



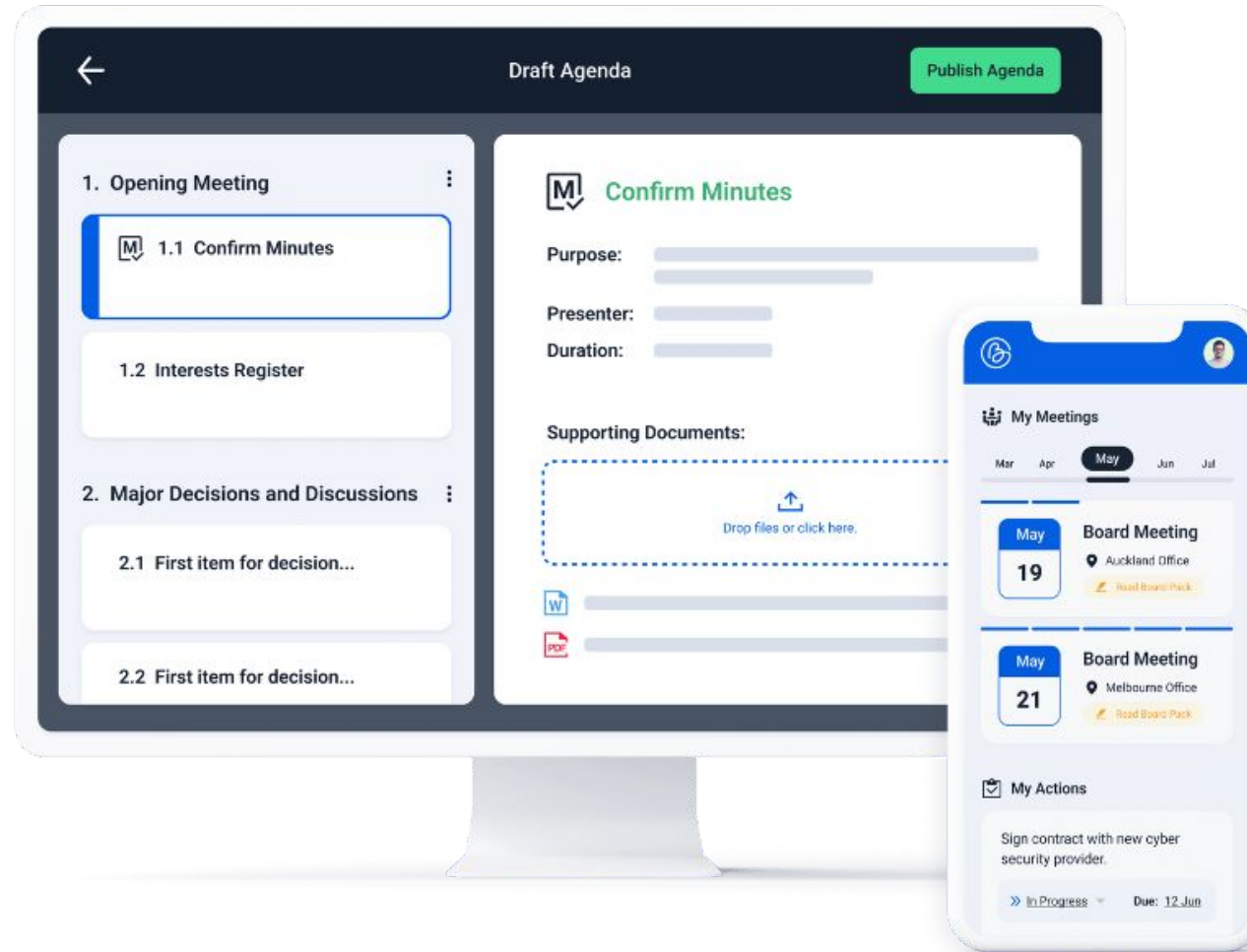
Webinar

How to run and manage committees

With Special Guest - Margot Foster









**Making the fundamentals of
governance free and
easy to implement**



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What is a committee



Boards often delegate work to committees to enable a more effective consideration of complex or specialised issues and to use directors' time more efficiently.

Committees make recommendations to the board for action, thereby ensuring that the board retains its responsibility for corporate decision – making: *AICD*



A committee or commission is a body of one or more persons subordinate to a deliberative assembly. A committee is not itself considered to be a form of assembly.

