duties.

The key roles and responsibilities for any ad-hoc Committee must be detailed in a charter and be approved by each Subsidiary Board, indicating either a review date or sunset clause.

3.5 Complaints to Councillors regarding Subsidiary Companies

From time to time, complaints may be made to Councillors about the operations of Subsidiary businesses.

All complaints from stakeholders of the Subsidiary Companies to councillors are to be directed through the Chief Financial Officer who will follow-up the issue with either the Chair or CEO, and as appropriate, report back to the Councillor concerned.

³ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 3 (4th Edition 2019).

3.6 Complaints to Council Officers or Employees

All complaints from stakeholders of Subsidiary Companies to Council Officers or Employees are to be directed through the Chief Financial Officer who will follow-up the issue with the CEO and, as appropriate, report back to the person who received the complaint.

3.7 Subsidiary Companies should have and disclose the following policies:

- Whistle-blower policy
- Ant-bribery and corruption policy

4 Protocol 4: Safeguard integrity in financial reporting⁴

4.1 Management attestation

For each Subsidiary Company, the Managing Director and CFO must give their Directors (with a copy to Chief Financial Officer) a declaration that in their opinion:

- the financial records of the Company have been properly maintained in accordance with section 286 of the *Corporations Act*;
- the financial statements, and the notes referred to in Section 295 (3) (b) for the financial year comply with the accounting standards; and
- any other matters required by regulations or by the Council (shareholder) in relation to the financial statements and the notes for the financial year are satisfied.

The attestation must also declare:

- that the Subsidiary Company's financial reports are based on a sound system of risk management and internal control which implements the policies adopted by each Subsidiary Board, in relation to financial reporting risks and that the system is operating effectively in all material respects (refer to Protocol 7.4.).

4.2 ~~Audit Committee~~[Audit and Risk Committee](#)

Each Subsidiary Board should have an ~~Audit Committee~~[Audit and Risk Committee](#) (or similar e.g., audit and risk) comprising at least the two most suitably qualified independent non-executive Directors. Better practice suggests that the Board Chair should not chair the ~~Audit Committee~~[Audit and Risk Committee](#), although he or she may be a Member.

Alternatively, the Company may wish for the full Board to act as the ~~Audit Committee~~[Audit and Risk Committee](#) (if the full Board comprises of non-executive Director) with meetings held concurrently, as required, with Board Meetings. In this case the ~~Audit Committee~~[Audit and Risk Committee](#) should have a separate agenda. As above, the ~~Audit Committee~~[Audit and Risk Committee](#) Chair should not also chair the full Board.

Each ~~Audit Committee~~[Audit and Risk Committee](#) formed shall have a charter detailing its composition, attendance of non-Committee Members, role, responsibilities and reporting requirements that shall be approved by each Subsidiary Board.

At present, both the Council and Subsidiary Companies share:

- External Auditor, appointed by the Auditor-General; and
- Internal Auditor.

The Council has established a Council Audit and Risk Committee, which comprises ~~three~~[two](#) Councillors, ~~including the Chair of the Finance and Governance Committee and three independent members~~. It also has an independent Chair (that is, a person who is neither a Council Officer nor an elected Member of Council)

The key functions of the Subsidiary Company ~~Audit Committee~~[Audit and Risk Committees](#) include:

- Fulfilling its statutory and fiduciary responsibilities relating to reporting, accounting policies, financial practices and procedures and internal control systems.
- Maintaining an effective and efficient business risk management framework.
- Maintaining effective and efficient compliance and audit functions.
- Reviewing of the risk management and internal control.

The ultimate responsibility for the integrity of a Company's financial reporting rests with the full Subsidiary Board, whether or not a separate ~~Audit Committee~~[Audit and Risk Committee](#) exists.

⁴ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 4 (4th Edition 2019).

4.3 Council's ~~Audit Committee~~ Audit and Risk Committee protocols

The Council's ~~Audit Committee~~ Audit and Risk Committee has in place the following protocols for the Subsidiary Boards through their ~~Audit Committee~~ Audit and Risk Committees:

- **Internal Audit plan**

The Subsidiary Companies will provide a copy of the annual Internal Audit plan by 15 August each year.

