

3.4 Chairperson

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The Combined Code provides that the Board should be chaired by an independent Non Executive Director.

The appointment of a Non Executive Chairperson of the Board is an important step in improving Corporate Governance in companies. As a result, the Managing Director/ Chief Executive will become more accountable to the Board than may have been the case in the past.

There will be a number of reasons why the company brings in an independent Non Executive Chairperson. These may include the following:

- Gain from the person's experience in chairing and managing a Board
- Provide greater investor confidence
- Provide a more rigorous approach to Corporate Governance
- Increase the profile of the company
- Gain from specific expertise that the Chairperson might have, e.g. expertise of the financial markets

It is the Chairperson's responsibility to drive the development of the Corporate Governance framework in the company.

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Role of Chairperson

- Ensure that the company achieves a satisfactory return on investment for its shareholders
- Oversee the orderly operation of the Board of Directors
- Ensure appropriate interaction between the Board and shareholders

Responsibilities of the Chairperson

- Chair Board and shareholder meetings
- Ensure the Board's effectiveness in all aspects of its role
- Serve as the company's primary representative to key external and internal stakeholder groups
- Take a leading role in determining and reviewing the composition, structure and performance of the Board
- Foster a strong relationship of mutual trust with the Managing Director/ Chief Executive
- Ensure that decisions are reached in the best interests of the company
- Ensure that the Board undertakes a thorough analysis of all issues and concerns
- Exploit Board members' knowledge and experience and ensure that Board members contribute during meetings
- Ensure that all members of the Board have access to accurate and timely company information
- Put in place appropriate plans to facilitate Managing Director/ Chief Executive succession
- Develop an agenda for Board meetings in consultation with the Managing Director/ Chief Executive and the Company Secretary (see Section 3.7 on Company Secretary)
- Regulate the proceedings of Board meetings
- Ensure that a process is put in place to assess the performance of the Board

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Insights and practical suggestions

- The key challenge for the Chairperson is to ensure that the company gets the maximum possible benefit from the Board. There are a number of ways to improve the effectiveness of the Board, such as:
 - providing timely, accurate and relevant information to enable Board members to achieve effective input
 - fostering a spirit of openness and honesty around the table
 - acknowledging the input of Board members
 - making it clear to the Managing Director/ Chief Executive that s/he is accountable for company performance
 - keeping in contact with Board members so as to glean informal feedback on Board issues
 - ensuring that the company has the appropriate Corporate Governance structures in place
- An important role of the Chairperson is to ensure that cliques do not develop among Board members. Once these develop they can be very difficult to break up
- An overly dominant Chairperson can impact negatively on the role of the Managing Director/ Chief Executive
- The Chairperson must be supportive of the Managing Director/ Chief Executive and work at building a collaborative relationship
- If discord develops between the Managing Director/ Chief Executive and the Board members the Chairperson should bring this to the attention of the Managing Director/ Chief Executive
- The Board should consider the appointment of one of the independent Non Executive Directors to be the senior independent Director. S/he should be available to shareholders where concerns are not met by the Chairperson or the Managing Director/ Chief Executive.
- The Chairperson should meet with the Managing Director/ Chief Executive two or three days before the Board meeting to discuss any issues arising
- The Chairperson should organise informal dinners with Executive and Non Executive Directors so as to build relationships
- If the organisation decides to have a Managing Director/ Chief Executive as well as a Chairperson, both their roles should be clearly defined and written down (the Combined Code recommends that these roles should not be exercised by the same person)

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Key legal considerations

- The Chairperson's role is of obvious importance. Not only is s/he responsible for ensuring that order is preserved at Board and other company meetings, but also (with the assistance of the Company Secretary) that such meetings are conducted in a proper manner having regard to law and the rules of the body in question. Procedural propriety is important to ensure that the validity of the meeting and the resolutions passed cannot be questioned by anyone

10 Questions a Chairperson may ask the Managing Director/ Chief Executive:

- 1 How satisfied are you with the information being given to the Board?
- 2 How can we make better use of Board time?
- 3 Are you satisfied with the input you get from the Board?
- 4 How can we improve company governance?
- 5 Do we have the right skills and competencies on the Board to deliver on the strategic plan?
- 6 How can we give the Board the comfort that the risk management plan is realistic? What evidence can we provide to support this?
- 7 If you were to get more time with the Board (e.g. an offsite meeting), how should we spend it?
- 8 How can we improve the way we work together?
- 9 How satisfied are you with the quality of the sales forecast you receive?
- 10 What is the biggest risk we face today as a company?