

SOE Board Talk

Iakwe aolep,

SOE Board Talk is an SOEMU initiative to engage with SOE boards and share important information and developments on SOE reform.

Thank you for recent feedback on Board Talk and keep it coming!

Following our theme about board composition, this week we discuss the appointment and induction of new board members.

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

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A candidate who is nominated for an SOE directorship should consider the time commitment required and the legal and governance responsibilities involved in such an appointment.

It is expected that a prospective candidate will undertake some personal 'due diligence'. As an RMI citizen, he/she will probably be aware of the broader SOE responsibilities and some of its recent operational success and challenges, if only through the local media or past purchasing experiences.

A prospective non-executive director should be encouraged and supported in making inquiry to help them to make a judgement as to appropriate 'fit' and if and how he/she may contribute to the SOE governance structure and culture.

New Board Members Induction

As a general rule, a combination of selected written information together with presentations and activities such as meetings and site visits will help to give a new director a balanced and real-life overview of the SOE.

Care should be taken not to overload the new director with too much information.

An induction process is about providing a new board member with information and orientation about the SOE, the board and his/her role, the SOE's business and business environment and relevant issues that may be discussed in the boardroom.

Just as the SOE needs to train (and continue to train) its employees so they can be more productive and satisfied, the same is true for board members.

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Once a new director has been appointed to the board, it is useful, for the new director (and for the existing directors and CEO) if he/she has a proper induction.

The induction (as prepared and arranged by the CEO and delegated personnel) should include:

- A brief introductory meeting with the chairman (and perhaps other directors) and with the CEO and key executive staff,
- A tour of the main place of business and key places of operations,
- Presentation of an induction pack. This is a package of materials of information that will permit the new director to be informed about the SOE and relevant matters concerning his/her appointment:
 - Latest business plan and SCI,
 - Annual Reports (including financial statements) for the last 3 years,
 - Asset Management Plan, HR Plan, Risk Management Plan, Emergency Management Plan, Marketing Plan and other plans as relevant,
 - A copy of relevant legislation impacting on the SOE (the SOE Act, enabling legislation),
 - A copy of the constitution/articles/charter – if relevant,
 - An organogram of the business (group) management and organizational structure,
 - Board position description (as amended for the individual board member)
 - Brief biography of other board members and the executive management team,
 - Details of board meeting schedule, approximate times, venue, board committees and terms of reference,
 - Copy of SOE code of conduct, plus any other key policy documents,
 - Details of SOE key advisors, lawyers, bankers, auditors, insurances and any details regarding directors' professional indemnity policy,
 - Details regarding directors' remuneration and due process,
 - Details of the SOE major products or services (e.g. flight routes, aircraft information),
 - Summary details of the SOE's principal assets, liabilities, significant contracts, and major competitors,
 - Details regarding major customers, suppliers and other stakeholders,
 - The SOE's top risks and risk management strategy,
 - Details of any pending litigation, insurance and indemnity cover,
 - Key performance indicators, and
 - Any Regulatory constraints.

A prospective board member should consider all information supplied and make further inquiry as necessary, including asking him/herself a number of questions, prior to accepting appointment. Such questions may include:

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- If the enterprise is not performing particularly well is there potential to turn it around and do I have the time, desire and capability to make a positive impact?
- Would accepting the non-executive directorship put me in a position of having a conflict of interest? Are such conflicts manageable?

Confirmation of Appointment

The SOE Act section 618 provides for directorship appointments to be ratified by Cabinet. The Minister should issue a formal appointment letter with reference to the Cabinet decision. It is appropriate that at the following board meeting, the new directors' first meeting, that a board agenda item and minute is written to welcome the new director and formally recognize his/her appointment.

The director's appointment letter should detail:

- Term of office,
- Reference to relevant sections of the SOE Act relating to the appointment, termination and duties and obligations of directors,
- Reference to (SOE Governance) manual and the governance framework for SOE directors,
- Reference to manual and the induction and development program for SOE directors,
- Duty of care and specific note of:
 - Confidentiality policy,
 - Conflicts of interest policy,
- Reference to manual and the directors' performance review process,
- Reference to manual in respect of the requirements for time commitment and the obligations to participate in decisions and the obligation to comply with board decisions,
- Reference to manual and the requirements for confidentiality,
- Remuneration and benefits, and
- Provision of director's liability insurance and professional indemnity, if any.

It is important to remember that prior to accepting any role as a director, it is incumbent upon an individual to review and check what is involved and to be clear on the legal and ethical obligations. An individual may choose to consult legal advice prior to acceptance of an appointment at his/her discretion.

Once appointed and fully inducted, it is useful if a director can sign a declaration to signify his/her understanding of duties and responsibilities and that a full induction has occurred.

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I, [insert name] hereby declare and confirm that:

1. Upon appointment/annual review as dated below, that I stand committed to assist [name of SOE] in its efforts to be a successful enterprise and I vow to perform my duty of care and duty of trust (fiduciary) to the best of my ability,
2. I am competent to act, and that my qualifications and experience are as presented during the nomination and selection process,
3. I have made all due inquiries that are reasonable and relevant, and I am satisfied I can perform my duties and assist [name of SOE] in its primary objectives,
4. I fully understand my legal responsibilities and obligations as a director, under the SOE Act, 2015 (as amended) and that I am responsible for making relevant inquiry,
5. I have received appropriate information relating to [name of SOE] and a full induction, including a copy of the [name of SOE] code of conduct and I understand my obligations regarding conflicts, use of information and [name of SOE] assets,
6. I understand the time commitment involved in being an SOE director and am prepared to commit such time,
7. I have been provided with, and agree to comply with, a Position Description for the role,
8. I have advised [name of SOE] in relation to all conflicts and potential conflicts, direct or indirect, temporary or permanent and I have provided information for the register of conflicts, and I further declare that I will provide updates on any conflicts of interest by me and related parties, and potential conflicts of interest by me and related parties, if and when they arise, at all times being declarations that are true and fair.

(signed by director)

(name, signature and title of witness)

(date)

Best wishes for this week in the boardroom

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