- **Audit plan reporting**

The Subsidiary Companies will provide a quarterly Audit Status report detailing progress against the Plan, issues and risks identified and remedial activities scheduled.

- **Internal Auditor annual report**

At the end of the year, the Subsidiary companies will provide an independent report from the Internal Auditors which summarizes the status of all internal Audit recommendations.

- **Meetings**

The Chairpersons of the Council and Subsidiary ~~Audit Committee~~ Audit and Risk Committees should meet at least annually for exchange of information and ideas.

- **External Audit Management Letter matters**

At the end of the year, The Subsidiary Companies will provide a copy of the External Auditors annual management letter

- **Audit performance**

At the end of the year, The Subsidiary Companies will provide a report on their assessment of the performance of the Internal and External auditor.

- **Committee charter**

The Subsidiary Companies will provide a copy their ~~Audit Committee~~ Audit and Risk Committee charters, including any proposed changes thereto, at such time as the charters are reviewed.

- **Risk profile**

The Subsidiary Boards to provide a macro risk profile at least annually to the Council ~~Audit Committee~~ Audit and Risk Committee and to advise the ~~Audit Committee~~ Audit and Risk Committee of any significant changes to that profile. In addition the Subsidiary Boards are to provide the following reports to the Council ~~Audit Committee~~ Audit and Risk Committee

- 1) A risk matrix identifying the top five key strategic risks for subsidiary be presented annually);
- 2) Any new major risks or changes to the top five key strategic risks that emerge during the course of the year. (to be communicated quarterly);

- **Other issues**

The Subsidiary Companies to provide quarterly updates relating to, inter alia,

- OH&S statistics, major incidents and near misses
- Actual and potential fraud activity, including resolutions
- Legal claims and resolutions
- Instances of non-compliance with laws and regulations
- Proposed changes to accounting policies
- Material, unusual accounting transactions and adjustments
- Any other matters considered appropriate.

4.4 Shareholder reporting

The following reports are required in a timely manner and contain the following information:

4.4.1. Reporting

- Financial and operating performance when requested, or when produced internally for Board meetings, or any other significant events for consideration between scheduled reporting dates. 4.4.2. Quarterly (30th Sept, 31st Dec, 31st Mar and 30th June)
- Financial and operating performance against budgets for the quarter and year to date, with concise comments regarding any significant variances and outlining any necessary remedial action.
- Updated forecast of financial and operating performance, with concise comments regarding significant variances.
- Non-financial reports, for elements measured during the previous quarter, with concise comments regarding performance.
- Major issues and risks that may have a significant effect on the Company's reputation, profitability, assets or the Council's reputation.
- Matters reviewed by the Auditors, significant risks identified and the resolution status.

4.4.3. Quarterly Audit & Risk Reports

- Chairpersons of the subsidiary Audit and Risk Committee (ARC) are required to attend Council's ARC.
- The Chairpersons are to presents their respective quarterly ARC report to Council ARC.

4.4.4. Annually (30th June)

- Annual report, statement of accounts and proposed dividend.
- Annual Auditor's report verifying that proper reporting has occurred during the year.
- Chair's report.
- Budget of financial and operating performance forecasts for the next year.
- Budget for capital works program for the next year.
- Rolling three-year business plan (as a minimum).
- Rolling three-year financial plan (as a minimum)
- Audit plan for the next year.
- The Council has a duty to monitor the performance of its Subsidiary Entities in the same way that a Holding Company is responsible for the activities of its Subsidiaries. The Council undertakes this duty through the use of Committees.

4.4.5. Other reporting

Subsidiary Companies are also to report immediately to the Chief Financial Officer in the following instances:

- Any proposed acquisitions, mergers or divestures;
- When crisis management procedures are acted upon;
- Public relations issues that could have a major effect on the reputation of the Council or Company;
or
- Any other significant risks or issues.

5

Protocol 5: Make timely and balanced disclosure⁵

5.1 Continuous disclosure

The Chief Financial Officer must be advised immediately of any information regarding any:

- Material risks/matter that may have a significant effect on the Company's reputation, profitability or assets.
- Material issues that may affect the Council's reputation.

This policy supports a culture of "no surprises".

