



Chartered
Governance
Institute
UK & Ireland



Guidance note

Induction of directors

July 2024



Comments, questions and observations

If you have any feedback on the content of this guidance note, or additional questions that you'd like to discuss, please contact the Chartered Governance Institute UK & Ireland: 020 7580 4741 | policy@cgi.org.uk

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1. Introduction

The objective of induction is to provide a new director with the information they will need to become as effective as possible as a director of the company within the shortest practicable time. Providing directors with a well thought out and comprehensive induction programme is an important element of the [UK Corporate Governance Code](#)¹ (the Code), underlined in the [Financial Reporting Council's \(FRC\) guidance on Board Effectiveness 2018](#) (the Guidance) – sections 1–3.

The Code applies to all companies with a premium listing of equity shares at the London Stock Exchange. However, the good practice principles that it advocates are, in the Institute's view, applicable across organisations of all kinds in all sectors. For example, the Wates Principles for the governance of large private companies do not specifically mention induction. However, they do emphasise the effectiveness of the board by recommending a commitment to ongoing professional development (principle 2) and ensuring that the board and the committees have a clear understanding of their accountability and responsibilities (principle 3). Similarly, governance codes in other sectors reflect the need for an effective board, of which good induction is a key support.

This guidance is aimed at chairs, other board directors, company secretaries and other governance professionals to help develop a more effective board. In the specific case of listed companies, this guidance aims to help a company secretary to discharge their responsibility to facilitate director induction under the leadership of the chair in line with paragraph 81 of the Guidance.

In 2003 the 'Higgs Suggestions for Good Practice' stated that the induction process should aim to achieve three things, and these remain relevant today:

- build an understanding of the nature of the company, its business and the markets in which it operates;
- build a link with the company's people; and
- build an understanding of the company's main relationships.

This guidance draws out two further elements, helping to ensure an understanding of:

- the role of a director; and
- the framework within which the board operates.

As well as providing a checklist of topics and documents (section 4) to consider covering in an induction programme, this guidance makes suggestions for programme design (section 3) because the way in which any induction programme is delivered is an essential factor in its success.

It is not possible to design a single programme to suit all circumstances, and the programme should therefore be tailored to the needs of the specific individual and company. Similarly, the time taken to complete an induction will depend on the organisation, its size and complexity, and the prior experience of the individual, but may take 12 months in order to cover a full board cycle.

¹ The UK Corporate Governance Code 2024 and associated guidance does not have effect until financial years commencing on or after 1 January 2025. This document has been prepared to support organisations as they progress towards the 2024 Code. Cross-references will be updated once the relevant guidance has been published and that Code is in force.

2. References to induction in regulation and guidance

1. The Guidance supporting the Code, published by the FRC.

The Code applies to all companies in the commercial companies category and with a listing of equity shares at the London Stock Exchange.

The Guidance states (paragraph 61) that ‘The chair should ensure that: ... all directors receive a full, formal and tailored induction on joining the board’. It goes on to state (paragraph 75) that ‘Non-executive directors should, on appointment, devote time to a comprehensive, formal and tailored induction that should extend beyond the boardroom.’

The Guidance suggests that: ‘Initiatives such as partnering a non-executive director with an executive board member may speed up the process of them acquiring an understanding of the main areas of business activity, especially areas involving significant risk. They should expect to visit operations and talk with managers and non-managerial members of the workforce. A non-executive director should use these conversations to better understand the culture of the organisation and the way things are done in practice, and to gain insight into the experience and concerns of the workforce.’

We would go further and suggest that something similar ought to be considered for newly appointed executive directors who have no immediate history with their companies (e.g. in an executive position below board level). For such people, partnering might be with another executive director, cover different ground and take less time. An advantage of partnering for new executive directors would be to allow them to get an idea of what non-executive directors learn on induction, potentially thereby also boosting the cohesion of the board as a whole.

Paragraph 81 of the Guidance states that ‘Under the direction of the chair, the company secretary’s responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction, arranging board training and assisting with professional development as required.’