Usually, the assembly sends matters into a committee as a way to explore them more fully than would be possible if the assembly itself were considering them: *Wikipedia*



Definitions



01

Board is the modern and common term for committee

02

Many smaller organisations, such as sports clubs, still refer to their boards as committees

03

Committees derive from the old committee of management which were just that: hands-on managing

04

Some organisations use the term “commission”

05

Board committees are sometimes referred to as subcommittees which is relevant only if the board calls itself a committee



For our purposes we'll use committee



Also for our purposes committee does not include working groups



Types of committees



01

Can be created for a range of issues and purposes

02

Entirely depends on size, nature and business of the organisation

03

Common ones might include

- Audit/Finance/Risk – stand-alone or a combo
- Nominations
- Remuneration

Others might be industry specific such as

- Investment
- Governance
- Ethics
- Health and Safety
- CSR/ESG
- Environment



Source of authority

Corporations Act 2001 (Cth)

S198D

Allows directors to delegate some of their powers to a committee unless the constitution disallows it

S190

The delegation does not absolve directors of the responsibility for the exercise of the power by the delegate (with a couple of exceptions)

S189

The board can rely on the advice or information given by a committee so long as it assesses that information and acts in good faith





Source of authority

- The starting point is that all power and authority rests with the board always and regardless of delegation to committees
- Boards can create committees only through the authority given in its Constitution or by the Act
- Creating committees is an exercise of the Board's power to delegate
- There is often an express clause in the Constitution permitting the creation of committees
- If not then there will be a likely catch-all clause in the Objects/Purposes allowing the Board to do what is necessary for the organization's good governance



Board decision to create a committee

01

An exercise of the Board's power to delegate

02

Motion/s are required to be recorded in the minutes to

- Establish a committee
- Approve its charter or terms of reference
- Appoint its members from time to time
- Wind it up, also by motion, and end the delegation



Why have committees?

01

Directors don't have the time, skills or experience to do all the work necessary

02

Some work is required to be done by directors rather than management, though with management support

03

Some committees are deliberately formed with directors and members of the management team

04

Committees offer the means to have particular parts of the business addressed regularly

05

The workload is spread to specifically constituted groups of people

06

The delegated work can be done in a more timely manner than if the whole board was required to deal with it



Reasons for establishing committees



01

Specialisation and expertise

By assembling people with relevant skills and knowledge, committees can provide informed guidance and decision-making in their respective domains.

02

Efficiency via delegation

Smaller groups can operate with greater efficiency and allows the board to focus on strategic direction while ensuring thorough oversight in specialised areas.

03

In-depth analysis

Time is allocated for a deep-dive or the management of specific matters which is neither possible nor feasible for the board as a whole to give. This analysis allows for comprehensive examination, risk assessment, and strategic planning tailored to specific functions or operations



Reasons - cont

04

Risk management & compliance

Finance/audit/risk committees can address regulatory and compliance matters, internal and external, safeguarding the organization's reputation and integrity.

05

Improved decision making

The deep dive analysis and insights mean well-informed recommendations based on detailed assessments are put to the board. Helps reduce the likelihood of errors by providing information on which to base robust discussion.

06

Stakeholder engagement

Committees can engage stakeholders in a more nuanced way than can the whole board thus helping to build trust, organization durability and reputation reliability.



Reasons - cont

07

Succession

Committees provide opportunities to identify and nurture people who, if not already directors on the board may become one, or who might be suitable chairs in due course.

08

Accountability

Committees undertaking detailed work can demonstrate to internal and external stakeholders care and responsibility are taken about the business by the board

09

Complexity and change

Committees offer a nimbleness that might elude a whole board dealing with industry shifts and trends both external (such as cyber) and internal (such as CEO performance review)

10

Continuous improvement

With an appropriate charter, updated as the times require, committees can be at the forefront of identifying areas for process improvement and implementing best practice



Charters or terms of reference: What to include



- Name of committee
- Objectives of organization
- Purpose/scope of committee: what is and is not included in the scope of activity
- Number of members and their roles eg Chair, Member, CEO or staff designate
- Skills of members
- Source of members:
 - directors or
 - directors and independents or
 - directors and independents and management or
 - directors and management



