

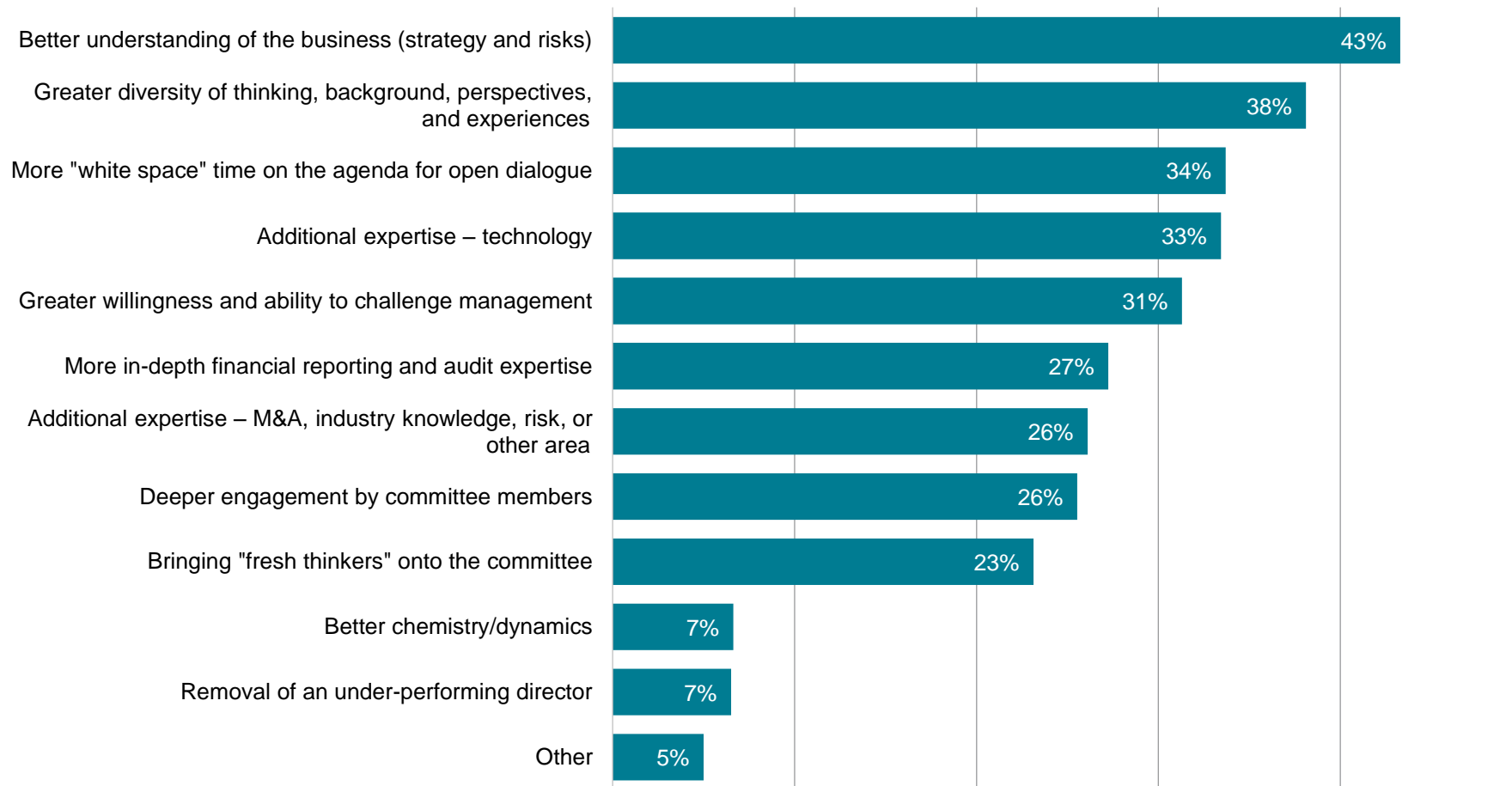


Board Effectiveness - Building a Strong Board

September 22, 2015



What would most improve your Committee's overall effectiveness?