Finally, the Guidance addresses the outcome of the board performance review. Paragraph 110 says that ‘The outcomes from the board performance review should be shared with and discussed by the board. They should be fed back into the board’s work on composition, the design of induction and development programmes, and other relevant areas.’

2. The Institute has issued a non-executive director’s appointment template letter which states (paragraph 8) that a new director will be expected to make themselves available during their first year of appointment for an additional number of days. Ten days is suggested in the template letter as a minimum, reflecting the importance of the induction process.

It is recommended that the Institute’s [‘Joining the right board: due diligence for prospective directors’](#) guidance note is used as a checklist against which the company secretary and newly appointed directors can identify additional or specific induction needs as necessary to each new director.

Other relevant CGI guidance includes [‘Directors’ general duties under the Companies Act 2006’](#) and [‘Matters reserved for the board’](#).

3. Good practice points and points to consider in the programme design and delivery

Good practice points

- Speak to the new director and consider any board committee commitments they will undertake, before devising the programme, to get their input on how it should be tailored in relation to both content and delivery. The incoming director's previous experience as director of a UK company and knowledge of the industry in which the company is involved, is, of course, relevant to the design of the induction programme: it may be that they are aware of some or most of the non-company-specific items and may simply require an update in certain areas.
- Plan the timing of the provision of information to avoid overloading a new director with everything all at once. Prioritise and schedule the various induction elements over a reasonable period. Arrange meetings with board members, employees, advisers, shareholders and other relevant stakeholders over an extended period too. However, let the director see the whole programme schedule at the start so that they have the option to request certain elements earlier, or to have access to certain documents sooner.
- Vary the delivery of information and limit the amount of data presented just as reading material, for example by designating meetings with executives to cover certain elements, making use of advisers, other stakeholders, external training courses and organising site visits.
- Plan the induction programme with reference to the normal director training and development programme, as one should transition smoothly into the other.
- Review the induction with the director mid-way through the process, and after 3–6 months, and seek their input on any further induction requirements they may have.

Points to consider

- Consider asking an existing non-executive director to comment on the content and design of the draft induction programme intended for an incoming director (executive or non-executive).
- Consider arranging induction meetings and site visits around existing board and/or committee meetings.
- Consider whether it would be appropriate to encourage a new executive director to take up a non-executive role on another board, once they have become well established within the executive director role, to broaden their understanding of directors' responsibilities as members of a unitary board².
- Consider whether it would be beneficial to partner a new non-executive director with a particular executive director (or senior executive) to hasten an understanding of a specific part of the business. Similarly, partnering a new executive director with an existing executive director can help to build knowledge and to promote board cohesiveness.
- Consider whether any of the outputs of the latest board/director effectiveness review could be achieved, or partially achieved, by changes to the induction programme.

² Check the latest regulatory and best practice limits that apply to your organisation as regards the number and types of appointment a director can or should hold.

4. Director induction checklists

The following checklists are not intended to be prescriptive or exhaustive, but to act as an aide memoire when devising a programme. The expectation is that the programme will be tailored to the needs of the particular director to avoid repeating information in which they are already well versed, and that the content will be delivered using a variety of methods over an extended period.

Many of the topics listed below will be best conveyed by making the director aware of the source document, while providing an overview/summary of the key points.

A specimen induction programme is attached as an appendix to this guidance note, but it cannot be emphasised too strongly that an induction programme should be specific to that individual director and tailored to their strengths and experience. The specimen is, therefore, only an example of what such a programme might look like.

4.1 The role of a director

- the role of a director and directors' statutory duties (with particular regard to ss171–177 Companies Act 2006 where applicable)
- details of the company's policies and procedures regarding directors' shareholdings and share dealings, including close period dates (for AIM and listed companies)
- the support role of the company secretary and team; personal introduction to the team
- policies relevant to the director as an individual (independent professional advice, expenses, data protection, reporting of gifts and hospitality etc.)
- directors' and officers' liability insurance, deed of indemnity (if used by the company)
- personal development process
- protocol, procedures and dress code (if applicable) for board meetings, general meetings, formal dinners, staff social events, site visits etc., including the involvement of partners where appropriate

