

Rules on the nomination, appointment and removal of Trustee Directors

BT Financial Management Limited's rules on the nomination, appointment and removal of its Directors are set out in its RSEL Governance Framework. Those rules are extracted from that framework as set out below.

1.1.1. Director nomination and approval

The Board's process for nominating Directors is described below. It applies whether the new Director is replacing a retiring Director or filling a Board vacancy.¹

Under the Director Appointment Policy, the CE B&W is responsible for nominating proposed Directors to the Westpac Board Chair for approval (under his Chairman's Administrative Delegation from the Westpac Board).

Before making such a nomination:

- external consultants are engaged to identify a range of candidates with the attributes identified by the Board Chair and the CE B&W (or their delegate);
- consideration is given to the current and past associations of candidates when seeking to appoint new directors and if the appointment is appropriate and in the best interests of members;
- the Board Chair and CE B&W (or their delegate) determine which candidates should be short-listed and interview them;
- the external consultants manage correspondence with candidates unsuitable for appointment; and
- the other Directors interview the preferred candidate and provide their feedback to the Board Chair and CE B&W (or their delegate).

Under the Director Appointment Policy, the Westpac Board Chair's approval of the appointment of proposed Directors and their appointment terms is required.² The Westpac Board Chair's approval is also required for any changes in the size of the Board.³

1.1.2. Director appointment

If the appointment is approved by the Westpac Board Chair, the Board then considers whether to appoint the proposed Director for the approved term.⁴

To facilitate it doing so, the Board is provided with a paper recommending that it appoint the proposed Director for that term and which:

- considers the proposed Directors' skills, experience, independence and any factors set out in the Director Commitments Guidelines set out in Attachment 2 (**Commitments Guidelines**); and
- confirms that the Westpac Group Fit and Proper Committee has determined the proposed Director to be fit and proper to be appointed a Director.⁵

Skills and experience

The Board seeks to ensure the Directors and senior management, collectively, have the full range of skills needed for the effective and prudent operation of the Trustee's business operations and that each Director has skills that allow them to make an effective contribution to Board deliberations and processes.⁶

This includes the requirement for Directors, collectively, to have the necessary skills, knowledge and experience to understand the risks associated with those business operations and to ensure they are managed in an appropriate way taking these risks into account.⁷

This does not preclude the Board from supplementing its skills and knowledge by engaging external consultants and experts.⁸

The Board has developed a board skills matrix to identify the mix of skills and experience that it seeks to achieve collectively in its membership, having regard to BTFM's business and strategic plans⁹ (the **Board Skills Matrix**).¹⁰ The Board reviews the Board Skills Matrix at least annually. The current Board Skills Matrix is set out in Attachment 3.

Proposed Directors complete a self-assessment of their skills and experience against the Board Skills Matrix and the outcomes of that self-assessment are provided to the Board, along with the paper recommending their appointment.

Independence

The Board comprises independent Non-executive Directors recognising the benefits they bring in providing objectivity and distance from Management, encouraging rigour in Board proceedings and assisting in mitigating the potential conflicts that may arise if executives also hold director roles.

Independence definition: The Board has approved the independence definition set out in Attachment 4 (**Independence Definition**). Independence is assessed on a case-by-case basis by reference to each Director's individual circumstances rather than by applying general materiality thresholds.

¹ Paragraphs 18(c)(iii) and 23(d) of SPS 510

² Paragraphs 18(c)(iii) and 23(a) of SPS 510

³ Paragraph 18(c)(i) of SPS 510

⁴ Paragraph 18(c)(iii) and 23(a) of SPS 510

⁵ Paragraphs 18(d)(i)

⁶ Paragraph 10 of SPS 510

⁷ Paragraph 10 of SPS 510

⁸ Paragraph 10 of SPS 510

⁹ Paragraph 7 of SPG 510

¹⁰ Paragraph 18(c)(i) of SPS 510

Independence assessment: Proposed Directors are required to disclose whether they or any of their immediate family members has any of the relationships set out in the Independence Definition. If any are disclosed, they are set out in the Board paper recommending their appointment so that the Board may assess whether the proposed Director is in fact independent.¹¹

Fit and proper

The Board has approved the [Westpac Group Fit and Proper Policy](#) to meet the requirements of Prudential Standard SPS 520 “Fit and Proper” and to seek to ensure that persons who hold responsible person positions in relation to the Trustee’s business operations are fit and proper to do so.

In doing so, the Board has delegated the fit and proper assessment of proposed Directors and each of its other responsible persons to the Westpac Fit and Proper Committee (the **F&P Committee**).

The F&P Committee is an executive committee established to undertake assessments of directors and employees who hold statutory roles throughout the Westpac Group, including those who hold responsible person roles. Its processes are set out in the [Westpac Fit and Proper Country Addendum](#).¹²

The Board is notified of the F&P Committee’s determinations with respect to proposed Directors in the board paper recommending their appointment.

Other commitments

The Board has approved the Commitments Guidelines, which:

- establish the circumstances in which a prospective Director may have such a large workload from other roles that there is a significant risk that their capacity and commitment to the Trustee may be compromised; and
- confirm that compromised capacity and commitment are assessed on a case-by-case basis by reference to each Director’s individual circumstances rather than by applying prescriptive limits on the number and type of other roles that may be held.

Proposed Directors are asked to disclose the workload arising from any other roles they hold and, if those roles come within the circumstances set out in the Commitments Guidelines, they are disclosed to the Board in the paper recommending their appointment. This enables the Board to assess the proposed Director’s individual circumstances and whether, given their workload, there is in fact a significant risk that the proposed Director’s capacity and commitment to the Trustee would be compromised if they were to be appointed.

