Procedure for Appointing a Director

The process of appointing a director raises two considerations:

- legal requirements; and
- recruitment issues relating to appointments at this level.

**Legal requirements**

A private company limited by shares may have a single director. Every other type of Irish company must have at least two directors.

The first directors of a company are appointed at the time of registration of the company. On registration, the persons named in the Form A1 will be deemed to have been appointed as the first directors.

Certain persons, such as a body corporate or an undischarged bankrupt or a person under 18 years of age, cannot act as a director. Neither may a person who is disqualified from so doing under the Companies Act 2014.

Every Irish registered company requires at least one director to be resident in a member state of the EEA, failing which, an insurance bond is required or a certificate (from the Registrar of Companies) that the company has a sufficient economic link with Ireland is necessary.

There is a limit on the number of directorships a person may hold in Irish registered companies. Subject to exceptions, a person may not hold more than 25 directorships in Irish companies (other than PLCs).

Subsequent appointments of directors are governed by the constitution of the company but any shareholders’ agreement should also be considered. Typically, the constitution will provide for the board of directors itself to appoint a new director to fill a casual vacancy, or to appoint additional directors up to the maximum number permitted by the constitution.

The board of directors will need to pass a resolution in the normal way ensuring that proper notice of the meeting is given, that it is quorate and the resolution is passed by a majority of the votes cast (including any qualified majority for which the company’s constitution or any shareholders’ agreement may provide).

Alternatively, a written resolution may be used if permitted by the company’s constitution. To protect the shareholders, the Companies Act requires directors appointed by the board of directors to retire at the next AGM and seek reappointment by the shareholders. The company’s constitution may alter this default position under the Companies Act.

Elections or re-elections of directors following retirement by rotation, and the removal of directors, are reserved to the company in general meeting.

A director must signify his or her consent to being appointed by signing a Form B10; if the director is to hold an executive position, he or she should also be given a service agreement which is in accordance with employment law. The Form B10 must be filed at the Companies Registration Office. A director should be reminded to acquire the share qualification (if any).
specified in the company’s constitution. Additionally, a director must disclose any interests in shares or debentures in the company and should be invited to give a general notice of any interests in contracts involving the company.

Recruitment

Because a director plays such an important role in a company, recruitment demands a correspondingly systematic and professional approach.

Key factors to take into account are:

- the board should use a skills matrix to clearly identify the skills gap that it wishes to fill, based on its corporate objectives and priorities over the next five years. Doing so will make it easier to provide an accurate profile of the ideal candidate to be appointed;

- a search plan should be devised to target prospective candidates, in which regard it may be cost-effective to use an executive search specialist firm; and

- a remuneration package should be offered that is both compatible with the company’s financial resources and is likely to attract the calibre of candidate that the company requires.

Some companies will establish a nomination committee as part of their overall corporate governance structure and the primary role of the committee will be to identify suitable candidates to be appointed to the board of the company.

Further Information

Director Training

The IoD can help you refresh your skills and improve performance as a director. For information on director development courses and workshops please contact Sheila Byrne on 01 411 0010 or sbyrne@iodireland.ie

Books

Directors’ Handbook (Second Edition)

To order a copy of this publication please contact IoD Ireland on 01 411 0010


To order a copy of this publication please contact IoD Ireland on 01 411 0010

Standards for the Board

Effective Director

To order these publications please telephone +44 207 766 8866 or visit www.iod.com/bookshop

Boardroom Centre

The IoD operates the Boardroom Centre - a resource for companies seeking non-executive Directors and register for IoD members seeking directorships. For details please contact Thora Mackey on 01 411 0010 or tmackey@iodireland.ie