
THE ROLE OF THE BOARD

At the broadest possible level, the board has two fundamental responsibilities; to ensure compliance and to improve performance. On a day to day basis, these need to be expanded and spelled out so that it is clear what is the role of the board, and what is the role of management. Many boards are now adopting an approach of specifying exactly which issues require board involvement, and in many board charters a section dealing with 'Matters Reserved for the Board' is included.

The more significant roles for most boards can be described as:

- **CEO Matters**
 - Select. Monitor and Evaluate
 - Mentor and guide
 - Set remuneration and assess
 - Appoint and remove, as required
- **Performance Matters**
 - Establish suitable indicators of performance
 - Monitor on a regular basis
 - Make strategic decisions based on this information
- **Strategy Setting/Approval**
 - Provide overall long term direction
 - Development of specific goals and targets
- **Risk Management**
 - Ownership of risk management policies and practices
 - Monitoring and regular update of risk management policies and practices
- **Compliance**
 - Ensure organization meets all necessary requirements
- **Operating Framework**
 - Provide leadership to the organization in an appropriate way
 - Set policy agenda for organization
 - Endorse direction as appropriate
- **Communication and Relationship Management**
 - Manage communication with key stakeholder groups, including shareholders and other relevant groups to assist the organization achieve its goals

- **Crisis Management**
Set policy framework for crisis management
Exercise control in times of crisis

This listing captures the essential responsibilities of a board in Australia and provides a sound basis for a discussion at board level as to the specific requirements for any individual board.

The Board has the final responsibility for the success or otherwise of the company, and in that regard, it is necessary for the board to decide how it should operate to best meet the objectives of the company. No single 'Role of the Board' will match every situation. Each board will have different priorities and be at a different stage in development that will require any generic statement to be tailored to reflect the particular organization.

Boards have a responsibility to determine the policies, practices and operating frameworks for a company. Any board will be in better position to add significantly to the company if the role is clear; well understood and communicated broadly, than if this responsibility is left to chance or hidden amongst procedural matters and lengthy charters.



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