Thai Institute of Directors

Guideline on Succession Planning

and People Management

Content

Preface

Amidst rapid and ever-changing business environment, it is crucial for business to adapt and cope with such changes. In this regard, human resource is vital in accommodating successful adjustment. Key roles in managing risks concerning human capital and opportunities fall upon the Board, particularly the succession of key positions and effective people management system. They are essential in feeding the organization with necessary human capital and driving the organization to achieve its goals.

Previously, the scope of succession planning seemed to limit to the CEO and senior management positions. However, the success of any organization does not lie solely on senior management but also on diverse expertise of employees at various levels. Therefore, succession planning nowadays should also cover other key positions.

This Guideline is meant to help the Board oversee succession planning and people management. These issues are essential mechanisms that will enhance competitiveness and business competencies. On the other hand, lacking of appropriate human resource can be substantial threats that cause the organization to lose business opportunity. This Guideline also aims to propose issues on human rights as it concerns fundamental rights of human resource and stakeholders in the supply chain. These issues become more and more significance and they tend to be substantial factors for international trade and investment that could yield material impact on the organization's image and stakeholders' confidence.

• Thai Institute of Directors Association •

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Guidelines for Boards 2020

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Section 1

Key Principles

Section 1 Key Principles

1. Governing the succession planning of CEO and key management positions as well as people management framework are among key roles of the Board. The Board may assign a committee to screen information and propose for Board approval. (*See Guideline 1.1*)

2. The Board should receive adequate information from the management as well as support from departments within the organization to perform its duties effectively. (*See Guideline 1.2*)

3. The Board should regularly consider agenda concerning succession planning and people management. A committee can be assigned to proceed and report to the Board. (*See Guideline 1.2*)

4. The Board should set up a transparent system to evaluate annual performance of the CEO, applying both financial and non-financial performance indicators. (*See Guideline 2.1*)

5. The Board should consider compensation structure that motivates the CEO to perform in alignment with the organization's objectives, purpose, short-, medium-, and long-term strategies as well as competition landscape. (*See Guideline 2.1*)

6. The Board should set CEO succession policy and guidelines, considering both internal and external candidates with qualifications that align with business context, business operations, organizational culture, and business environment. The Board should openly communicate the CEO succession result with all stakeholders. (*See Guideline 2.2*)

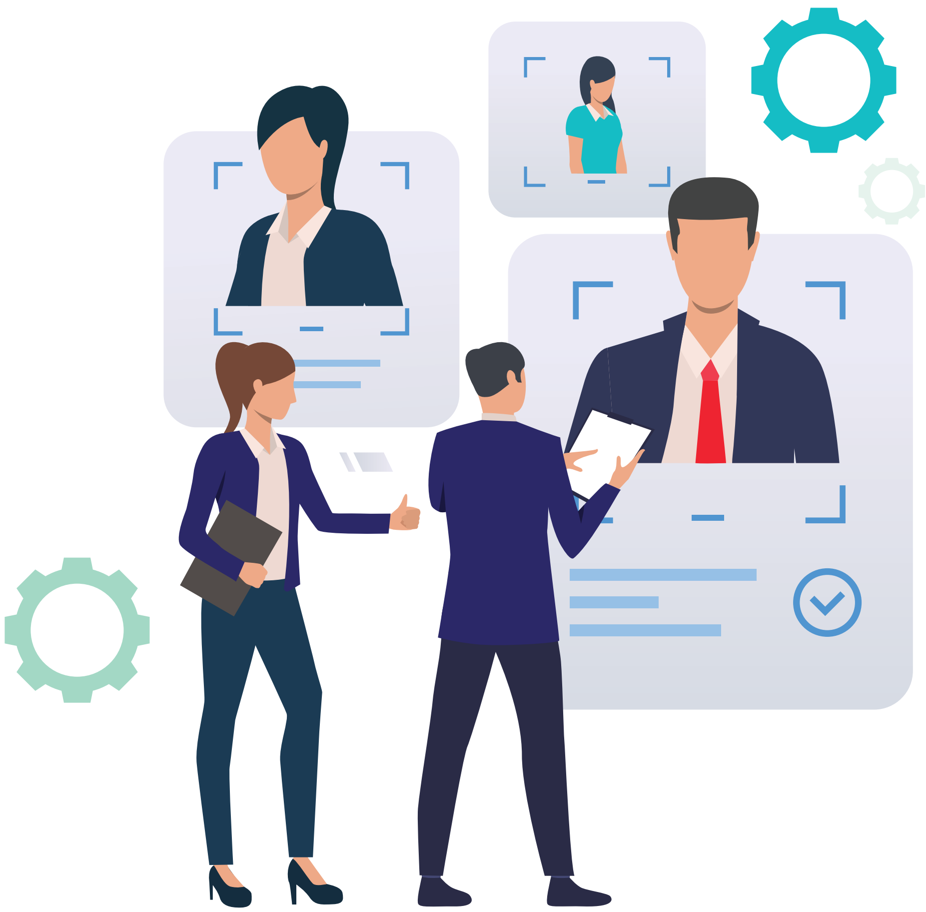
7. The Board should ensure the succession plan for the management and key positions are in place to maintain business stability and continuity. (*See Guideline 2.3*)

