



THE
CODE'S
PRACTICES
CHART A JOURNEY
FROM THE BOARDROOM
TO THE REALISATION OF VISIONS

A Journey to Success

Director Term of Office Guidance Note

Your organisation's governing document may say how long director appointments should last, and whether they can be reappointed after their term ends. If it does, you must follow your governing document's rules about director appointments and length of service. If it doesn't, it would be advisable to develop a policy on the matter.

Length of Term

The most common practice is that directors are appointed for a three-year term. If you adopt a policy to set a director's term of office at three years, it is advisable to stagger the cycle of retiring directors so as to avoid the risk of excessive board 'memory loss'. This can be done, for example, by one third of the board retiring each year with the option of re-appointment.

Number of Terms

Many organisations enable directors go forward for re-appointment for a second or third term. It is considered good practice to put a limit of two or three terms on a director's service so as to ensure a cycle of board renewal.

An Exception to the Rule

However, you might want your policy to give a future board the option to make an 'exception to the rule' and vote to reappoint a director beyond the set limit if they think that to be in the best interests of the organisation. The policy should ask that board to put an explanation on the record justifying its decision not to comply with the term limit. This explanation should be accessible by any stakeholder conducting a stewardship assessment of your organisation's compliance with best practice.

So, if the directors' term of office is not covered by your governing document, you are free to establish a policy along the lines described above and that you consider most appropriate to your organisation. Such a policy will also mean you are meeting one of the Governance Code's recommended practices.

Governance Code Working Group

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