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Board Committees:
Enhancing Corporate Governance
of Irish Companies

Introduction

With multinational companies placing an increased focus on effective governance by their international subsidiaries and the ability to demonstrate compliance, coupled with growing demands on directors' and management's time, board committees are becoming an essential tool for strengthening corporate governance practices.

While board committees have long been a feature of the regulated financial services sector, companies across other industries are increasingly recognising the benefits they offer to address governance and regulatory obligations, including those related to privacy, cybersecurity, digital safety and sustainability reporting. By enabling boards to delegate specific responsibilities, board committees have the ability to provide the expertise and focus needed to manage risk, meet regulatory requirements, and support strategic objectives in an efficient manner.

What are board committees?

A board committee is, effectively, a subset of a company's board of directors, established to handle specific responsibilities, such as governance, and to provide oversight and expert recommendations to the board. In addition to board members, specialists can and are often appointed to committees to provide expertise not otherwise held by board members.

What is the role of board committees?

Committees are appointed by the board to assist in driving business objectives of the company and strengthening the company's corporate governance framework in various ways.

Board committees may make decisions within the remit of their delegated authority or provide recommendations to the board, which can choose to accept or reject the advice as appropriate.

In practice, board committees can exercise their powers through resolutions, similar to board decisions, which must be documented in minutes in the same manner as board meetings, or via written resolutions.



We recommend that an update on any actions taken, or documentation executed, by board committees should be provided to the board at regular intervals (for example, at board meetings), as the board retains an overriding duty to supervise the committee.

Does Irish company law allow for board committees?

Yes, section 158(4) of the Companies Act 2014 provides directors of Irish companies with the option to delegate any of their powers to such person or persons as they deem appropriate, including board committees, and they may impose regulations on such delegations.

Board committees may only act within the scope of their delegated powers, which may be revoked at any time by the board, and the board retains ultimate responsibility for the actions and decisions of such committees.

What are the steps required to form a board committee?

The board of directors of an Irish company may establish a committee as follows.

A. Constitutional provisions

As an initial step, the company's constitution must adopt the optional provision allowing directors to delegate their powers to a committee. The constitution will typically impose certain regulations governing the committee's operation, which often mirror the regulations for board meetings (for example, in terms of quorum, voting, and appointment of a chairperson).

B. Board resolutions

Once the company's constitution permits the formation of committees, the board must then pass formal resolutions, either at a meeting or through written resolutions, to establish the board committee. These resolutions should define the board committee's terms of reference.

C. Charters

To build a robust framework, Irish companies are increasingly choosing to adopt a committee charter in order to outline the rules and procedures of the committee in more detail. The committee charter may deal with key topics regarding the board committee's operation, such as:

- Membership criteria (number, appointment, and termination of members);
- Role and authority of the committee;
- Procedures for committee meetings (frequency, chairpersons, quorum, notice, and voting); and
- Oversight by the board (scope of powers, reporting obligations, and matters reserved for the board).

Who can be a member of the board committee?

In terms of the board committee members, Irish company law¹ provides that directors may establish one or more committees composed wholly or partially of board members. The constitution of the company can also be amended to provide additional provisions regulating the composition of board committees.

On that basis, board committees must include at least one director of the company. Board committees can also include other specialists from within the group who may not necessarily be directors but possess expertise relevant to the board committee's main purpose and objectives. As such, members of the board committee will generally be selected based on their skills and experience.



Tip

The board should regularly review the number, qualifications, and responsibilities of committee members to ensure they align with the board committee's objectives.

What are the benefits of board committees?

Board committees can provide several benefits that strengthen governance and enhance board performance, including the following.

- **Access to expertise:** Board committees enable boards to leverage specialist knowledge and insights from both directors and other experts within the company or wider group, ensuring informed decision making and helping to meet increasingly complex governance obligations introduced by Irish and EU regulations.
- **Enhanced oversight:** Board committees promote rigorous oversight by dedicating appropriate expertise and resources to specific areas of focus, while maintaining transparency, tracking progress, and ensuring accountability through regular reporting to the board.
- **Risk management:** Board committees offer a structured framework for managing risks and bolstering compliance with certain Irish and EU regulatory requirements, such as those related to cybersecurity, digital safety and data protection.
- **Efficiency:** By delegating tasks, board committees reduce the workload of the main board, allowing directors to focus on broader strategic decision-making and other important responsibilities within the company.

¹ Section 160(9) of the Companies Act 2014.

Conclusion: Key takeaways

In today's regulatory and governance landscape, board committees play an increasingly critical role in helping companies enhance oversight, manage risks, and improve decision-making processes. By leveraging the expertise and focus of committees, boards can address complex governance obligations effectively while maintaining overall accountability.

Board committees are particularly valuable in highly regulated industries but are equally useful across all sectors as businesses face evolving compliance demands. Their ability to streamline board operations, improve risk management, and enhance transparency makes them an indispensable component of modern corporate governance.

Companies considering the formation of board committees should ensure that their constitutions provide for delegation, adopt detailed charters to govern committee operations, and regularly review the composition and performance of committees to maintain their effectiveness.

As the regulatory environment for international companies doing business in Ireland continues to evolve, companies that utilise board committees effectively will likely be better equipped to demonstrate good governance practices, meet compliance standards, and achieve long-term strategic goals.

We regularly assist clients with the establishment of board committee structures and provide on-going advice on the governance requirements and best practices for such committees.

For more information on the above, or for further guidance and insight in respect of the corporate governance of Irish incorporated companies generally, please contact Kieran Trant, Jamie Calnan or your usual contact in the International Business Group at Matheson.

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