8. The Board should ensure the development schemes for those in the succession plan as well as all employees in the organization are in place. Ongoing development plan and structure should be laid clearly to ensure people in the organization possess desirable knowledge, understanding, and experience. (*See Guideline 3.1*)

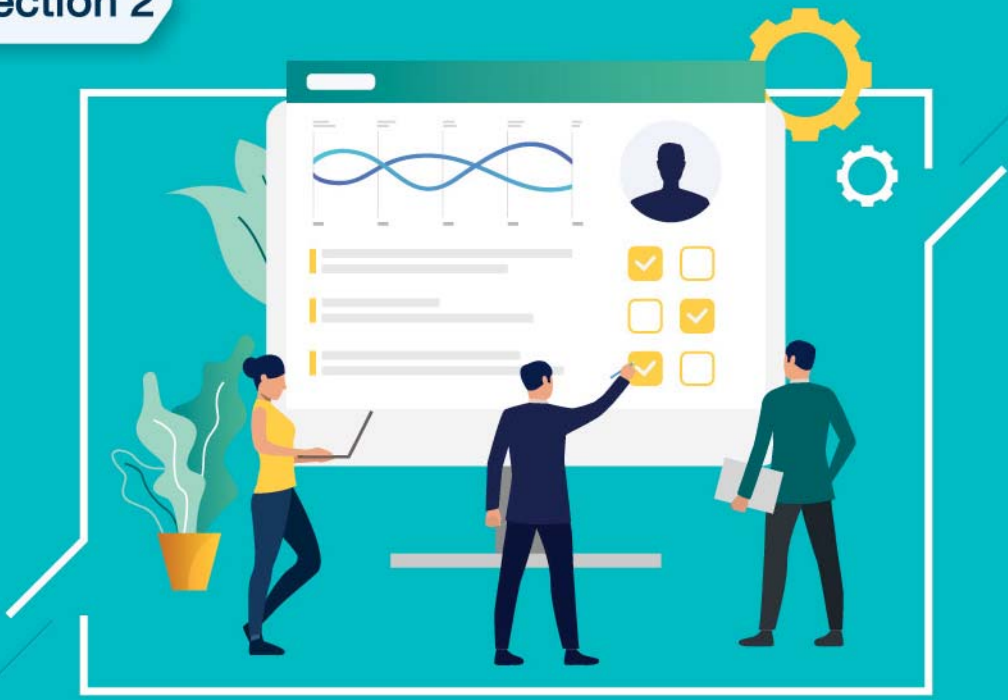
9. The Board should ensure compensation structure, policy, type, and method are fair, appropriate, and adequately motivated. The structure should align with both individual performance and organization's long-term performance, and should be communicated with relevant parties. (*See Guideline 3.2*)

10 The Board should emphasize on human rights and set basic guidelines, adhering to relevant law and international standard. This is meant to ensure the organization operates ethically, does not violate stakeholders' rights, and respects human rights throughout the supply chain. (*See Guideline 4.1*)

11 The Board should ensure human rights policy and guidelines are concretely implemented, monitored, and disclosed to stakeholders and the general public. (*See Guideline 4.2*)



Section 2



Guidelines

Guideline 1 | Governance Procedure

Governing the succession planning of CEO (some companies may use different title for the position) and key management positions as well as people management framework are among key roles of the Board. Therefore, the Board should establish appropriate governance system and structure. It may assign a committee to screen information while ensuring it receives adequate information from the management and gains support from relevant departments.

1.1 Designated Committee

To govern the succession planning and people management, the Board may consider assigning committees to consider specific issues, screen information, and seek approval from the Board. Such designated committee is meant to support the Board to perform its roles more effectively in accordance with the organization's context. For examples,

1.1.1 Nomination Committee

1.1.1.1 Nomination Committee is a committee set up by the Board to take charge in monitoring and screening the recruitment and succession processes of directors, CEO, and key management positions. This committee is meant to ensure shareholders and stakeholders that the company has effective human resource management system which will lead to business continuity in alignment with future business direction and environment.

1.1.1.2 In case the Board appoints Nomination Committee, it should ensure the Committee has clear understanding about the organization's human capital and set required skills as recruitment and development criteria that are in alignment with the company's strategic direction.

(*Regarding the roles and responsibilities of Nomination Committee, please see "Nomination Committee Best Practice Guideline", Thai Institute of Directors, 2017*)

1.1.2 Compensation Committee

1.1.2.1 Compensation Committee is a committee set up by the Board to take charge in reviewing and proposing compensation type, structure, and criteria that match the roles and responsibilities of directors, management, and employees of the company. The Committee must link compensation with overall corporate performance and other relevant factors to motivate and retain competent employees with the company.

