

Board structure

It is **good governance** for companies to have processes and policies in place which clearly outline the induction processes for newly appointed directors. Regardless of whether the director is a first-time director, or an experienced director, a well-formed director induction process should provide the newly appointed director with information about the company, its operations, governance systems and all other details necessary to enable the director to perform their role. It is usually the responsibility of the company secretary to manage and oversee the induction process for a new director.

Companies are encouraged to adopt processes and policies relevant to their organisation for the initial interaction with the newly appointed director. Any protocols in place should facilitate the following actions, namely:

- the collection of information about the director as required for their induction and formal appointment
- the provision of information to the director about the company and its operations
- the provision of information to the director about the board, its operation and the company's governance system.

Companies will also be required to ensure that they have ongoing processes and policies in place to continue to keep directors updated with information about the company and its operations, about the board and its operations, and about the company's governance system.

All listed entities are required to report against the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. Recommendation 2.6 states that a listed entity should have an induction program for new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Written agreement with a director

It is **good governance** for a company to have in place a written agreement with a director which sets out the terms of their appointment and provides the director with a clear understanding of their roles and responsibilities and the expectations of them.

This is usually provided to the director in a letter of appointment which provides details of their fees, the committees on which they will serve, board meeting schedules, likely time commitments, any shareholding requirements, and any other formal processes or procedures that must be completed in connection with their appointment. The letter could also set out details of the powers and functions reserved for the board and those delegated to senior executives. See *Good Governance Guide: Statement of matters reserved for the board*. The letter of appointment should also reference the company's deed of access and indemnity, which includes details of the basis on which the company will indemnify a director for personal liabilities and legal costs. In the case of a listed entity, it should also reference the director disclosure of interests agreement (see *ASX Guidance Note 22: Director Disclosure of Interests and Transactions in Securities — Obligations of Listed Entities*).

Listed entities must also report against the recommendations of the ASX Corporate Governance Council requiring that they have a written agreement with a director setting out the terms of their appointment. Listed companies are also required to disclose the material terms of any employment, service or consultancy agreement it, or a related entity enters into with any of its directors.

A director induction pack

It is **good governance** for a director appointed to the board of an entity to be provided with a detailed induction pack which provides them with a wide range of information about the company and the board. The

provision of a director induction pack may also assist the company secretary to gather required information and documentation from the new director. The general information that is not specific to the director may be provided electronically, for example by enabling access to the board portal and via links to publicly available information.

Examples of information or documentation that might be included in the induction pack and provided to the director or obtained from the director include:

Information relating to appointment

Legal

- consent to act as a director
- letter of appointment, directors' and officers' deed of indemnity and access, and (for listed entities) ASX disclosure of interest agreement
- completion of a standing disclosure document which records potential or actual conflicts of interests by virtue of positions (such as other directorships) or shares held in other companies etc. Enquiries for listed entities will need to be sufficiently detailed to enable the company to determine if the director can be described as 'independent'
- relevant current shareholdings in the entity or related entity held by the director or their related parties
- information required for pre-vetting checks, (for example, APRA fit and proper requirements) or any other personal information that may be required to fulfil such obligations
- agreed announcement of appointment (and draft Appendix 3X for listed entities)
- other information, as required by relevant authorities.

Director related policies and information

- travel and reimbursement details and company expenses policy
- details of insurance cover such as directors' and officers', travel, spouse and the relevant beneficiary nomination
- details of any restrictions on or conditions attaching to appointments to other boards
- share trading guidelines and policies and details of available share schemes

- any disclosures or prior consents required
- policies concerning the seeking of legal advice
- term of office and circumstances leading to early termination
- committee memberships.

Administrative

- details required for human resources and payroll purposes such as TFN form and details of personal bank account details and superannuation fund
- recent photo for the website
- name and former name, if applicable
- residential address (in certain circumstances the company might wish to consider if it wants to seek relief from ASIC from the obligation to disclose publicly the director's residential address)
- date and place of birth
- nationality, passport details and flight club status (if the role involves overseas travel)
- information to meet banking verification requirements (if the director will be a bank signatory)
- clothing size where the role involves the director to have protective clothing in accordance with the company's health and safety policies
- contact information including business address, telephone, fax and email details
- name and contact details of personal assistant, if applicable
- name of partner/spouse, if applicable and relevant travel details if partner/spouse travel is involved
- dietary preferences, allergies and any significant health issues of which the company should be aware.

Information about the company and/or industry

- copy of constitution/by-laws and relevant documents, for example, shareholder agreements
- copy of the company code of conduct
- copy of last annual report/half-year report
- monthly financial reports
- copy of current corporate plan, annual budget and most recent risk register presented to the board
- copies of corporate communications such as staff magazines, advertising brochures

- copies of stakeholder publications, if applicable
- recent public statements, for example ASX disclosures, significant media releases
- recent reports/disclosures to the relevant minister or government department, if applicable
- corporate structure and names of senior management team. The latter document may also include contact details of senior managers, depending on the company's protocol on direct access by directors to senior management other than the CEO
- glossary of any industry-specific terms
- recent analyst and rating agency reports, if applicable.

Information about the board

- details of board members — names, addresses, contact details
- board and committee meeting schedules, including meeting times, dates and venues
- committee memberships and terms of reference/ charters
- board processes and policies, including the procedures for dealing with conflicts of interest
- distribution of board papers — process and document management of board-related materials
- previous minutes of board and committees, for example, minutes of last six meetings and agendas for whole year.

