

IFC CORPORATE GOVERNANCE

BUILDING YOUR BOARD:

**FINDING THE RIGHT TALENT AT THE RIGHT
COST**



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April 13, 2016

BUILDING AN ENGAGED, DIVERSE, HARMONIOUS BOARD

A FOUR STEP PROCESS

Step 1:
What are we
trying to
achieve

Step 2:
Skill & Talent
Assessment

Step 3:
Defining a
target board

Step 4:
Director
Search

STEP 1: WHAT ARE WE TRYING TO ACHIEVE

Your Goal: align the skills and talents of the Board members with the corporate vision and strategy.

“If you don’t have a compelling vision and a winning strategy it doesn’t matter what style of leadership you employ”

Bill Mc Dermott, SAP CEO

“A high performing board generally means a high-performing CEO”

Peter Browning, The Director’s Manual

STEP 2 : ASSESSING THE EXISTING SKILLS AND TALENTS

I - Make an inventory of ACTUAL BOARD MEMBERS:

- Name, role on the Board, age, gender, education, professional experience, number of years on board, number of directorship on other boards, number of shares owned, relationship with ownership, number of boards meetings not attended last year, executive / non executive

II - Evaluate board members “PEER TO PEER”:

- How do you assess individual contribution (yours, others), what are the additional skills/talents needed

STEP 3 : DEFINING A TARGET BOARD

« Skill-set matrix methodology »

- **Benchmark** existing skill/talents against company strategy
- **Map out** any skills-set gaps (look for mix of background and experience, avoid high profile/narcissists directors, be aware of perils brought by technical experts) and design succession plan over next years
- **Write up** candidate specifications for future « ideal » board members to seek for (age, gender, professional and board experience, human qualities, availability, lack of conflict of interest, courage to challenge intelligently etc.)

STEP 4 : SEARCHING FOR NEW DIRECTORS

I - Avoid the “rolodex approach” :

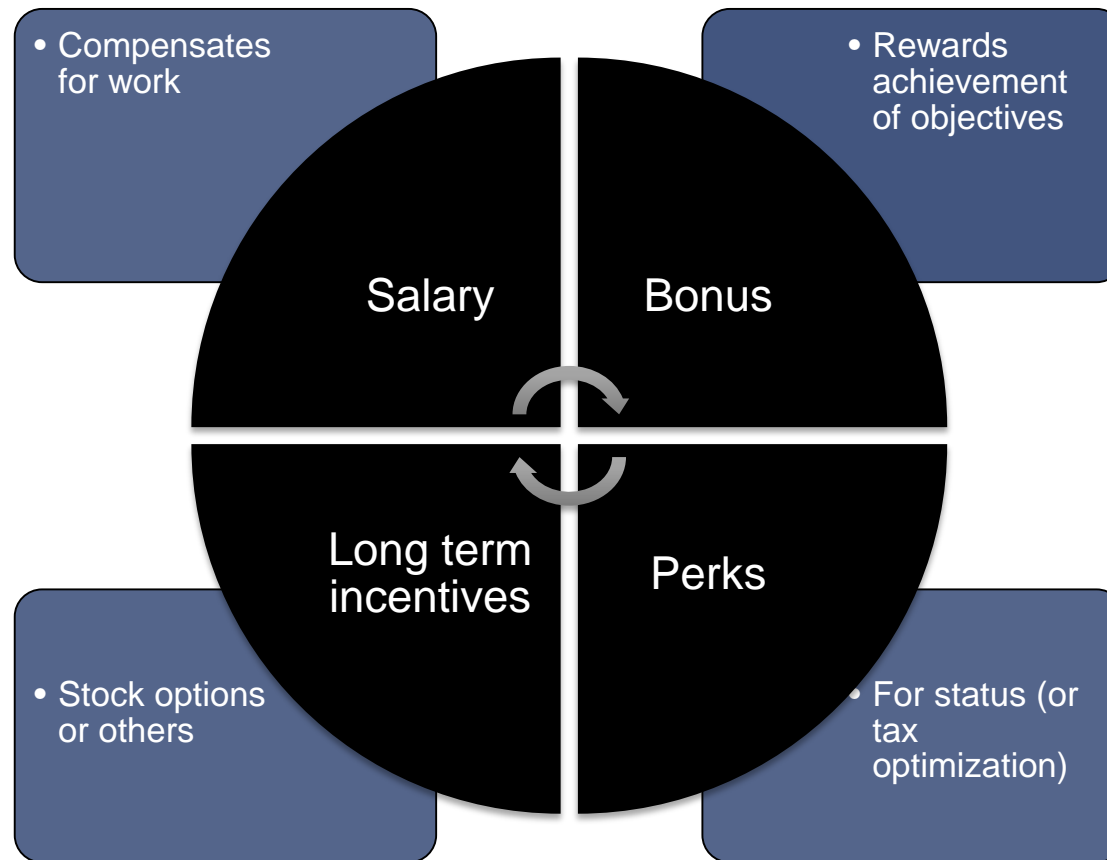
- Avoid going through the contacts of the Chairman and/or other directors
- Let the Nomination Committee do the work

II – The Nomination Committee should use a “regular” search process (with or without a consultant):

- Use new profiles approved by Board members
- Identify potential candidates in a long list
- In consultation with the Chairman, prioritize to a 5 key candidates shortlist
- Approach them starting with number 1 on list, have a regular interview with the first one who « bites the hook », handle reference checking, introduce him/her to the Chairman
- Report to the full board the result of the search done by either the chair of the Nomination Committee or the Chairman

Compensation

WHAT ARE THE ELEMENTS OF COMPENSATION?