1.1.2.2 In case the Board appoints Compensation Committee, it should ensure the Committee is responsible for the development of clear compensation framework that retains and motivates talents to perform effectively. It is essential that the Committee collaborates with the management in formulating plan to continuously enhance human resource capacity and ensure the plan aligns with organizational culture and strategic direction.

(Regarding the roles and responsibilities of Compensation Committee, please see "Compensation Committee Best Practice Guideline", Thai Institute of Directors, 2017)

1.2 Board Supporting Functions

For the Board to fully perform, it requires more than system and structure in the Board level but also supporting functions that include information and cooperation with relevant departments, such as

1.2.1 Human Resource Department

1.2.1.1 Human Resource Department has essential roles in supporting the succession planning and people management because it has all employees' information and is tasked to implement policies set by the Board. Therefore, expertise and experience of such department are among key success factors for people management.

1.2.1.2 The Board should set agenda for reviewing the performance of Human Resource Department regularly. This may be done through the meeting of responsible Committee before reporting to the Board to review key information and progress in relevant issues.

1.2.1.3 The Board may assign Company Secretary or head of Human Resource Department to be Secretary of the Committee with certain responsibilities, for examples, Nomination Committee or Compensation Committee. The Committee Secretary is tasked to coordinate with various departments to ensure the Committee's performance is effective and policies are properly implemented.

The Board may assign the Company Secretary to support with certain tasks to ensure smooth succession planning and people management process. Such tasks may include finding necessary information, inviting senior management to attend the Board meeting and provide additional information in certain agenda items, and scheduling appointment outside the Board meeting. In some cases, the Board may ask the Company Secretary to arrange for external consultant or expert to provide additional advice to the Board.

Guideline 2 | CEO Evaluation & Succession Planning

CEO is a key person of the organization responsible for driving business growth and being a role model for all employees. Therefore, the Board must emphasize on CEO evaluation to ensure the CEO is capable to drive the organization to achieve pre-determined goals. It should also prepare succession plan to ensure business continuity and strategic alignment in each time period.

2.1 CEO Evaluation

2.1.1 Evaluation Process

2.1.1.1 The Nomination Committee and the Compensation Committee are usually assigned by the Board to jointly determine criteria and conduct CEO evaluation before proposing to the Board for consideration. In case there is no committee assigned, the Board may appoint an ad hoc committee to perform this duty.

2.1.1.2 All non-executive directors should have a role in considering CEO evaluation criteria and compensation. Once approved, the Chairman of the Board should communicate with the CEO in advance.

2.1.1.3 The Board should require that the CEO performance is evaluated yearly in accordance with pre-determined evaluation form. The evaluation period should be divided properly to examine and monitor the CEO performance whether it meets short-, medium-, and long-term goals. Furthermore, the Board may allow the management to express views toward CEO performance.

2.1.1.4 The Board should provide opportunity for the CEO to conduct initial self-evaluation in various aspects, such as strategy implementation, financial performance, relationship between the Board and management, etc. to hear the CEO’s view. This will make the evaluation process transparent and acceptable to those conducting evaluation and the person being evaluated.

2.1.1.5 Chairman of the Board, or assigned director, should communicate the evaluation result and issues for improvement or additional expectations with the CEO for the latter to acknowledge and make future improvement.

2.1.1.6 The Board should ensure that CEO evaluation principle and process are disclosed in the annual report so that shareholders aware the Board has regularly monitored the CEO’s performance.

2.1.2 Evaluation Criteria

2.1.2.1 The Board should evaluate CEO by applying indicators that reflect company performance, taking into account CEO's responsibilities, overall economic condition, and practices of listed companies in the same industry and/or with similar size.

2.1.2.2 Performance indicators should consist of both financial and non-financial indicators, which would drive CEO performance by weighing more on long-term impact and corporate sustainability.

2.1.2.3 Besides evaluation by performance indicators, the Board should also consider evaluating other skills necessary for CEO to perform the duties. This information can also be used to set requirements for the successor of CEO position.

(*See example of CEO evaluation form in Appendix 1*)

2.1.3 Compensation

The Board should determine compensation structure that motivates the CEO to perform in accordance with the organization's objectives and purposes. In considering compensation structure and criteria, the Board should weigh other factors beyond the evaluation result to take into account potential positive and negative impacts. They include proportion and compensation type in short- and long-term, potential risks from setting inappropriate CEO compensation, and the establishment of performance measure and payment structure to mitigate risks, such as the adoption of deferral payments or claw back methods, etc.