Multiple Responses Allowed

What we see in Bermuda - strengths



Strong Chair and relationship with CEO and CFO



Board size and structure appropriate



Regular and timely financial and operational performance reporting to the Board, containing the right level of information



Board members take personal responsibility for education



Consistently high attendance and participation



Board evaluation is becoming more commonplace

What we see in Bermuda – areas for improvement

- ✗ **Balance of executive and non-executives**
- ✗ **Limited rotation of directors**
- ✗ **Lack of succession planning**
- ✗ **Limited evaluation of directors' individual performance**
- ✗ **Delegations of authority are unclear, or decision making process is circumvented**
- ✗ **The role of the Company Secretary needs to be clearly defined**
- ✗ **Board education and induction needs to be improved**
- ✗ **Reliance on the external audit to address control risk**
- ✗ **Resolution of issues and effectiveness of decision making**

Private Company Boards – Get The Basics Right !

- **What is the role of your Board?**
 - Board charter to capture duties, expectations and processes
 - Advisory vs empowerment
- **What are the expectations of management and owners?**
 - Managing conflicts of interest
- **How is the Board organized?**
 - A structure that makes sense
- **How does the Board stay fresh and refreshed?**
 - Evaluation and rotation

Effective decision making

- ✓ **Clear delegations of authority**
- ✓ **High quality Board documentation**
- ✓ **Obtaining expert opinions**
- ✓ **Allow time for debate and challenge**
- ✓ **Review past decisions, especially those with poor outcomes**

✗ Beware of:

- A dominant personality or group of directors
- Reluctance to involve non-executives
- Weak culture including inadequate information or analysis
- Insufficient attention to risk
- Inappropriate reliance on previous experience or decisions

Board experience

Thoughts and reflections

FIONA BECK

Effective boards – some takeout's

What is the Boards role - monitoring, advising , decision making

Take the time to understand the business

Know your strategy – actually have a strategy

Decisions are only good if they are implemented

Board Size matters – as does diversity- better decisions

Drive with the right KPI's

Hold people to account = project review after a year

Think like an activist, challenge the status quo- role of the independent/non exec Director

Understand social media, security threats and broader risks

Remunerate well for the expertise

Maintain good housekeeping –start meetings on time, check out Tech equipment

What it means to be an effective board member

Resist temptation to micro manage – problem if you have been a CEO/owner and now a director

