

# FRC provides nomination committees with good practice guidance

## KPMG Board Leadership Centre

The FRC has issued [guidance](#) to support their long awaited UK Corporate Governance Code 2024. Whilst the main substantive change concerns internal controls ([read our summary here](#)) - it hasn't gone unnoticed that earlier proposals for revisions related to the role of audit committees on ESG issues; expanding diversity and inclusion expectations; over-boarding provisions, and expectations on Committee Chairs' engagement with shareholders, have been dropped in favour of adopting a more targeted and proportionate approach.

However, FRC guidance on the code updates does include a dedicated section to the good practice for the successful management of board committees including the nomination committee – providing a strong steer on its role in improving inclusion and diversity and creating robust succession planning at the top of organisations.

Taking a more holistic view, the FRC encourages the nomination committee to take an active role in setting and meeting diversity objectives and strategies for the company with 'HR or People operations' and monitoring the impact of diversity initiatives.

The guidance encourages a proactive approach to planning and assessment when recruiting board members whilst considering the company's strategic priorities and the main trends and factors affecting long term success and future viability of the company.

### Considerations for nomination committees

The guidance encourages nomination committees to consider:

- Comprehensive induction training for new directors and ongoing training for existing board members
- Setting limits on the number and scale of additional appointments the Chair or non-executives take without compromising their effectiveness
- At the end of a director's term of office the nomination committee should evaluate the director's performance, knowledge, skills and experience as well as being subject to re-election (Provision 18 states 'All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success').

- Terms and conditions of appointment of the chair and non-executive directors must be available for inspection. Letters of appointment should include the expected time commitment and indicate the possibility of additional commitment when the company is undergoing a period of particularly increased activity e.g. an acquisition or takeover, or as a result of some major difficulty with one or more of its operations.
- Taking the lead in succession planning, taking into consideration the long-term strategic view of matters that are closely linked such as board composition, talent management and succession planning.
- Providing descriptions of the actions it has taken in their annual report under Provision 23 (see table)

#### Provision 23: The annual report should describe the work of the nomination committee, including:

- The process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;
- How the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition;
- The policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and
- The gender balance of those in the senior management and their direct reports.

The FRC guidance also offers questions for nomination committees to consider to help achieve good governance in its role as follows:

- What skillset will be required for the board and its committees in the short and medium term?
- Have we conducted a full skills assessment to identify what skill gaps we may have in our boardroom?
- Do we reassess the make-up of the board because of emerging trends?
- Do we take account of the technical skills and knowledge required by the committees when recruiting members?
- How often is a skills audit undertaken and are we keeping up with the pace of change?
- Do our recruitment consultants offer a diverse range of talent for board appointments?
- How often do we change/assess the effectiveness of recruitment consultants/head-hunters?

## On the 2024 nomination committee agenda

Read the '[On the 2024 nomination committee agenda](#)' from the BLC which provides considerations for nomination committee members for the year ahead including:

- Skills to expand and enhance ESG oversight
- Enriching board decision making through visible and invisible diversity and its intersections
- Taking action on race
- Board skills required to support growth
- Succession planning
- Planning for increasingly active investors
- The voice of the workforce and wider stakeholder perspectives

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## The KPMG Board Leadership Centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. Membership offers you a place within a community of board-level peers with access to topical and relevant seminars, invaluable resources and thought leadership, as well as lively and engaging networking opportunities. We equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

Learn more at [www.kpmg.com/uk/blc](http://www.kpmg.com/uk/blc).

## Contact us

**Krishna Grenville-Goble**  
Board Leadership Centre  
T: +44 (0)7917 558511  
E: [krishna.grenvillegoble@kpmg.co.uk](mailto:krishna.grenvillegoble@kpmg.co.uk)

[www.kpmg.com/uk/blc](http://www.kpmg.com/uk/blc)



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