6.4

BOARD COMMITTEES – WORKING METHODS

The role and composition of the committees are described in sub-chapter 3.4; this sub-chapter deals with their working methods.

Responsibilities and authority of committees

Committees facilitate the Board's work through monitoring, information, advice and the preparation of decisions to be taken by the Board. Committees should exercise independent judgement and integrity in performing their functions and in deciding on their recommendations to the Board. The recommendations are not binding; the final decision is taken by the Board.

Committee members are expected to act in good faith, dedicate the necessary time to the tasks delegated by the Board, exercise due diligence, be thorough in pursuing their duties, alert the Board to developments and risks in their areas and report to the Board in good time to support its decisions. In return, the Board is expected to delegate responsibilities to committees in a reasonable manner and to give them the expertise, resources and information they need.

Reporting to the Board

The committee charter should include reporting rules to ensure accountability to the Board.

Regular committee reports should highlight only the most important issues emerging from the committee's discussions: the things the full Board really needs to know.

If a committee meets just before a Board meeting, the committee chair presents an oral or written summary of the key points, with the minutes or report to follow.

The minutes of the committee, or its report, should be available to the Board. The secretary of the committee is responsible for taking the minutes of each meeting.

The committee submits an annual report to the Board.

Disclosure of Board committees in the annual report

Companies should also include in their annual reports information on the existing Board committees: their composition, the number of meetings and attendance

during the year, and the main areas of their activity and their performance, in compliance with the rules on the processing of personal data.

Technical environment

Providing the right tools is important for effective committee work: tools that allow committees to collaborate, communicate, share and review documents, set agendas, work on preparatory materials, distribute minutes and publish results.

Key elements of effective Board committees

There is no one-size-fits-all approach to Board committees; the key elements that increase their effectiveness are:

- a clearly defined purpose, duties and composition;
- clearly defined rules governing the committee's activities;
- regular and timely meetings;
- established reporting process;
- integration of the committee into the company's processes;
- the right tools for the committee's work.

KEY TAKEAWAYS

A. Committees facilitate the Board's work through monitoring, information, advice and the preparation of decisions; their recommendations are not binding, and the final decision is taken by the Board.

B. Committee members act in good faith, dedicate the necessary time, exercise due diligence and alert the Board to developments and risks in their areas; the Board in turn delegates reasonably and provides the expertise, resources and information required.

C. The committee charter sets the reporting rules; regular reports highlight only what the full Board needs to know, the committee chair summarises key points at the next Board meeting, minutes or reports are available to the Board and an annual report is submitted.

D. The annual report of the company discloses the committees, their composition, the number of meetings, attendance and main areas of activity.

E. Effective committees have a clearly defined purpose, duties and composition, clear rules, regular and timely meetings, an established reporting process, integration into the company's processes and the right tools.

QUESTIONS FOR THE BOARD

1. *Does each committee have a charter with a clear purpose, duties, composition and reporting rules, and when was it last reviewed?*
2. *Do committee reports tell the full Board what it needs to know without repeating the committee's whole discussion?*
3. *Does the Board give its committees the time, expertise, information and tools they need, and does it evaluate their effectiveness?*
4. *Are the committees, their composition, meetings and attendance disclosed in the annual report of the company?*
5. *Is the Board clear that committee recommendations prepare its decisions but do not replace them?*