

## BOARD

# Checklist for assessing board composition

The ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*,<sup>1</sup> functioning on an *if not, why not* basis, recommends that companies should have and disclose a board skills matrix that sets out the mix of skills that the board currently has or is looking to achieve in its membership.<sup>2</sup>

Larger listed companies have been using a board skills matrix of some description for a number of years to assess the current skills, background and experience of those on the board and to identify any gaps that may exist.

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Disclosing the company's board skills matrix requires careful consideration to ensure that, on the one hand, the disclosures are meaningful for investors and, on the other hand, do not include commercially sensitive information.

Putting more rigorous and transparent processes in place to assess board composition is good practice not only for listed companies but also for unlisted organisations with boards, including both for-profit and not-for-profit organisations.

To assist organisations that are looking to introduce such processes, the Australian Institute of Company Directors has prepared the following pair of director tool documents:

- Checklist for assessing board composition; and
- Guidance for preparing a board skills matrix.

1. ASX Corporate Governance Council, 2019, *Corporate Governance Principles and Recommendations*, 4th Edition, February, <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-fourth-edn.pdf>, (accessed 7 August 2019).

2. Ibid, Recommendation 2.2.

## Checklist for assessing board composition

Following are some key questions to assist boards when assessing whether their composition, and their approach to determining composition, is appropriate in their organisation's circumstances.

These questions are applicable to both for-profit and not-for-profit organisations.

<b>Board size</b>	<p>Is the board of an appropriate size, such that it:</p> <ul style="list-style-type: none"> <li>• discharges its workload effectively?</li> <li>• has productive discussions?</li> <li>• is able to plan for orderly succession?</li> </ul>
<b>Mix of skills, experience and backgrounds</b>	<ul style="list-style-type: none"> <li>• Does the board comprise an appropriate mix of skills, experience and backgrounds that aids decision-making and enhances board effectiveness, particularly having regard to the organisation's needs?</li> <li>• Is the mix of skills, experience and backgrounds on the board aligned with the overarching strategy of the company?</li> <li>• Do all current board members bring skills and experience that are relevant and useful to the board? While there can be a tendency to focus on having technical or other specific skills on the board, it is important to have a good cross-section and generality of skills present on the board.</li> </ul>
<b>Policies and practices</b>	<ul style="list-style-type: none"> <li>• Does the board have appropriate policies and practices to enable orderly board succession?</li> <li>• Is the board, at appropriate intervals, undertaking regular and rigorous assessments of the skills, experience and backgrounds that are desirable on the board, with a view to identifying and addressing potential gaps?</li> <li>• Does the board employ a skills/experience/background matrix as part of its assessment of its composition?</li> <li>• Has the board adequately considered its approach to gender diversity including, where appropriate, formulation of relevant policies?</li> </ul>
<b>Other considerations</b>	<ul style="list-style-type: none"> <li>• Has the board properly considered and taken account of changes that are likely to occur in the short to medium term (for example changes to strategy, changes in the external environment) when determining its desired size and mix of skills/experience/backgrounds?</li> <li>• To the extent there are gaps in desired skills and experience that reside on the board, has the board adequately considered whether and how the board might benefit from the professional development of current board members?</li> <li>• Beyond having the right mix of skills, experience and background present on the board, does the composition compliment the culture, engagement and style of the board?</li> </ul>

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