5.2 Informal meetings

The Chairpersons of the Subsidiary Boards meet the Lord Mayor at least annually. The Chair, ~~Audit Committee~~[Audit and Risk Committee](#) Chair, CEO and the CFO may also attend the meetings of the Council ~~Audit Committee~~[Audit and Risk Committee](#) and the ~~Finance and Governance Committee~~[Finance, Governance and Risk Portfolio Group Meeting](#), if requested.

Any formal communication between the Lord Mayor, Councillors and the Subsidiary Companies, excluding complaints, should be through the respective Chair, whilst any formal communication between Council Officers and the Subsidiary is to be directed through the Chief Financial Officer.

⁵ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 5 (4th Edition 2019).

6

Protocol 6: Respect the rights of shareholders⁶

6.1 Communications strategy

The Subsidiary Companies should respect the rights of the shareholders and the Companies should empower the shareholder by:

- communicating effectively with them;
- giving them ready access to balanced and understandable information from the Company; and
- encouraging meaningful participation in general meetings.

6.2 Communicating governance practices.

Subsidiary Companies may wish to communicate their key governance practices using their annual report and/or website for marketing and stakeholder purposes.

⁶ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 6 (4th Edition 2019).

Protocol 7: Recognise and manage risk⁷

7.1 Risk profile

Each Subsidiary Board should establish the risk profile. A risk profile informs the Board and Management about material business risks relevant to the Company. Material business risks are the most significant areas of uncertainty or exposure, at a whole-of-Company level, that could have an impact on the achievement of the company's objectives. They present opportunities and threats for financial gain or loss.

Many business risks will be determined by the choice of Company activity, the external environment and the nature of the Company's assets. Factors that can influence the risk profile include:

- the health of the industry sector;
- market share and size;
- competition;
- industrial relations;
- foreign exchange and interest rates;
- equity and commodity prices;
- political visibility.

Companies will also have risks associated with their internal operating activities such as those emanating from:

- operating performance;
- compliance;
- financial control and reporting;
- technology;
- people and skills
- issues relating to the quality of management.

The risk profile should be regularly updated and reviewed.

Subsidiary Boards are to provide a macro risk profile at least annually, to the Council Audit and Risk Committee and to advise the Council Audit and Risk Committee of any significant changes to that profile.

⁷ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 7 (4th Edition 2019).

7.2 Risk management policy

Each Subsidiary Company should establish a risk management policy that takes into account the Company's risk profile and should clearly describe all elements of the risk management and internal control systems and the Internal Audit function.

When developing risk management policies the Subsidiary Company should take into account its legal obligations that include, but are not limited to, requirements dealing with trade practices and fair dealing laws, environmental law, privacy law, employment law, occupational health and safety and equal employment and opportunity laws. A Company should also consider the reasonable expectations of its stakeholders.

Failure to consider the reasonable expectations of stakeholders can threaten a Company's reputation and the success of its business operations. Effective risk management involves considering factors which bear upon the Company's good standing with its stakeholders.

The ~~Audit Committee~~[Audit and Risk Committee](#) may decide that risk standards and policies are needed to institutionalise the activities to manage a particular risk. Such standards and policies would normally be applied across the entire business. At an operational level, the standards and policies can often be based around generally accepted technical practice. For risks of a more strategic nature, it is often necessary to draft original policies. Good risk management practice sees the introduction of risk standards and policies coordinated in a structured way, with appropriate implementation and change management plans.

A Company's risk management policies should clearly describe the roles and accountabilities of the Board, ~~Audit Committee~~[Audit and Risk Committee](#), or other appropriate Board Committee, Management and any Internal Audit function.

7.3 Management attestations on material risk reporting process

The Board should require Management to design and implement the risk management and internal control system to manage the Subsidiary Company's material business risks and report on whether those risks are being managed effectively. The Board should report to the Council's ~~Audit Committee~~[Audit and Risk Committee](#) that Management has reported to it regarding the effectiveness of the Company's management of its material business risks.

Internal controls are an important element of risk management. Management should design, implement, and review the Company's risk management and internal control system.