Examples of CEO Compensation Type	
Base Salary	Salary or wage should not vary with company earnings. The CEO compensation should have appropriate proportion of fixed and variable compensations. Excessive fixed compensation would reduce motivation for the CEO to perform.
Short-Term Incentives	Bonus is generally paid annually to ensure alignment between incentives of the CEO and shareholders. The bonus is usually considered from performance of the previous year.
Long-Term Incentives	Stocks or cash paid in connection with long-term shareholder value added. The long-term incentives may be paid annually but the combined value can only be recognized after a certain period of time, such as performance evaluation under the Balanced Scorecard principle.
Benefits	Welfare and benefits, including those offered specifically to the CEO and management.

Source: ***Compensation Committee Best Practice Guideline,*** *Thai Institute of Directors, 2017*

2.2 CEO Succession Planning

2.2.1 Importance

2.2.1.1 The CEO recruitment is one of the most important tasks of the Board in determining the organization's direction. CEO is the leader of management, responsible for running the company as assigned by the Board in accordance with the approved work plan and budget. The CEO must perform with integrity for utmost benefit of the company and shareholders while acting as role model for all employees in the organization.

2.2.1.2 The Board should ensure the organization has a leader who can manage company to achieve its objectives and develop strategy for enabling sustainable business growth and coping with rapid changes in the future.

2.2.1.3 The Board alone cannot conduct effective CEO succession planning as it also requires supports from the current CEO and management.

Division of Roles in CEO Succession Process		
Board	**Current CEO**	**Management**
• Assign a Committee to screen and consider • Set meeting agenda to formally consider succession planning • Review succession process annually • Open for views and comments in various aspects including those of shareholders and stakeholders • Maintain Board diversity to ensure well-rounded aspects in succession planning • Get to know the company's senior management	• Participate in the succession process • Support the Board in accessing information of senior management • Suggest appropriate persons and help the Board prepare required skills of the succession candidates	• Provide comment regarding key requirements of the CEO to the Board • Provide information required by the Board about current senior management

Source: **Success at the Top: CEO Evaluation and Succession**, National Association of Corporate Directors (NACD), 2014

2.2.2 The Determination of Succession Policy and Appropriate Competencies

2.2.2.1 The Board should determine CEO succession policy by considering both internal and external candidates with appropriate qualifications that match the circumstances, challenges, and business environment. The Board should not set discriminating requirements, such as those with specific gender or nationality unless there is necessity backed by acceptable business rationale.

2.2.2.2 The Board may set appropriate requirements by considering key factors, such as

- Competencies
- Experience
- Organizational knowledge
- Personal attributes

2.2.2.3 The Board should consider guideline for further development as well as rotation of duties and responsibilities among senior management who are possible candidates for CEO succession to enhance their potential in alignment with the pre-determined CEO qualifications. This is considered a preparation process which will also help in assessing if qualifications of possible candidates fit for the CEO position.

2.2.2.4 The Board should stipulate that the CEO succession criteria are reviewed and the succession plan is reported annually because appropriate qualifications may change with the organizational context. Moreover, an Emergency Candidate should be prepared to act as Acting CEO in case of unexpected event. In small companies, the Emergency Candidate usually is the person whose position is one notch below the CEO or a designated director.

2.2.3 New CEO Assimilation

2.2.3.1 Following the appointment of new CEO, there should be a meeting between the Board, incumbent CEO, and the incoming CEO to transmit works and expectations, such as details of business operations, management process, expectations of the Board, senior management, employees, stakeholders, and institutional investors, etc.

2.2.3.2 Should the Board deems necessary that incumbent CEO acts as temporary advisor to the new CEO due to factors, such as business complexity, company's size, continuity of business strategy, the Board should set clear framework and communicate such necessity to prevent impact on the efficiency of the new CEO's performance.

2.2.3.3 The Board should officially communicate the CEO recruitment outcome to shareholders and stakeholders to demonstrate the transparency of such process, and allow the new CEO to present visions and goals in order to create stakeholders' trust and confidence.

