

Guidelines for Tasmanian Government Businesses

Board Appointments

October 2008

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Published by the Department of Treasury and Finance
GPO Box 147
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Guidelines for Board Appointments

Introduction

Although ultimately the board does not appoint new directors, it does play an important role in the selection of candidates. Involvement of the board helps to ensure that the appointment process is transparent and that the board is structured to add value.

In the case of a Government Business Enterprise (GBE), the Governor, upon the joint recommendation of the Treasurer and Portfolio Minister (the Shareholder Ministers), appoints the directors and chair of the board. In the case of a State-owned Company (SOC), the directors are appointed by the Treasurer and Portfolio Minister (the Shareholder Ministers or Members of the Company).

For all upcoming director vacancies, the board should provide to the Director Selection Advisory Panel the names of up to three suitably qualified candidates (including any retiring director assessed as suitable for an upcoming position and seeking appointment for a further term), together with supporting information. The Director Selection Advisory Panel will consider all potential candidates and provide a shortlist to the Shareholder Ministers for their consideration.¹

The Director Selection Advisory Panel will comprise three members being:

- the Secretary of Treasury or the Secretary of the relevant Portfolio Department;
- the chair of the Government business or their representative (eg where appointment of the chair is being considered); and
- an independent member with either corporate governance/board appointment expertise or industry experience relevant to the business.

The process for appointment of Government business directors and GBE chairs, including the Director Selection Advisory Panel, is illustrated in Attachment 1.

The case for appointing the chief executive officer (CEO) as a member of the board is considered in the *Guidelines for Appointing the CEO as a Member of the Board*.

The following is intended as a guide, not a direction, to assist the board of a Government business with the process. However, where the board is of the view that the guideline, or part within, is inappropriate to its particular circumstances, it should, similar to the ASX Corporate Governance Council's "if not, why not" approach, disclose any departure in the Annual Report of the business.

¹ The *Tasmanian Ports Corporation Act 2005* requires the Portfolio Minister to establish a panel to consider and submit to the Members a list of names of persons suitable for appointment as subsequent directors and chair of the board of the Tasmanian Ports Corporation.

Guidelines

Board Appointments

Selection and Appointment of Directors

- (a) A majority of the board should be independent directors.
- (b) The board should consider the skill set of the current board members and identify required knowledge, expertise and skills in relation to any upcoming position on the board.
- (c) The board should consider establishing a board nomination committee responsible for developing director selection criteria, and identifying and evaluating potential candidates.
- (d) The board should regularly review how many positions it needs.
- (e) All board positions should have a role statement or position description.
- (f) The board should consider candidates who have expressed an interest to be appointed as a director on the board. This includes a retiring director assessed as a suitable candidate for appointment for a further term.
- (g) The board should provide the names of up to three suitably qualified candidates to the Director Selection Advisory Panel (established by the Shareholder Ministers), together with supporting information for each candidate being nominated.²
- (h) The Director Selection Advisory Panel will consider all potential candidates and provide a shortlist to the Shareholder Ministers for their consideration.

Term of Appointment

- (a) Directors will be appointed for a term of up to three years (unless legislation otherwise provides).
- (b) A retiring director seeking appointment for a further term should only be considered as a potential candidate after completion of a formal performance assessment of the director and considering requirements of the board in terms of knowledge, expertise, and skills. Where assessed as suitable, the director will still be referred to the Director Selection Advisory Panel for consideration along with other candidates nominated for the position.
- (c) The board needs to consider succession planning to manage future and unanticipated retirements of directors from office in conjunction with the changing requirements of the business. The staggering of director appointments will assist in this regard.
- (d) To ensure adequate board renewal a director will generally only be appointed for a maximum of two or three terms (ie a maximum of six or nine years of continuous service). The Shareholder Ministers will consider increasing the number of terms on a case by case basis.

² To meet the requirement of section 13(3A) of the *Government Businesses Enterprises Act 1995*, the Board of a GBE should concurrently provide details of its nominated candidates to the Treasurer and Portfolio Minister.

