Director Independence

In 2020, the Australian Sports Commission in conjunction with all the State Agencies for Sport and Recreation released the Sport Governance Principles and Sport Governance Standards to modernise and support those who govern sport in Australia.

Consistent with the Sport Governance Principles (extracted below – Principle 4) it is recommended that, all Directors, whether appointed or elected should be recruited through a robust nominations process, with a nominations committee.

Principle 4: The players—a diverse board to enable considered decision-making. A board should be a diverse group of people who collectively provide different perspectives and experience to facilitate more considered decision-making.

What should a good board look like?

Boards are best able to fulfil their roles and responsibilities when the directors have a diversity of skills, perspectives and backgrounds and a culture that values this diversity. This diversity of perspective means the board is more likely to consider different options, risks and implications leading to more informed decision-making.

The differences in size and capability across sporting organisations means there is no single formula for how a board should look. Each organisation should aim to have a board which reflects its needs and goals. Some areas of expertise will be generic to all boards (e.g., finance, law, governance) while other expertise will be more dependent on the strategy of the organisation and the skills and experience it needs to execute the strategy at a particular time (e.g., digital transformation or high performance). Board composition should also consider gender, age, and cultural and linguistic background, as well as geographic location, independence from the sport and professional background.

What to be wary of when assessing director suitability?

Within a sport, directors should only sit on the board of one organisation within the sport at a time. That is, an individual should not be on an affiliate, state and national board of the same sport. Furthermore, while experience within a member body or sport partner can be a valuable perspective, this experience in and of itself does not mean an individual would be a suitable director.

What is Director “independence”?

Sport Governance Standard 4.4 states that ‘The organisation’s directors should be independent, regardless of whether elected or appointed’. A director of a sporting organisation should only be seen as independent if they are free of any interest, position or relationship that might influence, or reasonably be perceived to influence their judgment on board matters. All Directors, whether elected or appointed are to act in the best interests of the sport as a whole rather than in the interests of an individual or other stakeholder.

Examples of interests, positions and relationships that might raise issues about the independence of a director are:

1. Is, or has been, employed in an executive capacity by the sport or a constituent body and there has not been a period of at least three years between ceasing such employment and serving on the board.
2. Is, or has been within the last three years, in a material business relationship (e.g., as a supplier, professional adviser, consultant or customer) with the entity or a constituent body or is an officer of, or otherwise associated with, someone with such a relationship.
3. Is, represents, or has been within the last three years an officer or employee of, or professional adviser.
4. Has close personal ties with any person who falls within any of the categories described above.
5. Are not elected by the members to represent any constituent body.
In each case, the materiality of the interest, position or relationship needs to be assessed by the board to determine whether it might interfere, or might reasonably be seen to interfere, with the director’s capacity to bring an independent judgement to board matters.

A director should disclose to the organisation all interests, positions and relationships that may affect their independence and make known at the earliest opportunity if their situation changes.

The board or the nomination committee should regularly assess the independence of each director. That assessment should be made at least annually or around the time that the board or the nomination committee considers candidates for election or re-election to the board.

Where an international federation has requirements relating to board representation of Australians who hold a position with the international federation, these will be considered on a case-by-case basis.

**How do we get the ‘right’ people on the board?**

The priority in board composition is building the best board, not assembling a group of the best individuals. A narrow focus on who would be the ‘best’ director can lead to missing out on the ‘right’ director. Good boards will have a mix of elected and appointed directors. Elected directors are selected by the members through a voting process, while appointed directors are selected by the board. A robust nominations process, with a nominations committee where appropriate, has an important role in supporting and educating members to understand how the skill and background of the nominees for election will contribute to the board’s functioning and achievement of the strategic goals.

This document is from the Sport Governance Resource Library, which contains a suite of consistent governance resources aligned with the Sport Governance Principles and Sport Governance Standards. The library is a collaboration between the Australian Sports Commission and the state and territory agencies for sport and recreation, which are united in the pursuit of sport governance excellence.

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