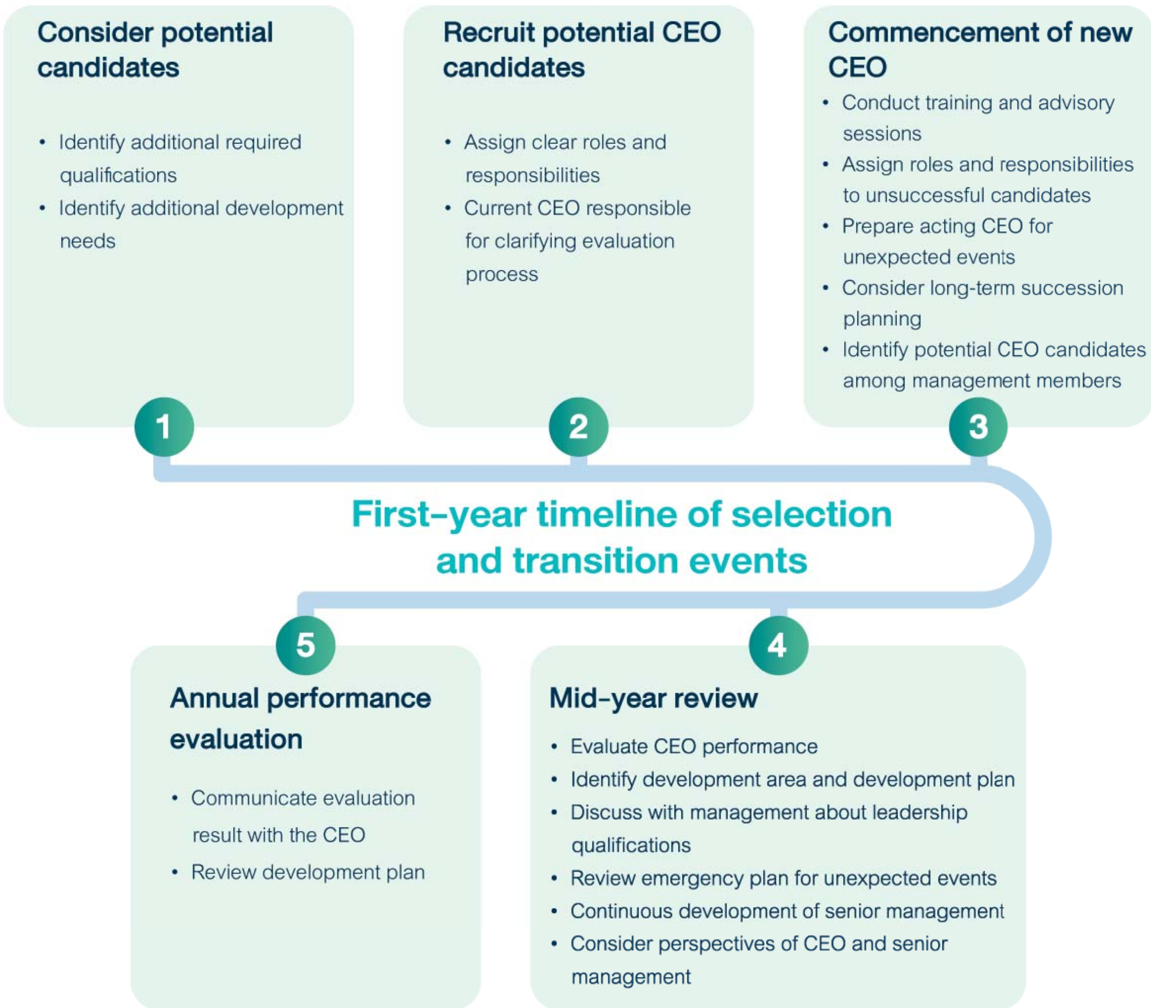
2.2.4 Candidate Management

2.2.4.1 The Board should communicate and comprehend with other candidates, particularly those who are senior management of the company, to provide them moral support in performing their roles and create positive relationship with the new CEO.

2.2.4.2 The Board may assign more roles and responsibilities to other candidates who are senior management because competencies of these candidates have been developed during the participation of CEO succession planning process.

2.2.4.3 The Board should also consider and manage expectations of the candidates who are not selected to prevent the loss of key human resources. For examples, the Board may consider appropriate promotion or raise compensation together with assigning new or more challenging tasks.

Example of CEO Recruitment and Transition Processes



Source: **Success at the Top: CEO Evaluation and Succession**, National Association of Corporate Directors (NACD), 2014

(For examples of CEO succession process and issues that Board should consider in CEO succession planning, see Appendix 2 and 3)

2.3 Succession Planning of Management and Key Positions

2.3.1 Besides the CEO position, the Board should ensure the succession planning also covers key management positions and employees. This is an important task, particularly during scarcity of workforce in the job market or in specific profession.

2.3.2 The Board should ensure the management has identified key positions within the organization. Each company has different factors to consider in identifying key positions, such as revenue structure, business characteristics, production line, competitive advantage, product types, and positions required by law, etc.

2.3.3 The Board should comprehend with the company's direction to strategically determine succession planning for key positions, including policy formulation, identification of key requirements, selection process, candidate preparation and development, and transition process. This must be conducted continuously along with assessment and disclosure system, as deemed necessary. The Board may assign the Nomination Committee to monitor such process and continuously report progress to the Board.

2.3.4 The Board should ensure the organization, particularly the human resource management unit, sets requirements for each position to be used as criteria in selecting and developing employees with attitudes that match with corporate values. It should also ensure regular review of such requirements, at least annually, to align them with changes in business direction and condition.

2.3.5 To recruit and develop employees for key positions, especially those difficult to replace, the Board may suggest the management to access key recruitment sources, such as cooperation with academic institutions or professional training institutions, establishment of specific professional training institutions, Mid-career policy, and secondment program which encourages inter-organization knowledge transfer, etc.

2.3.6 The Board should seek opportunity to get to know senior management which are a group of people with potential to become the new CEO. The Board should also set policies to develop and groom them, such as rotation policy or project assignment, etc.