Disclosure Requirements

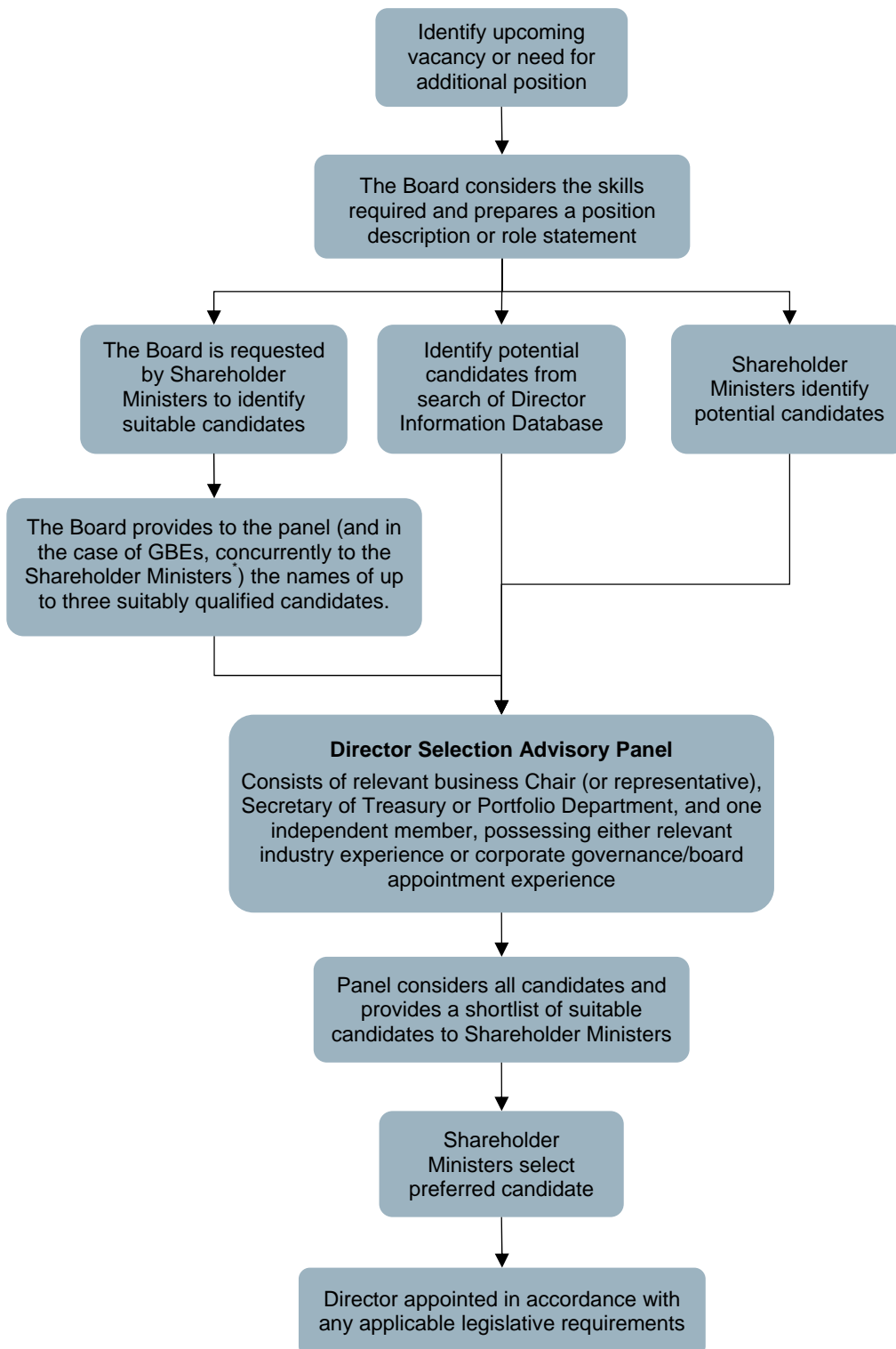
Disclosure in the corporate governance section of the annual report should include but not be limited to:

- the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;
- the names of the directors considered by the board to constitute independent directors and the materiality thresholds of the business;
- a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the business;
- the period of office held by each director in office at the date of the annual report;
- the number of directors meetings (including meetings of committees of directors) held during the year and the number of meetings attended by each director;
- the names of members of the nomination committee, or where the business does not have a nomination committee, how the functions of a nomination committee are carried out; and
- an explanation of any departures from disclosure of the above.

For current disclosure requirements refer to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Attachment 1

GBE and SOC Director and GBE Chair Appointment Process



* To meet the requirement of section 13(3A) of the *Government Businesses Enterprises Act 1995*.



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