

SOE Board Talk

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This week SOE Board Talk discuss elements of the board meetings and required levels of preparation and decision-making during the meetings.

Please feel free to comment and provide feedback on SOE Board Talk and to share your director experiences. Remember, the SOEMU team [Assistant Secretary Ywao, Anari and Augustine] are here to help on all matters SOE!

Materials provided this week can be found in sections 3.4 and 3.5 of the RMI SOE Governance manual.

Please contact SOEMU if there are any concerns or clarifications needed.

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Conducting a board of directors meeting can be as varied as the personalities of the members of that board.

While some leaders are born, most are made. This is true in running a board meeting. It can take study and practice to develop a satisfactory style for the meetings that suit the corporate culture and the current board personalities. A really effective chairperson can adjust his or her leadership style to create an environment where directors are empowered to make the most effective contribution they can. The chairperson needs to keep in mind two important things:

- People's time is valuable, and
- People want to be treated fairly and want to be heard. Directors want to feel that their objections or opinions, even if not agreed or endorsed, were respected.

Irrespective of discussion style a board meeting needs to run to an official agenda. Informal discussions prior to the meeting can sometimes be useful to exchange views and opinions, but there is a formality to board meetings that is important in the corporate minutes and archives providing the necessary authority and structure to support business decisions.

Ideally board members should arrive early for the meeting to allow time for informal discussion with fellow directors and with the CEO and senior management. Sometimes, directors will want or need to have specific discussions with management to further understand important issues, board papers or subjects for discussion at the meeting and thus to better prepare themselves.

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The formality of board proceedings should be evidenced in the production of official board minutes of each meeting and the name of the proposer and seconder for each formal item of decision-making.

The chairperson, in consultation with the CEO, should ensure effective preparation for a board meeting through:

- Setting a board agenda focused on strategy, performance, value creation and accountability. The agenda should ensure that issues relevant to these areas are reserved for board decision,
- Ensuring a timely flow of high-quality and useful supporting information to board members at least 7 days prior to the meeting,

At and during the Board meeting, the chairperson should ensure due formality, managing time effectively, ensuring sufficient discussion and deliberation is given to specific agenda items and to consideration and board decision-making.

Directors normally carry out their work primarily during Board meetings. Thus, these meetings should be carefully planned, facilitated and documented. Meetings should be highly participative with highly focused deliberations that result in unambiguous decisions that are recorded in meeting minutes and then closely monitored for implementation.

There is no normal time for an effective meeting. The time needed will depend specifically on the issues for discussion. However, the chairperson should indicate if there is likely to be a long meeting, given the topics for discussion and the chair will have the option of closing a meeting and arranging a special meeting if a matter is taking longer than expected. It is important that directors are fully engaged and allocate sufficient time to carry-out their duties. Important matters need sufficient debate and consideration, perhaps referring to management to provide further information before decisions are made. It is contrary to the duty of care to rush decisions because of a pre-determined time-frame. However, usually there can be some control of the time taken, the nature of the discussion and to ensure full deliberations prior to decision-making.

Directors involved in combined boards, where the same directors sit on the board of more than one SOE and usually one meeting follows another, will need to be especially considerate of time allocations.

Directors, individually must take some responsibility and ensure they have allocated sufficient time for preparation, reading the board papers, planning for the meeting and to ensure the information received is appropriate and relevant.

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Because board members are supervisors of the SOE and should not be involved in the day-to-day transaction processing, capacity building, relationship management and operational decisions of the SOE, boards have long-held to the principle of the regular meeting as the most effective way for them to conduct affairs. Thus, preparation and circulation of board papers, coupled with due process at the meeting, are considered key elements of effective governance.

At the board meeting, suitably chaired and controlled by the chairperson, the CEO should attend and speak to the relevant management reports. As necessary the CEO provides input, advice, comment and clarifications as requested by the board. It is also usual for senior managers to speak to reports generated by the department they manage. The Finance Manager would attend when the finance reports, capex reports and asset management reports are discussed. The Operations Manager would attend when operational reports are discussed. How this is managed is determined by the board, through the chair. Having managers present their reports provides two benefits – (a) allows the board to observe management and build relationships with those actually running the business, and (b) it provides the board with a rapid feedback loop on any questions they may have.

Boards sometimes need opportunities to discuss matters as directors without management being present. It is often useful to reserve 10 to 20 minutes before the board meeting where the board meets on their own. If there is nothing to discuss, then the board meeting proper could start immediately, but reserving this time gives the board the opportunity to discuss matters privately without management feeling that they are being excluded or assuming there is something wrong. This time can be used to discuss board administration matters, the agenda, communication issues amongst the board and the board's interaction with management or any other matter the board wishes to discuss. Some boards may prefer to work through all of the reports and management presentations and deliberations with management and then reserve time for the board, without management present, to make final deliberations and vote on decisions required.

Directors should never allow themselves to usurp management's role, but the extent that they adopt a hands-off or hands-on role will vary depending upon the issues emerging and strategies being implemented, and the challenges faced by the SOE. During times of business turnaround, there are a different set of board priorities to times of growth or rationalization.

The CEO should make certain that the board is made aware, when appropriate, of the views of managers and employees on issues of relevance to the business. The chief finance officer has a particular responsibility to deliver high-quality information to the board on the financial position of the SOE and is a key executive likely to present regularly to board meetings.

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The SOE Act, 2015, section 623 stipulates that the Board should meet at least every 2 months or 6 times per year.

However, the board, through the chair, may, on occasion determine that an extraordinary meeting is required and can therefore justify additional meetings. [If board meetings are well planned with quality board papers, such that meetings are highly effective, then it is easy for board members to agree the usual frequency of meetings required. While the Act stipulates meeting at least every 2 months, good governance demands meetings as frequently as required. Provision for the availability of members and the costs of such meetings needs to be managed but should not override the need based on good governance principles.]

Meeting schedules should be carefully planned to incorporate the SOE's important planning and reporting cycles as required under the SOE Act:

- Meeting in December to approve prior year financial statements and Annual Report
- Meeting in May to approve Half-Year Report for current year to 31 March
- Meeting in July to approve draft business plan and statement of corporate intent for the next fiscal period
- Meeting in September to approve final business plan and statement of corporate intent for the pending fiscal period

Until next week - SOEMU