2.3.7 The Board should ensure outcome of succession planning implementation for senior management and key positions is reported to the Board at least annually as does for the CEO position.

Guideline 3 | People Management

The Board has governance roles to ensure the organization has human resource management framework in alignment with the organization's direction and strategy. Staff at all levels should have appropriate knowledge, capability, and motivation while being treated fairly to retain talents with the organization.

3.1 Talent Management

3.1.1 Long-Term Talent Strategy

3.1.1.1 Organization must have capable human resources to accommodate business growth in all aspects. Therefore, the Board should ensure the organization has prepared adequate headcount, knowledge, and competency of its employees to accommodate future need, which may include organizational restructuring.

3.1.1.2 The Board should ensure the management has established framework to manage top talents and staff in key positions, such as those required by law. The framework must include sourcing, screening, selecting, delegating, development, and retention.

3.1.1.3 The Board should recognize risk factors that may emerge from talent management as it could affect stability and continuity of business strategy. Therefore, the Board must ensure the organization has proactive human resource management system and manage such risks in parallel with staff development.

Example of Human Resource Management Risks
Staff
• Lack of skill or specialization • Low employee engagement
Administration Process
• Non-compliance with law, rules, orders or regulations concerning human resource management • Immoral or unethical treatment of employees • Absence of succession planning for senior management or key positions • Lacking preparation of talent development in the pipeline • Inappropriate or unfair wage as well as mismatch between compensation and performance • Work environment not motivating effective performance • Reputation of organization cannot attract and retain talents • Outsourcing management • Contingent workers
External Factors
• Globalization • Expectation of labour union • Job market expansion and attractiveness of industry peers

Source: Adding Value: a Guide for Boards and HR Committees in Addressing Human Capital Risks and Opportunities, Ernst & Young, 2014

3.1.2 Career Development

3.1.2.1 The Board should ensure the organization has well-planned and structured system to continuously develop management and staff at all levels. This is to help the organization prepare employees to replace key positions and talents.

3.1.2.2 In general, the Board may determine human resource development policy and format for the management to use as framework. Such format may include on-the-job training, such as job enrichment, job rotation, project assignment, coaching, and mentoring, etc.

3.1.2.3 The Board should ensure the organization has job rotation policy, allowing its employees to develop competencies and enhance experiences in other aspects that suit organization's interests. However, number of staff and the size of organization must be taken into account to ensure that job rotation does not affect ongoing business operations.

3.1.2.4 The Board should ensure the organization's human resource development framework emphasizes on two aspects, including 1) hard skills and 2) soft skills, to help staff perform more effectively to their full potentials.

3.2 Compensation Architecture

3.2.1 Overall Criteria

3.2.1.1 The Board should consider fair and appropriate compensation / incentive structure for its human resource as it helps motivate staff to perform in accordance with the organization's objectives and purposes. The Board may assign the Compensation Committee to determine and oversee the compensation policy.

3.2.1.2 The Board should recognize that unfair and unequal treatment against compensation principles will adversely affect the company's reputation and could undermine trust of stakeholders and the society.

3.2.1.3 The Board should take into account both internal and external factors in determination of compensation policy, compensation type, and other benefits. They include:

Internal Factors	• Annual company performance, such as net profit, EBITDA, etc. • Scope of responsibilities and fair performance-based pay • Fairness within the organization considering work value, level of responsibilities, and work condition
External Factors	• Fairness when comparing compensation with other organizations of similar characteristics • Economic and social factors, such as economic condition, inflation rate, consumer price index, etc.

3.2.1.4 The Board should approve performance evaluation criteria as well as compensation structure of senior management. It should also ensure the CEO evaluates senior management's performances in accordance with the approved criteria. Overall performance criteria and factors of all employees should also be set appropriately.

3.2.1.5 The Board may consider other benefits to motivate employees, such as variable bonus, Employee Stock Option Program (ESOP), and Employee Joint Investment Program (EJIP), etc.

3.2.1.6 The Board should ensure the organization complies with compensation standards, such as minimum wage, pension fund, and other welfares, including medical expenses, education fund, employee loan, etc.

3.2.1.7 The Board should ensure the management promotes employees' financial literacy and that they choose investment policy which matches their ages and risk appetites.

3.2.2 Long-Term Compensation

3.2.2.1 In considering long-term compensation, the Board must recognize connection with the company's financial plan to ensure the organization has adequate budget for compensation payment. Long-term compensation budget should be set in alignment with long-term performance, such as business expansion, earnings growth, market share, etc.

3.2.2.2 The Board should take into account relevant factors (such as demographic trend, technology, etc.) in determination of long-term compensation strategy. These factors could affect future business model and a number of employees needed, which will then affect the determination of appropriate long-term compensation scheme.

3.2.2.3 The Board should consider the trend of new-generation employees' demand to ensure long-term compensation and benefits are flexible and match their preferences.

