

Board renewal and evaluations policy

Why we have this policy

The board recognises the importance of ongoing renewal to ensure openness to new ideas, independent thinking, and adequate expertise. This policy outlines the process for board renewal, including the appointment and re-election of directors, while considering their ability to act in the best interests of the company and its members.

Additionally, it establishes comprehensive procedures for evaluating the board's performance and individual directors to drive continuous improvement and accountability.

Who it applies to

This Policy applies to the boards of Australian Unity Limited, Australian Unity Bank Limited, Australian Unity Health Limited, Lifeplan Australia Friendly Society Limited, and any other wholly-owned Group entity board that appoints non-executive directors.

1. Board renewal

1.1. Objectives of board renewal

The board aims to achieve the following objectives throughout the board renewal process:

- (a) Foster a diverse and inclusive board with a wide range of skills and perspectives;
 - (b) Ensure compliance with applicable laws and standards;
 - (c) Maintain a balance between continuity and fresh perspectives; and
 - (d) Retain necessary knowledge and experience for effective governance and risk management,
- (together, 'Board Renewal Objectives').

1.2. Renewal considerations

The board, in collaboration with the People, Culture and Remuneration Committee (the 'PCR Committee'), will review the board's composition and consider board renewal at least once a year. This annual board renewal assessment will take a holistic and multi-year view and involve:

- (a) Evaluating the collective skills of directors and determine whether the board, as a whole, possesses the necessary skills to fulfil its duties competently;
- (b) Evaluating composition to ensure the board comprises directors with a broad range of experience, expertise and diversity in background and gender;
- (c) Evaluating diversity and independent thinking within the board;
- (d) Assessing the board's compliance with applicable laws, regulations and corporate governance standards and consider the expertise needed to ensure effective oversight and governance in these areas; and
- (e) Identifying suitable board appointment candidates who bring valuable perspectives and backgrounds to enhance the board's effectiveness.

1.3. Tenure of appointment

To minimise the risk of directors serving on the board for a period that could or could reasonably be perceived to, materially interfere with their ability to act in the best interests of Australian Unity, non-executive directors will generally serve no more than four terms of three-year duration from the Annual General Meeting (AGM) at which they were first elected.

However, in exceptional circumstances where the board determines that a director's tenure should extend beyond four terms, the board will review the ongoing tenure of such director on an annual basis.

Where possible, the terms of appointment of non-executive directors will be appropriately staggered to support continuity and the appropriate transfer of knowledge and skills to new directors.

1.4. Appointment

The determination of whether a vacancy exists for a director on the board is based on an assessment undertaken with consideration of:

- (a) Australian Unity's strategic objectives, as well as its constitutional and legal obligations;
- (b) Skills and expertise required to fill board vacancies and address specific needs (including succession planning requirements);
- (c) Diversity objectives to promote inclusivity and representation;
- (d) Performance, conduct, and alignment with the best interests of the company; and
- (e) The evaluation of potential conflicts of interest and independence.

The search process for a non-executive director is determined by the Chair of the PCR Committee on a case-by-case basis and may involve the use of external consultants and recruitment agents.

1.5. Re-appointments

Except for the Group Managing Director, each director will be subject to re-election every three years for a three-year term, as stipulated in the company's constitution.

When a non-executive director is retiring and offering themselves for re-election, the PCR Committee will conduct a review using appropriate means prior to the board determining whether to recommend their re-election to members. This review will:

- (a) assess the director's contributions, capabilities, capacity, relevance of skills and experience, and alignment with the best interests of the company;
- (b) consider any relevant prudential fitness and proprietary criteria, and regulatory and statutory requirements;
- (c) assess tenure in accordance with section 1.3 of this Policy;
- (d) assess the board's Board Skills requirements and in particular the desirability for any particular skill or experience not currently available on the board;
- (e) consider the Board Renewal Objectives; and
- (f) any other factor which is considered appropriate.

1.6. Removal

Directors may be removed:

- (a) In accordance with the constitution or relevant legislation; or
- (b) Where the maximum tenure is reached by the director set out in paragraph 1.3.

