GOVERNANCE PROCESS FOR ENSURING APPROPRIATE SKILL SETS ON CHOICE BOARD

Background

In 2004 the Board commissioned Cameron Ralph, a leading corporate governance consultant with considerable expertise in the not-for-profit sector, to conduct an independent external review of its governance arrangements.

Given the increasingly competitive and challenging environment that CHOICE works in, both as a publisher and in the advocacy sphere, the Board saw great value in ensuring that its own practices were consistent with the highest standards of modern corporate governance.

The review pointed to a range of desirable reforms in the way that CHOICE Board works and suggested changes to the composition of the Board and that it plays a more active role in securing ideal candidates.

Some of the recommendations required immediate constitutional change which occurred at the CHOICE AGM in 2006 but others went more to practice. In particular in relation to the selection/election model for Directors it was recommended that the Board:

Establish a Nomination and Remuneration Committee to:

- undertake skills audit, assess any skills/experience deficiencies and establish desired profile for Board composition;
- undertake search (inside and outside of membership) to address identified deficiencies and propose ticket for the Board's consideration and recommendation to members for election;
- oversight regular Board performance reviews, and incorporating a systematic succession plan, make recommendations to Board for support of re-election (or otherwise) of sitting Board members

It was also recommended that:

- the term of office should remain three years and that two terms should be seen as the norm and three generally the maximum; and
- the Constitution should be revised to incorporate more contemporary thinking on issues of independence and conflict.

The Board has proceeded to implement these recommendations.

In particular it has been undertaking a skills audit ahead of each election cycle and has been undertaking a search to ensure suitable candidates are available for election but has stopped short of recommending a ticket to members.

In addition in 2007 Board conducted a performance evaluation of itself, its committees and its Chair and resolved to have continuing reviews on a regular basis. In 2008 it implemented performance evaluation for individual Directors wishing to re-stand for election.

It has agreed that two terms for Directors should be seen as the norm and three terms generally the maximum.

It has also agreed to modernise the Constitution and this will occur in 2009.

This paper sets out in detail the process that has been followed over the past three years. The process is new and still evolving and feedback from members is welcome.



GOVERNANCE PROCESS FOR FILLING VACANCIES ON CHOICE BOARD TO ENSURE APPROPRIATE SKILLS SETS AND A BALANCE OF SKILLS

Introduction

The Governance, Nominations and Remuneration (GNR) Committee is the key body on Board in this process. Section 9 of the CHOICE (ACA) Constitution sets out the processes for election, appointment, nomination and retirement of Directors. This paper is intended to provide further detail for one part of those processes. It does not attempt to cover every eventuality, leaving the Chairs of the Board and the GNR Committee to recommend the appropriate governance action to the Board if it is not specified here.

The process described below acknowledges that the CHOICE (ACA) Constitution allows for any voting member of the Australian Consumers' Association to nominate for election to the Board, provided they meet the constitutional requirements. This Constitutional provision is part of the democratic balance of powers in the Constitution which allows the voting membership to maintain appropriate input to the structure and control of CHOICE (ACA).

Timing and Identification of Vacancies

- The GNR Committee should inform itself before the middle of the year of the election timetable for that particular year. This timetable sets out the key dates in the election process, such as the day nominations close. This information is essential to ensure that the following process is completed in time.
- The GNR Committee should identify which Directors will be required to stand for election that year and whether there are likely to be any retirements compulsory or otherwise.

Possible Conflict of Interest on the GNR Committee

- Should the term of a Member of the GNR Committee be ending and they intend standing for re-election, that Member should not be involved in this governance process, to ensure there is no conflict of interest.
- The Chair of the Board will normally be a member of the GNR Committee. Should the term of the Chair of the Board be ending and they intend standing for reelection, they should not be involved in the process of selection of candidates. However, the Board and/or GNR Committee may decide to include the Chair of the Board in determining the skills sets required. The reason for this being that the Chair has a unique responsibility to provide continuity in overseeing the welfare of the Board, particularly in its balance of skills.
- Any member of the GNR Committee who is retiring and not standing for election should remain on the Committee, as there is no conflict of interest. *

TWO PROCESSES

• There are two processes which the Board should follow - one involves evaluation of the performance of existing Directors who are standing for re-election, and the second involves finding suitable new candidates to replace retiring Boardlors.



A. Evaluation of Directors Standing for Re-election

- The Board has established a separate process for annual evaluation of itself, which includes individual and overall Board performance. Ideally, this evaluation should take place prior to the Board meeting which is held approximately three months before the AGM. This meeting, (usually held August/September), is when the Board should be receiving and accepting recommendations re the election from the GNR Committee. Evaluation results for existing Directors who are standing for reelection need to be integrated into the GNR and the Board's preferred list of candidates.
- Should the evaluation of Directors raise questions about the suitability of current Director/s for re-election, the Chairs of Board and of the GNR Committee must determine a process for managing this eventuality.

B. Search for Replacement Directors

Skills Audit

 The Committee should undertake a skills audit of the Board, assessing any skills or experience in which the Board might be deficient against a desired profile or balance of Board skills.

The Board accepted Cameron Ralph's recommendation (5.1) which says, Mix of the Council [later changed to Board] should aim for at least half with extensive commercial/publishing/marketing skills and half with consumer/ advocacy/political skills.

• The GNR Committee should recommend to the Board a set of skills which will guide the Committee's search for any new Director/s. The Board to approve skills set/s.

Search for Potential Candidates

• The GNR Committee should undertake a search to address the approved skills set/s and develop a list of names, with CV information. As well, Board Members should be invited to suggest names which fit the skills set/s to the GNR Committee, so these names can be added to the GNR Committee's list.

All names must remain strictly confidential, and no approach on any basis should be made by a Director to any person whom they are suggesting for the GNR Committee's list - this includes asking the person if they would be available to stand.

- The GNR Committee should establish a short list of possible candidates to fill any vacancy/s and determine the appropriate way to approach the top candidate, (or candidates in the case of more than one vacancy), as to whether they might be interested in standing. There is of course some delicacy and diplomacy required by the GNR Committee in this process. Care should also be taken to ensure that potential candidates fully understand the process which is occurring.
- Having determined the interest and availability of the candidate or candidates they
 are recommending, the GNR Committee should put the name, or names, to the
 Board for their agreement.



• The GNR Committee should ensure that once potential candidate/s are finalized that, if they are not already voting Members of CHOICE, candidates apply to become voting members in time to be accepted as members by the Board at a meeting before nominations close.

*This paper does not describe a process if all or most of the GNR Committee are standing for re-election, or if the Chair of the Committee is in this position. The principles set out above should be sufficient for the Board and/or GNR Committee to decide on an appropriate process should these situations occur.