Guideline 4 | Human Rights Governance

The Board should ensure that business operations adhere to human rights principle, treating all employees fairly and equitably, and that the principle is also applied with the community and relevant parties throughout the supply chain.

4.1 Policies and Practices

4.1.1 Human rights are the fundamental rights and freedom that belong to every person. They are based on human dignity, fairness, and equality. Human rights violation (such as child labor or forced labor within the supply chain, data privacy violation, emission at levels harmful to public health) affects business sustainability as it could undermine the public trust and damage corporate image.

4.1.2 The Board should lay fundamental in respecting human rights as basic guideline of the organization by adhering to law and international standards, such as Universal Declaration of Human Rights (UDHR), United Nations Guiding Principles on Business and Human Rights (UNGP). This will ensure the company's operations are ethically, socially and environmentally responsible, and at the same time, respecting stakeholders' rights throughout the supply chain. The Board should consider setting up the policy and communicate such policy with all employees in the organization.

4.1.3 The Board should recognize basic human rights as part of operating process by respecting local legislation, culture, tradition, and value in treating staff and all stakeholders while avoiding human rights violation both directly and indirectly. To promote this intention, the Board may set policy to provide staff, suppliers, and agents with guideline in conducting business activities throughout the supply chain. For example, the organization should have third-party due diligence processes prior to and during operations under the contract, or assessment of high-risk activities to prevent and mitigate risks of violating human rights by the suppliers.

4.2 Human Rights Management System

4.2.1 The Board should ensure the organization has policy and guideline on human rights. They should also be materially implemented, communicated, and complied with.

4.2.2 The Board should recognize human rights risk as one factor in risk management consideration so that the organization would seriously take into account potential impact on human rights from business operations.

Examples of Human Rights Risks	
Business Model Risks	Companies that need to produce massive volume of products in limited time may motivate suppliers to boost production by accelerating overtime work without due consideration of workforce health and safety.
Business Relationship Risks	Companies that co-invest with agencies in countries with human rights issues are exposed to risks that those agencies may engage in human rights violation activities, such as transgression or trespassing area that belong to the locals.
Operating Context Risks	Companies that operate in area with conflicts or law enforcement issues have tendency to violate human rights from the condition of that particular area.
Workforce Risks	Companies with significant portion of unskilled migrant workers in their operating process or supply chain are exposed to risks of illegal / unfair employment, or violation of key rights, such as rights to work for a living wage, rights to freedom from discrimination, rights to legal equality, etc.

Source: **Business and Human Rights: a Five-Step Guide for Company Boards**, Equality and Human Rights Commission, 2016

4.2.3 The Board should monitor implementation progress by the management while regularly consider human rights risk assessment and management plan. The management should report significant progress on human rights issues directly to the Board and disclose relevant information to stakeholders and the general public to demonstrate commitment in human rights management. (such as through the company's website or Sustainability Report, etc.)

4.2.4 The Board should emphasize on the establishment of whistleblowing channels accessible by those affected by the company's operations. There should also be due investigation process and ways to resolve issues fairly and transparently.

Appendix

Appendix 1 Sample Template for CEO Evaluation

CEO Performance Evaluation	
1. Overall Assessment	
Please rate 1 - 5 (lowest - highest) the performance of CEO in each topic in your opinion	
__Integrity __Leadership __Financial result __Human resources and diversity __Shareholder relations	__Vision __Strategic planning __Succession planning __Communication __Board relations
2. Strategic Planning & Risk Management	
Under the current strategic plan, please rate CEO effectiveness in managing business risks and opportunities	
Strategy 1.________________________________ Strategy 2.________________________________	Risk 1.____________________________________ Risk 2.____________________________________

3. Corporate Financial and Business Performance		
Please rate 1 - 5 (lowest – highest) the performance of CEO in each topic in your opinion comparing with Key Performance Indicators (KPIs)		
3.1 Financial Performance		
__Return on assets: ROA	__Earnings per share: EPS	__Return on equity: ROE
__Return on invested capital: ROIC)	__Cash flow	__Containment of expenses
	__Growth in sales / revenue	__Dividend payment
__Earnings	__Total shareholder return: TSR	__Stock price

CEO Performance Evaluation		
3.2 Business Performance		
__Business development	__Innovation	__Competition
__Legal compliance	__Product quality	__Service quality
__Customer satisfaction and loyalty	__Environmental compliance and practices	__Health and safety
__Reputation	__Community engagement	__Human capital
4. Opportunities for CEO Development		
Please suggest development opportunities for the CEO to achieve strategic targets ____		
5. Overall Rating of the CEO		
Please rate satisfaction and provide suggestion regarding CEO leadership Strengths____ Areas for improvement____		
6. Key Challenges in the Year to Come		
Please comment on key challenges the company is facing and competencies of the CEO that you believe will make the company ready to tackle the challenges ____		

Source: Success at the Top: CEO Evaluation and Succession, National Association of Corporate Directors (NACD), 2014