Charter - cont

- How the chair is appointed - by the Board not by the committee
- Chair:
 - director or
 - independent – frank and fearless?
- Terms of members: length of term and number of terms
- Meeting frequency

- Voting: including casting vote (or not) of the chair
- How the committee is to be serviced eg a minute taker who is not a participant
- Information flow to the committee – what, from whom and when



Charter

- General terms – for non director committee members
 - conflicts of interest
 - act honestly and in best interests
 - exercise due care and diligence
 - act in good faith and for a proper purpose
- Regularity of review of charter, membership and purpose
- Include review date on the charter itself and in the board calendar





Recommendations



01

Committees submit reports and make recommendations to the Board as per the charter and express instruction or direction from the Board

02

If a committee is empowered to make decisions then that delegation needs to be considered with care by the Board and expressed with equal care in the Charter

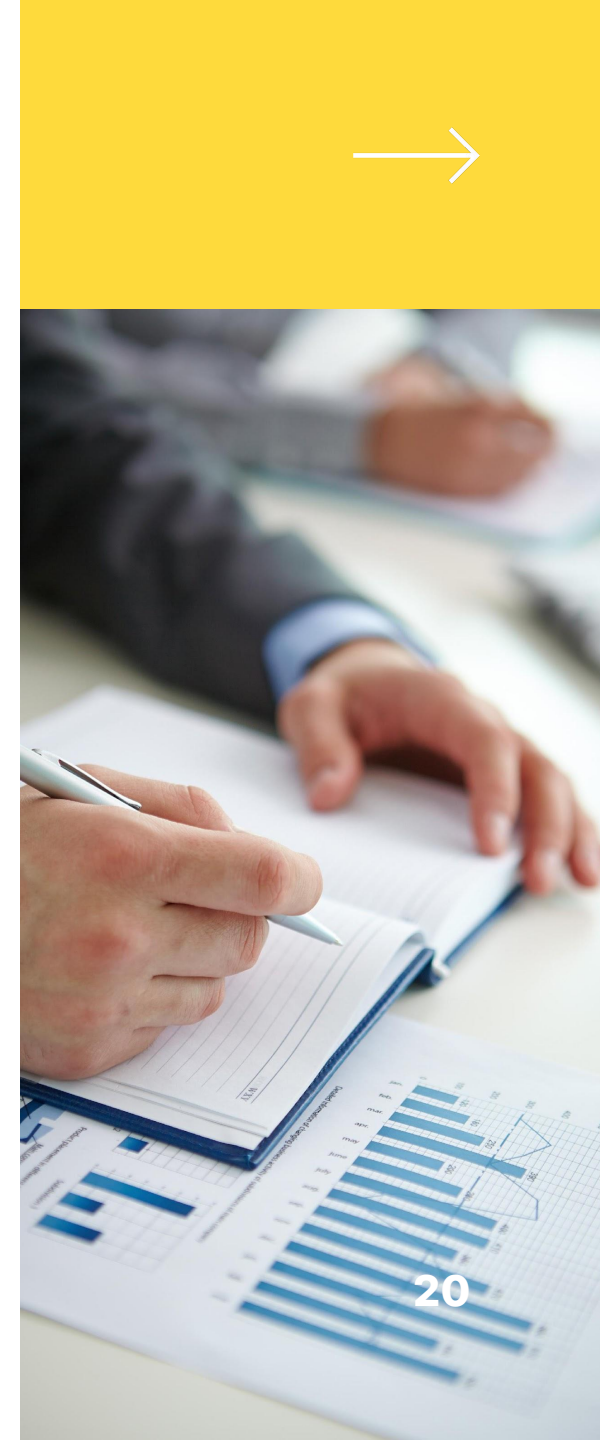
03

Important to avoid mission creep eg a nominations committee taking on constitution review matters



Reporting

- Committee minutes form part of board meeting papers or
- A written report to the Board is provided by the chair summarising discussions and recommendations or
- The chair, if a director, speaks to the written report if required at board meetings or
- The chair, if an independent, attends meetings, or meetings from time to time as agreed, to answer questions directors may have about the functioning of the committee and/or about the minutes or written report
- The attendance of the independent chair is an additional time impost which may dissuade people from taking up the role





Form of reporting



Board to determine

- Form and format of minutes
 - Directors need to know what they're looking at; style and form to be consistent from all committees.
 - Risk of minutes being written for the benefit of the committee members not the board.
- Form and format of report
 - Board to set form and format for committee reports if used in the alternative to minutes.