COMPENSATION FOR BOARD DIRECTORS

FOR DIRECTORS, there are generally three components:

- (1) Board fees for work,
- (2) Perks (open expense account for expenses related to board work, 2 or 3 days board members “strategy meetings” in sunny or touristic places etc.)
- (3) Stock options or other shares scheme (not done frequently yet but a good way to align Board and Management)

HOW TO SET BOARD FEES

How to set Board fees:

- Board Index Studies are useful. For example: Spencer Stuart, Russel Reynolds, Korn/ferry, Heidrick&Struggles.
- By default, use « the consultant equalization approach » (#hours spent on board multiplied by 3 multiplied by hourly rate of strategy consultants at Partner level)
- What are directors making across the world?

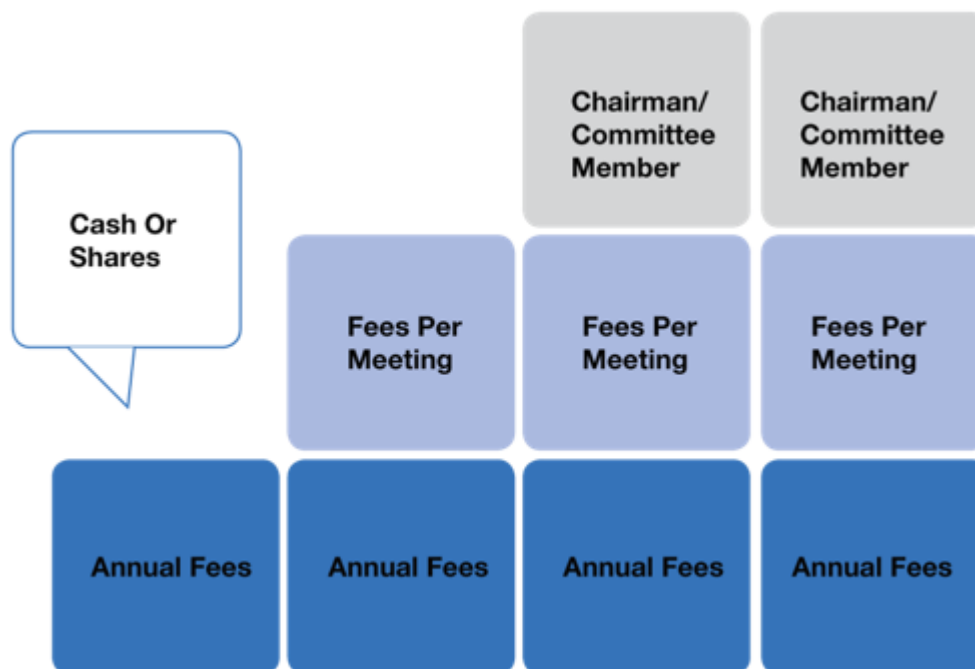
	France CAC 40 €	Denmark OMX C. €	Russia Expert 400 €	S. Africa JSE 40 €	Turkey BIST 30 €	UK FTSE 150 €	USA S&P 500 \$
Average retainer for non-executive directors	72,608	47,835	144,104	26,830	51,450	80,874	91,857
Average fee for audit committee membership	18,460	19,728	-	9,253	-	16,669	10,178
Average fee for remuneration committee membership	32,834	15,458	-	7,129	-	14,387	9,646

Source: Spencer Stuart, 2015

HOW TO ALLOCATE BOARD FEES

How to allocate Board fees : « the Brownie points matrix »

Best practice: to pay additional fees for membership and chairmanship of the main board committees. This is to compensate non-executives for the increasing responsibilities and requirements attributed to their roles.



Worksheet for the Brownie Points Matrix

ROLE/NAME	JOHN	SARAH	MARC	MARY	ELEN	BOB	TOTAL
CHAIRMAN OF THE BOARD	5						
MEMBER OF THE BOARD		1	1	1	1	1	
AUDIT COMMITTEE CHAIR		3					
MEMBER AUDIT COMMITTEE			2	2			
REM/NOM COMMITTEE CHAIR			2				
MEMEBER REM/NOM COMMITTEE		1			1		
GOVERNANCE COMMITTEE CHAIR				2			
MEMBER GOVERNANCE COMMITTEE					1	1	
TOTAL	5	5	5	5	3	2	25
AGM APPROVED \$100 000 BOARD FEES							\$100,000
VALUE OF EACH "BROWNIE POINT"							\$4,000
INDIVIDUAL BOARD FEES TO BE PAID	\$20,000	\$20,000	\$20,000	\$20,000	\$12,000	\$8,000	\$100,000

Each brownie point = \$4,000

Recognize contributions as chairs

Recognize contributions as committee members

Recognize heavier workload of audit committee

Chair of the board	Chair Audit Com.	Chair Rem/Nom Com.	Chair Governance Com.		
Chair of the board	Chair Audit Com.	Chair Rem/Nom Com.	Chair Governance Com.		
Chair of the board	Chair Audit Com.	Member Audit Com	Member Audit Com	Member Governance Com.	
Chair of the board	Member Rem/Nom Com.	Member Audit Com	Member Audit Com	Member Rem/Nom Com.	Member Governance Com.
Chair of the board	Member Board	Member Board	Member Board	Member Board	Member Board
John 5 x 4k = 20k	Sarah 5 x 4k = 20k	Marc 5 x 4k = 20k	Mary 5 x 4k = 20k	Ellen 3 x 4k = 12k	Bob 2 x 4k = 8k

Thank you.
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