

## ORGANISATION

# Nomination committee charter

The nomination committee oversees and monitors board performance, succession planning, director selection, director development and the company's diversity policy. It may also oversee CEO and senior executive performance, succession planning and recruitment.

Recommendation 2.1 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles) states:<sup>1</sup>

*The board of a listed entity should:*

*(a) have a nomination committee which:*

*(1) has at least three members, a majority of whom are independent directors; and*

*(2) is chaired by an independent director, and disclose:*

*(3) the charter of the committee;*

*(4) the members of the committee; and*

*(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

*(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

1. ASX Corporate Governance Council, 2019, *Corporate Governance Principles and Recommendations*, 4th edition, February, p 12, <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-fourth-edn.pdf>, (accessed 8 May 2019).

The ASX Principles suggest that:<sup>2</sup>

*The role of the nomination committee is usually to review and make recommendations to the board in relation to:*

- *board succession planning generally;*
- *induction and continuing professional development programs for directors;*
- *the development and implementation of a process for evaluating the performance of the board, its committees and directors;*
- *the process for recruiting a new director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment;*
- *the appointment and re-election of directors; and*
- *ensuring there are plans in place to manage the succession of the CEO and other senior executives.*

*The nomination committee should have a charter that clearly sets out its role and confers on it all necessary powers to perform that role. This will usually include the right to seek advice from external consultants or specialists where the committee considers that necessary or appropriate.*

While this recommendation relates to listed companies, current governance thinking is that nomination committees are important for any board where the board has some discretion concerning the selection and appointment of directors. Sometimes these committees are referred to as nomination and governance committees.

Some boards may delegate certain functions (for example, ensuring there are plans in place to manage senior executive succession) to other board committees. The sample nomination committee charter below can be adapted as appropriate.

### Points to consider when preparing a nomination committee charter

- The charter should not be too detailed or descriptive.
- Ultimate responsibility for selection and appointment rests with the entire board.
- A formal and transparent procedure for the selection, appointment and reappointment of directors helps to build a relationship and helps to foster a relationship of confidence and understanding with investors.
- The charter should be regularly reviewed.

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2. Ibid.

## SAMPLE NOMINATION COMMITTEE CHARTER

### Roles and responsibilities

The role of the board nomination committee is to assist and advise the board of directors in fulfilling its responsibilities to the members of the company on:

- matters relating to the structure and composition of the board;
- matters relating to the performance of the board;
- matters relating to the professional development of directors;
- matters relating to senior executive selection and performance; and
- other matters as required.

The board nomination committee is not a decision-making body but assists the board by implementing board policy on board composition and recommending nominations which require board approval.

### Committee governance objectives

The role of the committee is to assist the board in fulfilling its responsibilities by reviewing, advising and making recommendations to the board on:

- board composition, size and time commitments expected of directors;
- a skills/competencies matrix for the board which contains both an assessment of the skills and competencies required on the board and the skill and competency set of current directors;
- strategies on board gender diversity and diversity in general;
- identification and recommendation of suitable candidates for appointment to the Board;
- board succession plans to maintain the required mix of skills, diversity and experience;
- any nominations received from individuals who wish to be appointed to the board in accordance with the criteria and guidelines set out below;
- developing and implementing procedures for the board's periodic evaluation of its performance and the endorsement of retiring directors seeking re-election; and
- board induction and the provision of appropriate training and development opportunities for directors as required.

### Committee chief executive officer (CEO) and senior executive objectives

The objectives of the committee include:

- ensuring that CEO and senior executive succession plans are in place;
- evaluating the performance of the CEO and senior executives; and
- when required, oversight of searches for the CEO and senior executives and recommending preferred candidates to the board.

### Composition and term

- The nomination committee is a committee of the board.
- All appointments to the committee and the appointment of the chair are approved by the board.
- The committee shall comprise at least three non-executive directors the majority of whom the board considers to be independent.
- Committee members will be selected from the directors OR a majority of members will be directors.
- The committee will elect its chair OR the board will appoint the chair.
- Appointment to the committee will be for [NUMBER] years or as determined by the board.

### Meetings

- The committee will hold meetings at least twice each year and additionally as it considers necessary.
- A quorum will be the smallest number greater than half the members.
- Committee members will be invited to disclose conflicts of interest at the commencement of each meeting.
- If the chair is absent members who are present will select a chair for that particular meeting.
- Meetings of the committee may be held face to face or using any technology which enables members to participate in a discussion.
- The notice and agenda of meetings will include relevant supporting papers.

**SAMPLE NOMINATION COMMITTEE CHARTER** *continued*

- The committee may invite other people to attend as it sees fit, and consult with other people or seek any information which will help it to fulfil its responsibilities.
- The chair will communicate the decisions of the committee to the board after each meeting within a reasonable period.

**Secretariat duties**

- The company secretary or another delegated person undertakes the duties of secretariat.
- Proceedings of all meetings are minuted, ratified by members in attendance and signed by the committee chair.
- The company secretary will ensure that the board considers the composition of the committee annually.

**Nomination criteria**

When reviewing a nomination for a directorship, the nomination committee must take into account:

- the relevance and seniority of previous positions held;
- current and previous directorial experience;
- the level of education achieved by the nominee;

- recent development relevant to the role, and in particular, development in the role of a director;
- the standing of a nominee in the community;
- other qualifications;
- whether the skill set of the nominee compliments the skill set of the board;
- whether the nominee brings diversity to the board;
- any declared or apparent conflict of interest;
- any other attributes that the nomination committee believes will benefit the company.

**Voting**

Matters will generally be decided by consensus or, if a consensus can't be reached, by a majority of votes from the members present.

**Review**

The committee should review this charter at least every two years to provide assurance that it remains consistent with the board's objectives and responsibilities and continues to reflect current processes and appropriate corporate governance principles.

The board must approve any amendments made to the charter as a result of any review.

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