4.2 Board matters

4.2.1 *Board and committees*

- board and committee structure, matters reserved for the board, delegated authorities, terms of reference of committees, items requiring approval outside of board meetings
- brief biographical and contact details of all directors of the company, the company secretary and other key executives. This should include any executive responsibilities of directors and their dates of appointment
- board committees' membership
- board composition, succession plans for executive and non-executive directors, and policy on directors' re-election by shareholders (where applicable)
- board support framework: chair, senior independent director, company secretary etc.
- the role (if applicable) of any specialist or designated NED role, e.g. for workforce engagement or, for financial institutions and others providing financial services, a consumer duty champion

4.2.2 *Board and committee meetings*

- minutes of board meetings, and board committee meeting minutes, relevant to the incoming director, from the last twelve months
- corporate calendar (to include dates for board and board committee meetings and dinners, scheduled general meetings, financial reporting calendar etc.) and the board and board committees' forward agendas.
- description of board and board committee procedures, covering details such as when papers are sent out, the method of delivery, the normal location of meetings and how long they last
- training in the use of any board portal or online board paper/reading room facility

4.2.3 Boardroom behaviours

- explanation by the chair of their expectations of the board in terms of its output and behaviours
- board level policies, e.g. DEI
- culture and values, codes of conduct, ethics etc.

4.2.4 Rules, regulation and guidance

- concept of the unitary board
- up-to-date copy of the company's articles of association or other constitutional documents
- [Companies Act 2006](#) (with a particular focus on directors' duties) and legislation in other jurisdictions applicable to the company
- UK Financial Conduct Authority's [Listing Rules, Prospectus Regulation Rules and Disclosure and Transparency Rules](#) (principally for listed companies only)
- the company's internal regulations about dealing in the company's shares, including close period dates if any (this is for listed companies needing to comply with the [Market Abuse Regulation](#))
- other jurisdictions' securities and listing rules requirements, as applicable to the company
- concepts of comply or explain and best practice as applicable to the company
- if applicable, the Code and associated FRC guidance: [Board Effectiveness](#); [Internal Control \(Turnbull\)](#); [Audit Committees](#); [Going Concern and Liquidity Risk](#); and the [UK Stewardship Code](#)
- where applicable, investors' corporate governance guidelines which the company seeks to follow
- if the company operates in a regulated sector, briefing to give the director: (a) an adequate basic understanding of the operational implications, and (b) the control framework for the company to address the regulatory risks faced by the company

4.2.5 Board procedures

- board, committee and individual director effectiveness review processes
- board training and development programme
- special procedures (accounts sign off, company disclosures)
- if relevant to the company, treatment and disclosure of inside information
- bid and defence handbook (if any)
- cyber or data breach response handbook
- procedure for obtaining independent professional advice

4.2.6 Current issues

- key environmental, social and governance issues affecting the company
- risk management and internal control-related issues
- remuneration policy, trends and issues affecting the company
- voting and shareholder feedback from the last AGM (where applicable)
- most recent board effectiveness review report and any action plan
- a summary of the company's relationship with the auditor, any tender plans, any pertinent results/ feedback from the most recent evaluation of the audit process, etc.
- recent voting services reports (where available)
- recent and relevant governance issues and case studies

4.3 The nature of the company, its business and its markets

- corporate history, with a summary of recent significant events (incorporation in the last five years, acquisitions, divestments and restructurings)
- organisational and business overview or chart, indicating the major domestic and overseas subsidiaries, associated companies and joint ventures
- purpose and strategy
- business model
- culture, including vision, purpose and values
- products and services

- local, regional/global operations
- strategy, including in relation to material climate and ESG-related issues
- code of conduct and culture
- key performance indicators, including those on which incentive plans are measured
- for companies with publicly traded shares, market analysis, market shares, trading backdrop
- recent operational and financial performance, current challenges
- the company's risk profile and tolerance, risk management and internal control framework and procedures and relevant disaster recovery plans
- financial and treasury issues: accounts and interim management statements, audit information, management accounts, budgets, funding sources, dividend policy, credit-rating metrics
- significant contracts and commitments
- status of company pension plans, including any deficits
- insurance policies
- marketing and branding
- details of any major litigation, current, threatened and potential
- relevant company and group codes and policies, such as culture, health and safety, corporate social responsibility, environmental, sustainability, ethics, whistleblowing, bribery, diversity, equality, charitable and political donations, etc.
- glossary of company-specific and sector-specific jargon and acronyms

