

Corporate Governance and Nominations Committee Charter Assessment Tool

	Acceptable	Better	Desirable	Best Practice
I. Establishment	Any written document, including Board resolution.	Incorporated in bylaws ¹ or corporate governance guidelines, with clear terms of reference on roles and responsibilities.	Incorporated in corporate Charter or Articles of Association, with more detailed terms of reference on roles, responsibilities, composition, functioning, and procedures.	Same. ²
II. Purpose	Assisting the Board in oversight of Company's policies and procedures for nomination of Board members.	<ol style="list-style-type: none"> 1. Same. 2. Assisting the Board in oversight of processes by which the Company, its Board and Board Committees are governed. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Assisting the Board in establishing the Company as a recognized leader in corporate governance in the market.
III. Composition	<ol style="list-style-type: none"> 1. Defined number of Board members. 2. Only non-executive Board members.³ 	<ol style="list-style-type: none"> 1. Same, <i>and three or more Board members.</i> 2. Same. 	<ol style="list-style-type: none"> 1. Same, <i>and three to five Board members.</i> 2. Same, <i>and 100% non-executive, at least 75% independent Board members.</i> 	<ol style="list-style-type: none"> 1. Same. 2. All members independent directors. 3. Members represent a diverse background.
IV. Individual Committee Membership Qualifications	Time and desire to fulfill obligations.	Same.	<ol style="list-style-type: none"> 1. Same. 2. Introductory briefing for new Committee members. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Periodic professional education/training. 4. Less than 75% attendance at Committee meetings in one year automatic threshold for non-reappointment. 5. Limit on number of memberships on other Board committees.
V. Committee Chair	Appointed by Board Chair, Board as a whole, or the Committee.	<ol style="list-style-type: none"> 1. Same. 2. Is an independent Board member. 	<ol style="list-style-type: none"> 1. Appointed by independent members of Board or Committee, or the independent Board Chair. 2. Same. 3. Has adequate expertise. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Does not serve as Chair of other Board Committees.
VI. Appointment to Committee	Board ratification of Committee members where nomination is by Board Chair.	<ol style="list-style-type: none"> 1. Appointment by Board or outgoing Corporate Governance/Nominations Committee. 2. Minimal or no management (e.g., CEO) or controlling shareholder influence in Committee member nominations. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. One-year renewable terms. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same.

1 Bylaws refer to internal corporate documents which do not have to be filed externally (with corporations' registry or the regulator).

2 "Same" indicates that the recommendation of the identical number in the column immediately to the left is carried over into the column. Should the recommendation be only partially identical, any differences are *italicized*.

3 In jurisdictions with the so called two-tiered Board systems, the non-executive directors refer to members of the Supervisory Board.

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		3. Fixed terms, preferably annual, but not exceeding Board terms.		
VII. Remuneration (in addition to compensation for work as a Member of the full Board)	Is solely related to fulfilling the obligations of a Committee member (no form of payment which would compromise independence (e.g., salary, consulting, finders' fees, etc.)).	1. Same, <i>payment as Committee fees and/or meeting fees is the preferred form.</i> 2. Adequate level of payment so as to create expectation of responsibility.	1. Annual Committee fees. 2. Same. 3. Additional per meeting fees. 4. Additional fee for Chair.	1. Same. 2. Same. 3. Same. 4. Same.
VIII. Meetings	1. May be called by the Committee Chair. 2. At least annual meetings. 3. Approved annual calendar of regular meetings. ⁴	1. Same. 2. Same. 3. Same. 4. May be requested by the Board Chair or CEO.	1. Same, <i>and by any two Committee members.</i> 2. At least semiannual. 3. Same. 4. Same. 5. Meetings may be in person, by telephone, web, or other electronic means agreeable to Committee. 6. Ability to act by unanimous written consent.	1. Same. 2. At least quarterly. 3. Same. 4. Same. 5. Same. 6. Same.
IX. Attendance and Notice	1. Quorum required. 2. Advance notice required; may be waived with unanimous written consent.	1. Same, <i>and simple majority as a minimum.</i> 2. Same. 3. Minutes to be prepared and distributed to Committee members. The Board has access to review them.	1. Same. 2. Same, <i>and with minimum 48 hour notice.</i> 3. Same. 4. Holding meetings, from time to time, without management present. 5. Having the ability to ask all non-committee members out of the meeting at any time.	1. Same. 2. Same, <i>and with minimum 1 week notice.</i> 3. Same. 4. Same. 5. Same. 6. Having time at every meeting without management present. 7. Independent members meet separately (non-committee meeting) at least once per year to discuss their effectiveness.
X. Reporting to the Board	Verbal or written reports to the Board as needed.	1. Same. 2. Annual written report to Board concurrent with Board nominee recommendations.	1. Same, <i>or minutes to Board following each Committee meeting.</i> 2. Same.	1. <i>Written</i> reports or minutes to Board following each Committee meeting. 2. Same.
XI. Evaluation			1. Annual evaluation of work the Committee has performed over the previous year. 2. Annual evaluation of Committee effectiveness, including processes and procedures.	1. Same. 2. Same. 3. Periodic evaluation of the Committee Charter, with written report to the Board suggesting improvements, if any.