As the induction pack can be quite voluminous in nature, it is **good governance** for the director induction pack (or parts of it) to be provided to the director early in the process thereby allowing enough time for the director to acquaint themselves with all relevant details and requirements prior to their appointment commencing. Where the materials are provided to and collected from the new director over a period of time (for example, a company may provide a preliminary information pack followed by a pack containing more confidential information as the vetting process progresses) it is a good idea to maintain a checklist identifying when and what documents were sent to or received from the director.

For newly appointed directors, for whom this is their first board appointment, consideration might also be given to developing a more fulsome induction pack

which also sets out the basics of their director's duties, including for example, explaining for directors of listed entities, the entity's continuous disclosure obligations.

Board induction processes

In order to develop a better understanding of the board and the way in which it operates, the incoming director will usually meet with the company secretary. The company secretary as the conduit between the board and management is usually best-placed to brief the new director on the governance processes of the company and the board.

Similarly, the incoming director might also meet with the chair of the board during an induction process to discuss the processes of the board.

Operations induction processes

The company secretary should also arrange meetings with relevant senior executives who can brief the new director on the company's operations, performance, current issues, and future strategies.

Consideration should also be given to arranging site visits for the new director to the company's operations sites during the induction process. Site visits can provide a newly appointed director with a better understanding of the entity and its operations.

Legal and compliance briefings

As part of the induction process, consideration should also be given to providing legal and compliance briefings to new directors, as appropriate. For example, the entity may have particular work, health and safety or environmental requirements for which the directors may be liable, and appropriate education and training in these areas should be undertaken.

Opportunity to provide feedback and review process

At the conclusion of the induction process the director should be provided with the opportunity to give feedback on the induction process and to ask and have clarified any further outstanding questions.

Companies should also ensure that they continue to review their induction processes, to ensure that all pertinent information is provided to directors. As the induction process can be overwhelming for a new director, it is important that the process be reviewed to ensure that adequate time has been given for directors to acclimatise with the entity, its board and operations.

Induction of board chair

The induction process for a newly appointed chair does not differ significantly from the process for inducting newly appointed directors. A newly appointed chair who is already on the board is most likely to have undergone a director induction process and be familiar with the company, its operations and governance systems.

The role of chair differs from that of other directors. There are additional matters to be considered when a new chair is appointed to a board, irrespective of whether they are new to the board or a pre-existing director. The company secretary plays an important role in the induction process.

Company bank accounts

If the new chair will be a company bank account signatory, the board will need to pass the appropriate resolution and the banks will need to be notified of the change to the company's authorised signatories.

Operation of the board

The company secretary should ideally meet with the new chair to discuss any proposed changes to board processes and establish a process for obtaining chair approval in a timely manner for matters such as:

- board agendas
- meeting minutes
- for listed entities, significant announcements in accordance with continuous disclosure obligations.

It is a good idea for the company secretary to discuss the chair's expectations for director development and education and incorporate this into the company's annual calendar.

Powers of the chair

It may be helpful for the company secretary to draw the chair's attention to those clauses in the company's constitution (or other key documents) that relate to the powers of the chair. These may include the power to pass a casting vote at board meetings and company general meetings and the power to consent to the use of a circular resolution.

Engagement with stakeholders

Where chairs are expected to engage with institutional shareholders and representative bodies, consideration should be given to identifying appropriate opportunities to introduce the new chair to these groups. Depending on the circumstances, this may be facilitated by introductions from the outgoing chair. The new chair may also want to meet with other stakeholders, such as management.

Matters arising from the director appointment process

Listed entities are required to report against recommendation 2.3 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* on the independence of directors. It is **good governance** for a company wishing to comply with recommendation 2.3 to have in place processes to review the new director's relationships (including those in the past three years) to satisfy the board that the new director meets the criteria of 'independence', if relevant.

The membership of board committees may change due to the appointment of a new director. The board may also want to make other changes to the membership of committees, either at the same time or after the new director has taken up their appointment.

Changes to the membership of the board and its committees may give rise to the following issues:

- listed entities, and those reporting against the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, will need to consider the changes in light of their board skills matrix and whether the changes have created any skills gaps that may need to be addressed
- remuneration changes will need to be communicated to payroll

- total remuneration of the new board and committees may need to be checked against shareholder approved ceiling caps
- the company website will need to be updated to reflect all board and committee changes.

The following are examples of matters arising from the appointment of a new director, which are commonly the responsibility of the company secretary, which need to be considered as part of the induction process:

- resolutions to approve board and committee appointments and changes
- for listed entities, appropriate announcements to the ASX (and other exchanges if the company has more than one listing)
- resolutions to approve board and committee changes to remuneration and instructing payroll
- resolutions for authorised signatories
- resolutions approving the company's entry into deeds of indemnity and access
- lodgement of notices with ASIC for new appointments/resignations
- ensuring all directors are provided with current standing notices of interest
- updating contact lists
- for companies using a portal for distribution of board and committee papers, arranging director access and training
- arranging building security passes and intranet access
- updating the company webpages
- for listed entities, updating the corporate governance statement and annual report.

It is **good governance** for the company secretary to consider how the appointment of new directors will impact on director rotations and elections at the company's next AGM.