4.4 Building a link with the company's people

- meetings with both operational and functional senior management
- meetings with employees and union representatives (if any)
- visits to company sites
- internal company contact list (UK and overseas as applicable) and organisational and structure chart
- employee committees or surveys or other method of workforce engagement

4.5 The company's main relationships

- for companies with publicly traded shares, market-facing issues: investor relations and media views
- for companies with publicly traded shares, major shareholders (facilitate engagement and meetings as per the FRC's UK Stewardship Code)
- the company's advisers (lawyers, bankers, auditors, registrars, brokers etc.) and the key internal contacts for any external advisers
- other company advisers (e.g. PR, remuneration, or other relevant consultants)
- key customers or clients
- key suppliers
- other key stakeholders (regulators, unions, government and NGOs etc.)

4.6 Useful documents/information

- links to notices and voting outcomes of all general meetings held in the last three years
- summary of recent stories on the internet about the company, together with press cuttings, reports and articles concerning the company in other media
- recent broker and analyst notes/forecasts (if any)
- recent analysis of share register (companies with traded shares only)
- any recent investor perception studies (if applicable)

5. Board committee induction

Where a new director will be joining a committee, the director should be provided with copies of the terms of reference and committee minutes from the preceding twelve months. Consider giving all new non-executive directors the minutes of all the main board committees, and giving all new executive directors the same information, except for remuneration details. Background papers for other board committees could also be given, if thought appropriate.

5.1 For the audit committee³:

- role and terms of reference of the committee including the relationship of its work with that of other board committees
- link between policies adopted by the committee and the company's strategic objectives
- members of the committee, and those regularly invited to attend meetings
- information about the 'recent and relevant' experience of at least one committee member
- meetings schedule with pro forma forward agendas of regular items, or an indication of when and what routine business is transacted and the high-level audit plan (if applicable)
- main business and financial dynamics and risks, including the compliance framework and risk management policy or risk register
- regulatory and legal requirements in the UK and other relevant jurisdictions
- market practice, current trends and issues
- for companies with publicly traded shares, views of investors on current arrangements and potential areas of focus
- details of any recent or ongoing FRC corporate reporting reviews or investigations
- meeting(s) with the CFO, external auditors, the head of internal audit, the head(s) of risk and compliance
- technical training on key matters, tailored according to level of financial, risk management and internal control expertise

5.2 For the remuneration committee:

- role and terms of reference of the committee including the relationship of its work with that of other board committees
- link between policies adopted by the committee and the company's strategic objectives
- members of the committee, and those regularly invited to attend meetings
- meetings schedule with pro forma forward agendas of regular items, or an indication of when and what routine business is transacted
- regulatory and legal requirements in the UK and other relevant jurisdictions
- market practice, current trends and best practice guidelines
- current issues
- for companies with publicly traded shares, views of investors on current arrangements and potential areas of focus
- meeting with Human Resources Director or Head of Reward
- meeting with remuneration consultants (if any)
- for companies with publicly traded shares, most recent voting services reports and voting results on the remuneration report
- technical training on key matters, tailored according to experience

5.3 For the nomination committee:

- role and terms of reference of the committee including the relationship of its work with that of other board committees
- link between policies adopted by the committee and the company's strategic objectives
- members of the committee, and those regularly invited to attend meetings
- meetings schedule with pro forma forward agendas of regular items, or an indication of when and what routine business is transacted

³ See also the [FRC Guidance on Audit Committees 2016](#), in particular paragraph 16.
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- board composition, board renewal, succession planning, ongoing recruitment, policy on diversity and, specifically, whether the board meets the latest Parker and FTSE Women Leaders' targets
- internal talent and capability, leadership development programmes and current issues
- for companies with publicly traded shares, views of investors on current arrangements and potential areas of focus
- search process and external search consultant(s) typically used
- meeting with Human Resources Director about management succession planning
- the most recent report on board performance review, sections on the board appointments policy (with reference to diversity and the FTSE Women Leaders review) and the output from the latest review of the balance of skills, experience and diversity against future requirements of the board.