As part of its oversight for the risk management and internal control system, the Board should review the effectiveness of the implementation of that system at least annually. The Board retains responsibility for assessing the effectiveness of the Company's systems for management of material business risks. It may be appropriate in the Company's circumstances for the Board to make additional enquiries and to request assurances regarding the management of material business risks

7.4 Risk Management Committee

The ~~Audit Committee~~[Audit and Risk Committee](#) (or Risk Management Committee) should focus on appropriate risk oversight, risk management and internal control.

Ultimate responsibility for risk oversight and risk management rests with the full Subsidiary Board, whether or not a separate Committee exists.

7.5 Management attestation on financial risks reporting

The Managing Director and CFO must provide an annual statement to the Board (refer to Protocol 4.1) in writing:

- Subject to section 295A of the Corporations Act, that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- That the declaration provided in accordance section 295A is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

8

Protocol 8: Remunerate fairly and responsibly⁸

8.1 Remuneration Committee

A Remuneration Committee should be formed for each Subsidiary Company and should comprise of two non-executive Directors and the Committee may also seek additional input from Advisors, as required.

The key roles and responsibilities for this Committee, that are detailed in the charter, approved by each Subsidiary Board, should include a review and recommendation to the Board on:

- the Company's remuneration, recruitment, retention and termination policies and procedures for Senior Executives.
- Senior Executives' remuneration and incentives.
- superannuation arrangements.
- the remuneration framework for Directors:
- remuneration by gender

Alternatively, the Company may wish for the full Board to act as the Remuneration Committee with meetings held concurrently, as required, with Board meetings.

8.2 Management remuneration policy

The Executive remuneration packages should involve a balance between fixed and incentive pay, reflecting short and long-term performance objectives appropriate to the Subsidiary Company's circumstances and goals.

Termination payments, if any, for the Managing Director should be agreed in advance, including detailed provisions in case of early terminations. There should be no payment for removal as a result of misconduct.

The provision of loans, guarantees or settlement of liabilities is prohibited.

8.3 Director remuneration

Remuneration review process

As Subsidiary Company Directors do not have immunity from liability under the *Corporations Act* it is appropriate that market rates be paid in order to attract suitably experienced candidates.

There is an annual review of Director's remuneration, based on an agreed process with Council, and a full review of Director's remuneration at four yearly intervals. This full review is to be on a professional basis (using external Consultants as appropriate) to ensure it is in line with industry standards and that Directors fees are at a level that will allow the Council to attract and retain appropriately skilled and experienced Directors.

The review process could take the following into account:

- Victorian State Government guidelines for the appointment and remuneration of part-time non-executive Directors and Officers:
- The amount of time allowed for Board meetings, including significant preparation time:
- The payment of a separate Committee fee based on meeting timings and preparation:
- Time needed for other Directors duties outside normal Directors meetings:
- Comparison of market rates in terms of daily rates for professionals such as consultants, accountants, lawyers;
- Recognition of the level of personal risk involved; and
- Benchmarking using industry remuneration reports and surveying comparable Companies

Given the additional time and responsibility, the Chairperson's remuneration in line with current market trends is to be up to double that of the other Directors.

⁸ ASX Corporate Governance Council – Corporate Governance Principles and Recommendations – Principle 8 (4th Edition 2019).

Board remuneration recommendations are to be submitted in advance of each Company's annual general meeting, to the Council or its delegate's Finance and Governance Committee~~Finance, Governance and Risk Portfolio Group Meeting~~ for consideration.

8.4 Directors' fees for Committee and other work

Directors who undertake additional duties and serve on Committees receive additional remuneration in recognition of these additional duties, based on an hourly rate equivalent, including preparation time.

Directors' fees for Committee and other work recommendations are to be submitted in advance of each Company's annual general meeting, to the Council's or its delegate~~Finance and Governance Committee~~~~Finance, Governance and Risk Portfolio Group Meeting~~, for consideration.

8.5 Reporting on Director's remuneration

Approval of any amendment to Directors' total remuneration must take place at each Subsidiary Company's annual general meeting, after being submitted in advance of each Company's annual general meeting to the Council or its delegate's Finance and Governance Committee~~Finance, Governance and Risk Portfolio Group Meeting~~ for consideration.

Appendix A – Draft Joint Nominations Committee Charter

Organisation

This charter governs the operations of the Joint Nominations Committee. The committee shall review and reassess the charter on each occasion that they are called together and obtain the approval of the subsidiary and the Council for any amendments to the charter.