Chairing committees



The director chair

- Comes with knowledge of the organization, the board and fellow directors
- Comes with pre-existing biases
- Is aware of the commitment both time and workload

The independent chair

- May find he or she doesn't have enough time
- Takes time to settle in and learn the business
- No or few pre-existing biases
- Fresh and open mind leading to frank and fearless advice



The Board chair as ex-officio on committees

01

A board chair ideally does not chair a committee.

02

Often constitutions will say that the board chair is ex-officio on all committees.

03

Ex-officio means “from that office” or “by virtue of another office”.

04

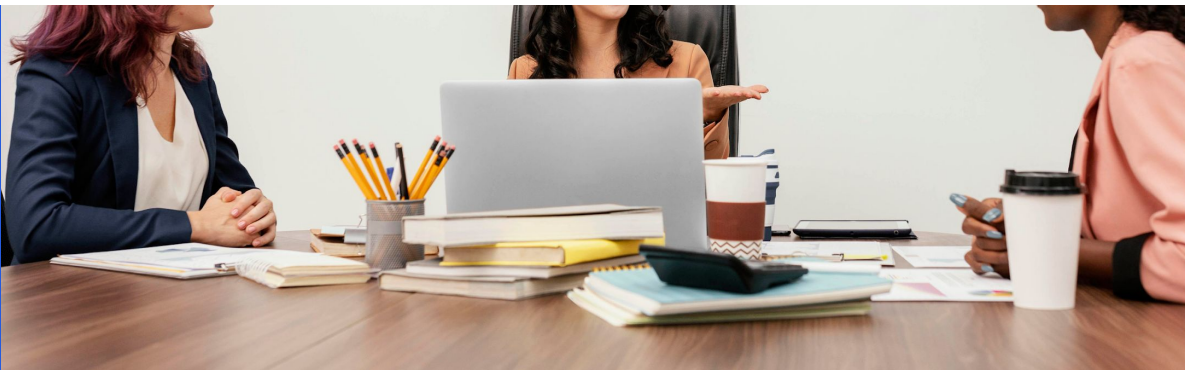
The chair’s participation in those committees is tied to the office of that role.

05

The ex-officio chair is entitled to attend meetings of all committees.

06

A clause in the committee charter should specifically exclude the ex-officio chair from having a vote on that committee to avoid conflicts should the committee make a recommendation to the board which the board rejects.





Things to consider about committees

01

Needs, business and size of the organization

02

Capacity of directors to give additional time beyond board meetings (though some boards expressly say committee service is expected)

03

Capacity of CEO and management to serve committees with meeting preparation, attendance and follow up (minutes and/or report): committee meetings should be managed similarly to board meetings vis a vis sending papers in advance, expectations of preparation and readiness for discussion

04

Beware that committees comprising directors and management blur the line between strategy and operations



Considerations

- A good understanding of board meeting effectiveness by all directors so directors who chair committees don't speak to their reports at board meetings other than to ask for questions.
- Regularly review committee charters and performance.
- Wind them up if they no longer meet their purpose.
- Don't establish a committee if the subject matter is discrete and can be done in a task-specific and time-limited manner – set up a working group instead.
- Remember that rewriting a constitution is never a job for a committee!





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Webinar Schedule



79.	Identifying and managing conflict of interest	On Demand
80.	Getting your Board Skills Matrix right	On Demand
81.	How to run and manage committees	On Demand
82.	Helping directors to be more strategic	May 9
83.	Putting AI into practise in the boardroom	May 27
84.	How to amplify your impact in the boardroom	June 6
85.	Getting governance right in a startup	June 13



Masterclass Schedule

Some courses and dates subject to change

boardpro.com/resource-centre/webinars



AI tools for board admins and company secretaries (2 modules)

Mar 19

How to become a great board chair (3 modules)

Mar 21

Writing better board papers (4 modules)

Apr 9

Creating Effective board minutes (3 modules)

April 16

Writing better board papers (4 modules)

Apr 30

Due diligence before directorship

May 1

How to become a great board chair

May 23

Writing better board papers (4 modules)

May 30



Live Event: Auckland 9th May

Governance Unplugged

With Lynda Carroll and Steven Bowman



<https://bit.ly/governanceunplugged>



Thank you