⁴ In addition to regular Committee meetings, extraordinary meetings may be held when needed and appropriate with agenda set in advance.

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				4. Periodic independent evaluation of Committee effectiveness.
XII. Authority and Resources	Having access to all internal resources.	<ol style="list-style-type: none"> 1. Same. 2. Recommending the hiring of outside resources (e.g., executive search firms, Board evaluation consultants, remuneration consultants) as needed. 	<ol style="list-style-type: none"> 1. Same, <i>without necessarily going through the hierarchy (though the hierarchy should be respected absent compelling reasons to avoid it).</i> 2. Having the right to hire outside resources without executive approval. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Receiving an annual budget sufficient to achieve its needs, and having the ability to access additional funds in unforeseen circumstances.
XIII. Responsibilities – General Corporate Governance, including Board Processes and Structures	<ol style="list-style-type: none"> 1. Assisting the Board in determining the appropriateness, adequacy and efficiency of the Company's corporate governance structures and processes. 2. Assisting the Board and management in ensuring the existence of an ethics policy.⁵ 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Proposing amendments to the Company's corporate governance practices and relevant documentation. 4. Ensuring that the Company has an officer, e.g. the Corporate Secretary, who is responsible for implementing the Company's corporate governance policies and practices. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Reviewing corporate governance policy statements of the Company (e.g., corporate website) at least annually. 6. Monitoring corporate governance developments locally. 7. Assisting the Board and management in ensuring the existence of company-level corporate governance code. 8. Overseeing the implementation of the Company's conflict policy with respect to Board members. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Pro-actively monitoring corporate governance developments locally and globally. 7. Same. 8. Same. 9. Monitoring the Company's reputation and issues pertaining to reputational risk. 10. Annually reviewing the Board Charter. 11. Annually reviewing the delegation of authorities from the Board to Committees to ensure that the Board overall fulfills all functions stipulated by law and the Company's Charter. 12. Conducting an independent review of the governance framework periodically.
XIV. Responsibilities – Board Committee Structure⁶	Ensuring that the Board is structured in such a way as to allow it to effectively handle any number of complex issues.	<ol style="list-style-type: none"> 1. Same. 2. Reviewing all Board Committee memberships to ensure adequacy of structure, composition and mandate, with due regard to overall diversity. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 	<ol style="list-style-type: none"> 1. Same. 2. Same, <i>with required annual review of each committee.</i> 3. Considering in advance scheduled retirements of Board members. Alerting the Board as to which Committees will be affected.

⁵ See Section XII, Acceptable, 2 of the Audit and Compliance Committee Charter Assessment Tool of the IFC's Advanced Methodology for Financial Institutions.

⁶ At some companies, the Corporate Governance/Nominations Committee is responsible for recommending Committee members and Chairs for all Committees. An approach to divide responsibilities is recommended, with the Corporate Governance/Nominations Committee monitoring the composition of the other Committees.

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				4. Annually reporting to the entire Board on its findings with regard to committees.
XV. Responsibilities - Board and Committees Evaluation⁷		Ensuring periodic evaluation of the Board and Committees structure, including size of Board, number and functions of Committees, adequacy of Committee charters and other governing documents.	<ol style="list-style-type: none"> 1. Same. 2. Ensuring the functional evaluation of Board. 3. Ensuring the functional evaluation of each Committee. 4. Conducting annual reviews of the Board Chair in that role (i.e., if a combined Chair/CEO, the Committee reviews his/her functioning as Chair, not as CEO). 5. Considering conflicts of interest of any Board member and reporting to the Board as to any remediation proposed. 6. Ensuring the periodic organization of professional training events for Board members specifically addressing areas that need improvement. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same. 7. Ensuring that a peer review or other evaluation mechanism of each Board member individually is in place.⁸ 8. Ensuring that written reports on evaluation results are submitted to the Board, suggesting improvements, if any.⁹ 9. Conducting an outside/independent evaluation periodically.
XVI. Responsibilities – Board Member Nomination, Re-nomination, Orientation Program	<ol style="list-style-type: none"> 1. Recommending nominees for Board election. 2. Ensuring that any regulatory and licensing requirements (e.g., “fit and proper” standards) are met, if any. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Ensuring that there is a process for identifying potential Board members. 4. Recommending to the Board the key attributes desirable in a Board member.¹⁰ 5. Overseeing the Board induction/appointment process. 6. Developing criteria for determining a Board member’s independence and the duty to keep shareholders informed as per their independent status (or loss thereof). 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same. 7. Overseeing the conduct of any background checks, interviews, reference checks, etc. on Board nominees. 8. Considering the needs of individual Board Committees in terms of specific qualifications and skill sets, when searching for and evaluating Board nominees.¹¹ 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same. 7. Same. 8. Same. 9. Same. 10. Reviewing the adequacy of new Board member orientation program. 11. Reviewing the adequacy of new Committee member orientation.