Appendix 2 Sample CEO Succession Process

Sample CEO Succession Process
Succession Planning Process
1. Set criteria or qualifications of CEO successor • Consider challenges the company will face in the next 5-10 years • Identify characteristics and skills required to respond to those challenges • Develop candidate evaluation process in accordance with the criteria
2. Identify possible candidates • The Board and CEO jointly consider possible candidates from both internal and external sources. • Evaluation process can be conducted in various ways. - Evaluation of internal candidates, such as assigning key position or special project - Evaluation of external candidates, such as demonstration of vision and future strategies of the organization
3. Evaluate competencies and potential of possible candidates • The Board and CEO jointly evaluate qualifications of each applicant or potential successor. • Jointly rate each applicant or potential successor • The Board takes part in scrutinizing the evaluation and exchanges views - Jointly conclude views toward each applicant or potential successor - Consider different views toward each applicant or potential successor - Identify qualifications that need further consideration of each candidate
4. Prepare development plan • To prepare possible candidates for succession • To further evaluate succession readiness
5. Progress review • Further evaluation and conclusion of succession possibilities - Identify information concerning development of applicant or potential successor - Identify further development required • Actively engage in evaluation process to recruit appropriate person

Sample CEO Succession Process

Evaluation Process

The objective is to consider in-depth information and potential of possible successor. The evaluation should consider visions toward challenges the organization and CEO are facing and tackling in order to achieve business growth. The evaluation comprises of

1. Rating
2. Overall conclusions, drawn from consideration of potential, appropriateness, succession possibility. The conclusions may identify key remarks and further information required from the applicants as well as suggestions for improvement.

Evaluation Form

Rating levels

5 means excellence - Outstanding, unique, and clearly distinguish from others

4 means good – Has expertise, effective performance, able to drive others to create value

3 means fair – Capable, but not much different nor have advantage over others

2 means need improvement – Need improvement in order to fit with the position, which may be done through experience, handbook, or training

1 means poor – Has weaknesses that may prevent success in the position which are difficult to overcome

Details of applicant

Name of applicant____

Name of evaluator____

Date____

1. Personal values Core values ______________________ Integrity ______________________	**2. Motivation** Commitment to success______________________ Entrepreneurial spirit______________________ Emotional stability______________________
3. Thinking and problem solving Capability______________________ Strategic thinking______________________ Problem solving______________________ Decision making______________________	**4. Interpersonal** Human relations______________________ Teamwork______________________

Sample CEO Succession Process	
5. Leadership Vision for the organization________________________ Influence over staff_____________________________ Senior executive development__________________ Relationship with the Board____________________	6. Business management Management experience_______________________ Business knowledge and expertise_____________ Ability to drive revenues______________________ Business control and support__________________
Overall comments 1. Overall capability as a management ____ 2. Time period needed for the applicant to be ready for the CEO position Now________1-2 years________3-4 years________5-10 years________Not appropriate______________ 3. Strengths of the applicant, if chosen to be CEO ____ 4. Weaknesses of the applicant, if chosen to be CEO ____ 5. Further information needed about the applicant ____ 6. Suggestions to applicant for further development ____	

Source: **Sample CEO Succession Process**, National Association of Corporate Directors (NACD), 2017

Appendix 3 Issues for the Board to Consider in CEO Succession Planning

No.	Questions
1	**What are short-, medium-, and long-term strategic goals and business directions of the organization? For examples,**
	• Targets for investment, new markets, new products • Key drivers of business growth • Key challenges and pressures • Key risks and opportunities • Return on investment • Key business partners
2	**How is the performance of the current CEO? What is the room for improvement?**
3	**What are key qualifications required from the new CEO? For examples,**
	• Key knowledge, expertise, and experience • Operating pattern that matches with business of the organization • Experience in the area or regions that the business operates in • Perspective toward short-, medium-, and long-term strategies • Key traits and personal characteristics • Understanding of corporate context, environment, and culture
4	**How are in-depth qualifications of internal talents?**
	• Is there any internal talent with potential to be CEO successor? • Is there a process to select, retain, and develop internal talents?
5	**Are external talents being considered?**
	• Are desirable qualifications being compared with external talents? • Are information of internal and external talents being compared?

No.	Questions
6	**Is there any compensation issue to consider?**
	• Are the CEO's salary and other benefits being compared with those of other companies in the same business or industry? • What are the guidelines in proposing attractive compensation to attract talents?
7	**What are issues to consider in CEO orientation and transition?**
	• What are the orientation and development processes for internal and external CEO? • What are the transition process in CEO succession? • Are management and those with key positions ready to support the CEO's duties? • Is there any person who can perform as the CEO's advisor? • What are "quick wins" that the new CEO needs to achieve?

Source: NACD Nominating and Governance Committee Chair and Risk Oversight Advisory Councils: CEO Succession Planning, National Association of Corporate Directors (NACD), 2017

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