

Board Process Report

Nominations Process

Date: December 2006

This report is intended for Company Secretaries, Board Chairmen and Chief Risk & Compliance Officers responsible for the work of public listed company boards, and the ongoing improvement of board process.

The purpose of the report is to monitor trends and variations in board process in order to understand how different factors contribute to overall board performance.

The report analyses:

- The structure and remit of nominations committees.
- The way in which non-executive directors are selected, and in particular, the director characteristics sought by leading companies.
- The bases for independence requirements, and different jurisdictional approaches to director independence.

The report findings include:

- The fundamental role of the Nominations Committee has remained constant however the way in which this role is performed has become more complex and sophisticated.
- The nomination processes are similar between companies. The difference in approach stems from the frequency with which the process is undertaken, for example on an as needed basis compared with a policy of annual re-election.
- The extent to which companies disclose information relating to the nominations process and appointment criteria differs greatly. Information provided by the index companies in relation to their selection criteria for directors is generally high level and subjective in nature.

For a full version of the report please contact:

Australia

Patrick Ryan, Manager

Tel: +61 430 584 910

Email: pr@institutionaldesign.com

Institutional Design

Level 27

101 Collins Street

Melbourne VIC 3000

Australia

Tel: +61 (0)3 9653 7353

Fax: +61 (0)3 9653 7354

www.institutionaldesign.com

United Kingdom

Haris Syed, Research Manager

Tel: +44 (0) 207 680 2763

Email: hs@institutionaldesign.com

Institutional Design

108 Fenchurch Street

London EC3M 5JR

United Kingdom

Tel: +44 (0) 20 7680 9192

Fax: +44 (0) 20 7680 9068

www.institutionaldesign.com

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