7 It is generally desirable to have individual Board Member peer reviews or evaluations. However, such reviews are controversial and can be uneven in result. Nevertheless, we regard individual Board Member peer reviews or evaluations as best practice. Also, at some companies, each Committee may be responsible for evaluating itself, with the Corporate Governance and Nominations Committee playing more of a co-ordination role.

8 Such reviews should occur prior to re-nomination to the Board.

9 Sensitive recommendations relating to individual Board Members may be verbal, rather than written.

10 Generally, these will include consideration of skills, experience, judgment, independence, share ownership.

11 For example, the Committee may consider independence and financial literacy when seeking new Board Members who may sit on the Audit and Compliance Committee.

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			9. Reviewing or suggesting appointments to any Boards of the Company's subsidiaries.	12. Reviewing any changes in status or affiliation of current Board members and recommending action, if any, to be taken by the Board in such cases. 13. Reviewing arrangements for continuing education of Board members.
XVII. Responsibilities - Corporate Governance Improvement Program		1. Ensuring that a specific and clearly stated Corporate Governance Improvement Program (CGIP) is developed. 2. Ensuring that the officer who is responsible for CG is also responsible for monitoring and overseeing the implementation of the CGIP.	1. Approving the CGIP. 2. Ensuring that the CG officer responsible for monitoring and overseeing the implementation of the CGIP periodically reports to the Committee on the CGIP's implementation progress.	1. Same, <i>and periodically reviewing the CGIP and recommending improvements/modifications to the Board.</i> 2. Same.
XVIII. Responsibilities – Succession Planning¹²	1. Establishing director retirement policies and reviewing the functions of senior officers and making recommendations on changes. 2. Reviewing the job performance of officers and other senior executives with the Board Chair and CEO.	1. Same. 2. Same. 3. Monitoring succession planning for CEO and the Board Chair. 4. Reviewing the outside activities of senior executives. 5. Reviewing with the Board Chair and CEO succession plans relating to other executive positions.	1. Same. 2. Same. 3. Same. 4. Same. 5. Same.	1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Ensuring that the Board, including non-executive Board members, has periodic exposure to senior executives who may ultimately be promoted to corporate officers, as appropriate.
XIX. Responsibilities – Reports to Shareholders		Annual report on Committee activities, including members, number of meetings and attendance and any proposed changes to its Charter.	Same, and including measures taken to implement the CGIP.	1. Same.
XX. Shareholder (Investor) Relations	1. Overseeing processes by which Board nominees are put forth for election by shareholders, if any.	1. Same. 2. Ensuring that the Company has an effective Investor Relations function.	1. Same. 2. Same. 3. Assessing any formal requests from shareholders, regulators or others as to changes in the Company's corporate governance and drafting relevant responses for the Board.	1. Same. 2. Same. 3. Same. 4. Ensuring the adequacy and efficiency of procedures to allow suggestions from shareholders and others as to ways of improving the Company's corporate governance.

¹² Alternately, may be the responsibility of the Compensation Committee, the Board as a whole, or an ad hoc committee of the Board. The key is that it is assigned to some specific entity whose composition, independence and capacity are adequate to the task.

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XXI. Responsibilities – Board Remuneration¹³		Suggesting level and form of Board remuneration, including Board fees, Chair stipend, Committee Chair stipends, meeting fees.	<ol style="list-style-type: none"> 1. Same. 2. Determining policies for expense reimbursement for Board members. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Monitoring remuneration of Board members at peer group of companies.

¹³ The Board remuneration may be function of Compensation Committee at some companies. For convenience, we have included this responsibility on both the Compensation Committee and Corporate Governance/Nominations Committee tools.