The generic items in 5.1 to 5.3 can be used as the starting point for an induction to other board committees, such as Risk, Sustainability, Safety and Sustainability/ESG.

Appendix – specimen induction programme

The following tables will be of most use to AIM and listed companies but remain relevant for all organisations when tailored as appropriate. They should be adapted as the company's circumstances require.

1 Meetings with management

CEO	Overview of business, key strategic issues, key business issues, commercial structure
Company secretary	Company law, corporate governance, conflicts, securities dealing (where relevant), administration matters
CFO	Overview of finances, capital framework, taxation and key finance roles and staff
Executive committee members	Overview of individual operational divisions and central functions, key strategic and business issues
HR director	Overview of HR function, culture, DEI policies, talent issues, remuneration, succession planning, staff retention, performance management, development
Business development	Business development update, recent transactions, transactions currently being considered
Head of investor relations, or corporate communications⁴	Strategic overview, analysis of shareholder base, analysts, press
Head of legal	Legal update, key matters, litigation, etc
Head of compliance	Compliance programme, regulatory issues
Head of risk	Overview of risk management and internal control framework, risk appetite, risk register, third party risks
Head of internal audit	Internal audit programme, results of previous audits
Head of sustainability/ESG	Overview of the company's approach and policies on ESG-related matters, any issues or areas with particular challenges

⁴ If there is no one fulfilling either of these roles and the company's shares are not publicly traded, it may not be necessary to discuss any of these issues as part of a director's induction (strategy is included in the CEO' remit).

2 Meetings with external stakeholders

Lawyers	UK company law and corporate governance update, particularly for directors from outside the UK unfamiliar with UK requirements, insofar as this has not already been covered by the company secretary
Auditors	Overview from auditors, especially for finance focused directors
Remuneration consultants	Overview on remuneration, particularly for remuneration-focused directors
Broker	Update on shareholder views and perceptions
Registrar/ADR provider (if appropriate)	Shareholder and ADR related matters, buying and selling shares – as applicable
Key investors	Update on views of current strategy, executive leadership and performance, and areas of focus

3 Visits to key sites

A	Led by NAME
B	Led by NAME
C	Led by NAME
D	Led by NAME
E	Led by NAME
F	Led by NAME
G	Led by NAME
Site(s) local to director	TBA

4 Understanding the business

Activity 1 – e.g. meeting with employee/union representatives
Activity 2 – e.g. meeting with key customer(s)/client(s)
Activity 3 – e.g. meeting with key supplier(s)
Activity 4 – e.g. meeting with regulator(s) (if applicable)
Activity 5

5 Administration matters

Set up on board portal/board pad	Company secretariat (or other, as applicable)
Company email address	IT
Press and analyst cuttings	Corporate communications (or other, as applicable)
Obtain and circulate contact details	Company secretariat (or other, as applicable)
Arrange payment	Company secretariat, Finance (or other, as applicable)
Explain expenses policy	Company secretariat, Compliance (or other, as applicable)

6 Documentation (to be available on board portal if possible)

Latest annual report and accounts
Code of ethics
Articles of association and other constitutional documents, if any
Schedule of matters reserved to the board and terms of reference of committees
Code of conduct, including gift and hospitality reporting process
Code of securities dealing (if applicable)
Latest strategy pack
Latest report on board effectiveness review
Appointment documentation (letter, indemnity (if applicable)), conflicts of interest, payment details, contact details, disclosures)
Details of D&O cover
Annual report and, if applicable, AGM notice and voting results
Board dates for next two years
Defence manual and cyber or data breach response guide (if applicable)
Group structure chart
Glossary of company jargon
Annual planner plan and forward agendas for the of board and board committees
Previous minutes and papers
Director statutory duties

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