1.1.3. Director induction and education

All new Directors participate in an induction program to familiarise themselves with matters including the Trustee’s strategy, legal structure, business operations, product offerings, member services, governance arrangements and key functions.

The Board encourages Directors to undertake continuing education and training to develop and maintain the skills and knowledge needed to perform their role effectively, including by participating in in-house education and training sessions held throughout the year and attending Board site visits.

1.1.4. Annual re-assessment of appointment criteria

Skills and experience

At least annually, existing Directors assess their skills and experience against the Board Skills Matrix. The Board is then provided with a paper setting out the assessment’s outcomes and discusses any actions it wishes to take in response, including potentially:

- seeking approval to recruit additional Directors;
- engaging additional experts; or
- arranging additional Director training or education.

Independence

Existing Directors are required to disclose any relationships set out in the Independence Definition arising after their appointment promptly to the Board Chair and Secretariat so that the Directors’ ongoing independence may be considered. Where the existing Director is the Board Chair, disclosure must be made to the BAC Chair and Secretariat.

Each year, the existing Directors complete an attestation as to whether they consider themselves to be an independent Director in accordance with the Independence Definition and the outcomes of the attestation process are provided to the Board.

The Director Appointment Policy limits the maximum tenure of:

- each Director, other than the Board Chair, to nine years from the date of first appointment; and
- each Board Chair to twelve years from the date of first appointment, including any term as a Director before being elected as Chair.¹³

It also limits Director terms to a maximum of three years.

The Board considers its Director tenure profile at least annually when considering the outcomes of the Director independence attestations.

¹¹ Paragraph 23(e) of SPS 510

¹² Paragraph 18(d)(i) of SPS 510

¹³ Paragraphs 18(c)(iii) and 23(b) of SPS 510.

Fit and proper

Each year the existing Directors complete a Proper Person Declaration regarding their ongoing fitness and propriety to hold their roles as Directors of the Trustee. The outcomes of those declarations are reported to the F&P Committee to enable it to undertake its annual re-assessment of the Directors' fitness and propriety.

The Board is notified of the outcomes of the F&P Committee's annual re-assessment in the next quarterly Secretariat Report, unless a Director is assessed as no longer being fit and proper, in which case the Board is notified promptly and without delay.

Other commitments

Existing Directors are required to disclose, promptly to the Board Chair and Secretariat, any change in their workload from other roles that brings them within any of the circumstances that may involve overcommitment as set out in the Commitments Guidelines. Where the existing Director is the Board Chair, disclosure must be made to the BAC Chair and Secretariat.

Where the Board Chair or BAC Chair believes it to be warranted, a paper will be submitted to the Board so the Board may assess the existing Director's individual circumstances and whether, given the change in their workload, there is a significant risk that the Director's capacity and commitment to the Trustee would be compromised as a result.

1.1.5. Board renewal and re-appointment of Directors

The Board's policy on Board renewal and Director re-appointment is set out below.¹⁴

The Board considers its renewal at least annually. It uses inputs including:

- the outcomes of the annual re-assessment of Director appointment criteria;
- Directors' assessments against the Board Skills Matrix;
- the outcomes of the Board performance assessment;

and considers what skills and experience are needed to oversee the implementation of the Trustee's strategic objectives and Business Plan.

This process should enable it to:

- remain open to new ideas and independent thinking, while retaining adequate experience;
- stagger director tenure to support continuity and appropriate knowledge and skills transfer to new Directors;
- assess whether the size of the Board supports the effective functioning and decision-making of the Board¹⁵; and
- identify any outstanding skills and experience that it seeks to achieve collectively in its membership and any succession planning needs.

Secretariat monitors director appointment terms. Where a Director is approaching the end of their term and their re-appointment would not breach the maximum tenure limits set out in the Director Appointment Policy, the Head of Group Subsidiaries Governance consults the Board Chair and the CE B&W as to whether they support renewal of the Director's appointment. Where the relevant Director is the Board Chair, the Head of Group Subsidiaries Governance consults the CE B&W.

Provided they support the relevant Director's re-appointment, the Head of Group Subsidiaries Governance consults that Director as to whether they wish to seek re-appointment. If so, the CE B&W recommends the re-appointment for a further term to the Westpac Board Chair for approval under the Chair's Administrative Delegation, as contemplated by the Director Appointment Policy.

If the Westpac Board Chair approves the appointment, the Board then considers whether to re-appoint the Director.

To facilitate it doing so, the Board is provided with a paper recommending that it re-appoint the relevant Director for a further term and which:

- considers the Directors' skills, experience, independence and any factors set out in the Commitments Guidelines;
- confirms that the last annual re-assessment the F&P Committee assessed them to be fit and proper to continue as a Director; and
- explains how their re-appointment would support ongoing Board capability.¹⁶

1.1.6. Resignation and removal of Directors

Directors may resign by giving three months' notice in accordance with the terms of their Director appointment letter. Directors may be removed in accordance with the Trustee's Constitution or in any other legally permissible way.¹⁷

1.1.7. Board vacancies

The Directors may appoint any person as a Director to fill a Board vacancy provided that person is approved by the Westpac Board Chair in accordance with the Director Appointment Policy.¹⁸

¹⁴ Paragraphs 22 and 23(j) of SPS 510

¹⁵ Paragraph 5 of SPG 510

¹⁶ Paragraphs 23(e), (f) and (g) of SPS 510

¹⁷ Paragraphs 18(c)(iii) and 23(i) of SPS 510

¹⁸ Paragraph 23(c) of SPS 510

1.1.8. Disputes regarding nomination, appointment, re-appointment and removal

Any disputes regarding the nomination, appointment, re-appointment or removal of Directors are to be referred to the CE B&W whose decision is final.¹⁹

¹⁹ Paragraph 23(h) of SPS 510