

3.8 Board Committees – Nomination Committee

Role of the Nomination Committee

- Monitor, review and evaluate the structure, size and composition of the Board
- Lead the process for all Board appointments (Executive, Non-Executive and Chairperson), and make recommendations to the Board in this regard

Responsibilities of the Nomination Committee

- Review the structure, size and composition of the Board and make recommendations to the Board
- Evaluate the balance of skills, knowledge and experience on the Board
- Identify and nominate candidates to fill Board vacancies when required. The Board will subsequently review and approve the nominations, as appropriate
- Give full consideration to succession planning for Directors and other senior executives
- Prepare a description of roles and capabilities for particular appointments
- Assess the time commitments of the Board posts and ensure that the candidate has sufficient available time to undertake them
- Ensure that on appointment to the Board, Non Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in their role (see Appendix A5 for a sample letter)
- Assess the leadership needs of the company in terms of the ability of the company to compete in its industry
- Keep abreast of issues affecting the industry in which the company operates

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Insights and practical suggestions

- Nomination Committee membership should consist of a majority of independent Non Executive Directors. A committee of three members is usually recommended but companies with larger Boards could consider increasing this number to even four or five members
- A Non Executive Director should chair the Nomination Committee. (The Chairperson of the Board can also be chair of this committee provided s/he doesn't chair the discussion on the successor to the Chairperson of the Board)
- The Nomination Committee should normally meet twice a year
- The Chairperson of the Nomination Committee should attend the AGM
- Unlisted (especially smaller non-listed) companies often will not have a Nomination Committee. In such cases it is usual (whether or not in the context of a formal committee) for the Chairperson and a Non Executive Director to lead the nomination process, with active involvement from the Managing Director/ Chief Executive, following which the Board will make the final decision as to Board appointments
- The Nomination Committee should have a written Terms of Reference that provide a clear understanding of its role (see Appendix A4 for sample Terms of Reference)

10 Questions to help improve the effectiveness of the Nomination Committee:

- 1 Have the Terms of Reference been agreed with the Board?
- 2 Do we have a clear idea of the roles currently being played by each of the Directors? If not, why not?
- 3 Do the roles played by the existing Directors clearly support the achievement of the business strategy?
- 4 What new talent might benefit the Board?
- 5 When do the terms of office of the existing Directors come to an end, and do we have a view as to whether a term of office should be renewed or not?
- 6 If we don't have a view, what information do we need in order to establish that view?
- 7 If we are seeking new Directors, do we have a written job specification to show potential recruits?
- 8 What search process and selection process should we use to find new Director talent?
- 9 What information do we need to have about the company to show to potential Directors, e.g. company strategy, governance arrangements, profile of the management team, etc?
- 10 What do we need to do to give potential Directors a feeling for the culture of the organisation?