A director may also resign.

2. Board evaluations

2.1. Objectives of board evaluations procedures

The board aims to achieve the following objectives through the board evaluations procedures:

- (a) Enhance board effectiveness;
- (b) Identify strengths and weaknesses;
- (c) Promote accountability;
- (d) Enhance board dynamics;
- (e) Support succession planning;
- (f) Encourage continuous improvement; and
- (g) Demonstrate good governance.

2.2. Annual board performance assessment

The PCR Committee will conduct an annual assessment of board performance relative to its objectives.

The assessment will consider the effectiveness of the board in fulfilling its duties and responsibilities, achieving strategic goals, and promoting the long-term success of Australian Unity.

The assessment will be based on objective criteria and key performance indicators (KPIs) that align with the company's strategic priorities and assess various attributes, including but not limited to:

- Balance of skills, experience, and expertise among board members.
- Independence and objectivity in decision-making.
- Communication and collaboration within the board.
- Effectiveness of board meetings in terms of agenda, discussions, and decision-making processes.
- Diversity of ethnicity, gender, experience, and skills to promote inclusivity and diverse perspectives.
- Overall effectiveness and efficiency of the board's operations.

2.3. Annual assessment of individual directors

The PCR Committee will conduct an annual assessment of the performance of individual directors.

The assessment:

- (a) will evaluate each director's contribution to the board's effectiveness and board attributes assessed in paragraph 2.2, their knowledge and skills, independence, communication abilities, and commitment to the company's success;
- (b) may involve self-assessment by directors or peer evaluations to ensure a comprehensive and fair evaluation process; and
- (c) where an individual director whose three year term is about to expire and are due to stand for re-election, will include the assessment detailed in paragraph 1.5.

Confidentiality will apply to encourage open and honest feedback.

2.4. Parties to be evaluated

The evaluations will cover the following:

- The entire board, focusing on its operations, effectiveness, and alignment with strategic objectives.
- Individual non-executive directors, including self-assessment or peer evaluation.
- The Group Managing Director, to ensure their priorities align with the board and effective leadership.
- The Chair of the board, considering their special role, evaluated by independent directors.
- Each Committee, to evaluate their effectiveness in fulfilling mandates and charters, and serving the board's requirements.

2.5. Evaluation methodology

The Chair of the PCR Committee will determine the appropriate method/s to gather feedback and assess performance for each evaluation, such as:

- Surveys or questionnaires, which may include generic or customised questions to assess different aspects.
- Interviews with directors, allowing open discussions on important board-related topics.
- Group discussions to encourage collective insights on the board's performance and achievements.
- External evaluation by a third-party assessor to provide an objective perspective.
- Any other appropriate evaluation methods deemed suitable.

2.6. Reporting and follow-up

The evaluation results and recommendations will be documented in a comprehensive report prepared by the Chair of the PCR Committee.

The report will be presented to the board for discussion and consideration. It will serve as a basis for constructive dialogue and decision-making regarding board performance and areas of improvement.

An action plan will be developed based on the evaluation findings, outlining specific steps and initiatives to address identified areas of improvement. The action plan will include timelines, responsible parties, and measurable objectives to track progress.

The PCR Committee will ensure appropriate follow-up on the action plan, regularly monitoring and reviewing its implementation. Progress will be reported to the board, and adjustments will be made as necessary to ensure the desired outcomes are achieved.

3. Policy administration

Policy Name	Board renewal and evaluations policy
Policy Level	Level 1
Approval Body	AUL Board (endorsed by People, Culture and Remuneration Committee)
Date of Approval	26 July 2023
Policy Owner	Group Executive – Governance
Policy Administrator	Group Executive – Governance
Related policies	AUL Board Charter
Supporting procedures or guidelines	Not applicable
Date of last review	Not applicable
Regulator (if applicable)	Australian Prudential Regulatory Authority (APRA)
Compliance mechanism	<ul style="list-style-type: none"> • Annual People, Culture and Remuneration Committee workplan • Disclosure of relevant details in AUL's corporate governance statement as published in the annual report
Classification	Internal use