Understand the strategic plan- read it, believe it, challenge it

Make sure you have an induction when you first join- also do your due diligence

Use your judgement and wisdom, particularly if you have seen the movie before

Keep up to date – info, tech, social

Speak up but don't take oxygen

Engage - be motivated and interested

Remember to thank people and to recognize talent

What can go wrong or what are the challenges

Disagree with CEO

When there are conflicts amongst the directors

Overbearing or ineffective chairperson

Inadequate attention to the stakeholders

Culture is wrong – we need to move with the times – open, transparent , fair

Get info late, and then death by PowerPoint

Disclose only what is absolutely necessary rather than relevant- what's missing

Good news travels fast , bad news slow

Are the bye laws – constitutional documents – out of date for todays time

Dealing with subsidiary boards

Who does the CEO of the Subsidiary really report to

How do you manage that communication

Have catch ups, visit them, have a presence

Get the info early enough to review

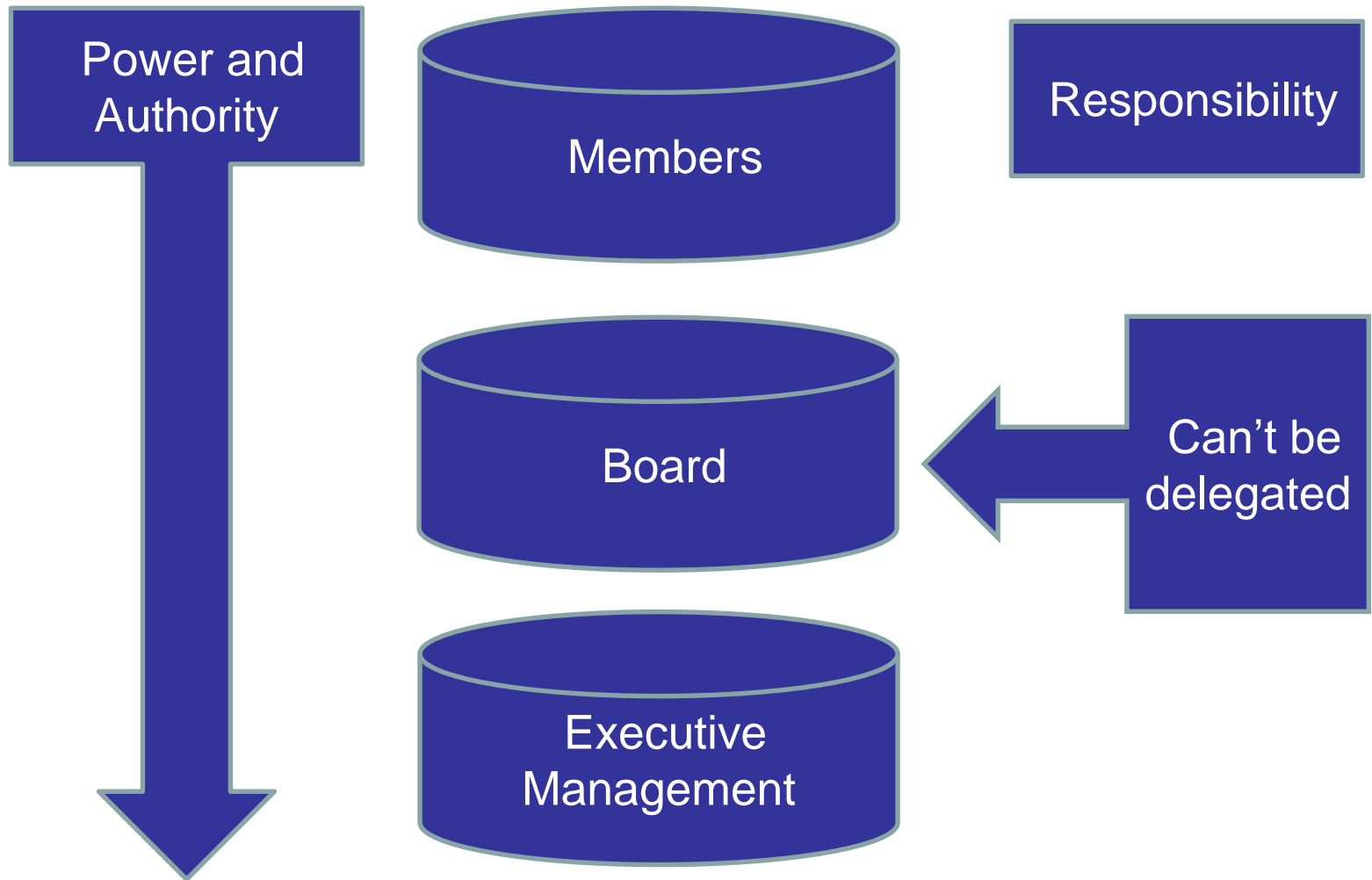
Make sure there is some Independent Directors on the Board (also independent from the main board)

Direction, membership, management

- What's the Board's role?
- How are shareholders involved in the company?
- What is the role of the executive



Direction, membership, management



Powers reserved to board – typical content

- board appointments/removal
- terms of reference - board committees
- remuneration/change of auditors
- press releases
- communications with members
- dividend payments
- changes to internal control or risk management arrangements
- accounting policies
- disposal or acquisition of major assets
- major contracts and investments
- treasury management and capital policies
- strategies and budgets
- pension arrangements
- policies – e.g. people, health & safety, conduct, compliance.



Directors' relationship with shareholders

- fiduciary duties
- accountability
- powers of appointment & removal of directors
- delegated powers – not mandated delegates

“The business of the company shall be managed by the directors who may exercise all the powers of the company.”

Any questions?





Thank you

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