The committee is authorised by the Council and the subsidiary to:

- (a) obtain any information it requires from any employee of the subsidiary or council that is relevant to the nomination process; and
- (b) obtain or retain outside legal or other professional advice at the subsidiary's or council's expense as appropriate.

Purpose

The principal purpose of the committee is to establish and maintain a formal and transparent procedure for the selection and appointment of new directors to the board, including the reappointment of existing directors retiring by rotation.

Membership

The committee will comprise of ~~the following two~~ members: ~~the first~~ the Chairperson of the subsidiary or nominee of the Chairperson and ~~the second~~ the Lead and Deputy Lead Chair of the Council Finance, ~~and~~ Governance and Risk Portfolio Group Meeting Committee. The Lord Mayor should also be consulted.

The Chief Financial Officer will act as secretariat to the Committee.

Meetings

The Committee will meet as and when required to discharge its responsibilities, but as a minimum to:

- Agree the skills, experience and other factors that should drive the selection process. This same meeting will also determine whether a recruitment firm or advertising or a combination of both will be used to facilitate the process.
- Assess the candidates received and develop a shortlist for more detailed evaluation and interview.
- Interview the short listed candidates.
- Approve a summary recommendation paper for both the subsidiary and the Council.

All meetings will be called by the Secretary at the request of the members of the committee.

Minutes

Minutes of meetings of the committee shall be kept by the Secretary and, once those minutes have been approved by the members, shall be available at the request of either the Board or the Council.

Duties and Responsibilities

The committee will source and make recommendations to the Board and Council for the appointment of new directors to the Board, including the reappointment of existing directors retiring by rotation.

In doing so the committee will take all reasonable steps to ensure that all individuals nominated for appointment to the board as a non-executive director, expressly acknowledge, prior to their election, that they are able to fulfil the responsibilities and duties expected of them.

The committee will review the succession plans in place for membership of the Board to ensure that an appropriate balance of skills, experience and expertise is maintained as part of this process.

The Committee will authorise a paper summarising the selection process followed and the scoring of all candidates nominated. The rationale for the selection of the agreed directors should also be provided.

Authority

The Committee is an advisory committee and as such has no final decision making powers. The appointments require approval by both the Board and the Council prior to finalisation of the appointment process.

Appendix B –Skills Matrix

Skill	Director 1	Director 2	Director 3	Director 4
Business Skills				
Strategy				
Local Government				
Financial				
Legal				
Risk				
Human Resources, incl OHS & workforce relations				
Marketing				
Environment				
Information Technology				
Qualities				
Integrity				
Teamwork				
Commercial acumen				
Active contributor				
Values aligned to subsidiary				
Stakeholder management				
Other				
Experience as director				
Experience as a leader				
Appropriate qualifications e.g. AICD				
Contacts and Networks				
QVM Specific				
Property				
Tourism				
Heritage				
Food marketing				
CityWide Specific				
Infrastructure management				
Horticulture				
Engineering				
Tendering				
Contracting				
Mergers & Acquisitions				

Appendix C – Standardised Business Plans for Subsidiaries

Executive Summary

- Outline the purpose of the plan and what it's trying to achieve.

Current State

- Summary of the current state of the business and challenges moving forward.
- Include SWOT analysis.
- Performance of KPIs for previous year and rectification plan for underperformance.

Define the company's business objectives (and how it will reach these objectives) and desired future state.

- Include mission, vision and statement of expectations/corporate intent between the subsidiary and the [City of Melbourne Council](#).

List Goals / Objectives

- Key priorities for the year.
- Link back to enterprise strategy.
- How will it be achieved?
- How will it be measured?
- Response to key challenges.
- KPI's (financial and non-financial)

Key Challenges

- Challenges facing the business and initiatives to respond to challenges.

Financial Information

- High level summary of financial information including:
 - o Actuals for previous year
 - o Actuals for current financial year.
 - o Budget for business plan year.
 - o Forecast for four additional financial years
- Commentary to include:
 - o Explanation in movements.
 - o Key assumptions.
 - o Return to council (if relevant).
- Detailed financial statements to be included as an appendix.