



The Board Charter

A legacy from today's board to future boards

Effective
governance

A board charter is a policy document that clearly defines the respective roles, responsibilities and authorities of the board of directors (both individually and collectively) and management in setting the direction, the management and the control of the organisation.

Effective Governance is proud to be associated with popularising the concept of board charters through the book *Boards That Work: A New Guide for Directors* (McGraw Hill, 2003) written by our colleagues Professor Geoff Kiel and Associate Professor Gavin Nicholson. Board charters have since become a standard tool of most boards and are recommended by the ASX Corporate Governance Council, Standards Australia and most governance experts.

Importantly, your board charter leaves a legacy from today's board to future boards and represents an important record of board policy making, but charters will only be of value creating if they are carefully crafted and used.

As a cornerstone of your organisation's governance system, the board charter needs to be treated as a living document, closely aligned with the strategic

direction. It needs to be reviewed and updated regularly, and used as an important induction tool for new directors.

We recommend an annual review of any organisation's governance policies, including the board charter. In truth, board charters are not among the most interesting aspects of board membership and are easily overlooked, so the practice of annual review can be particularly useful. An annual review keeps the charter current and raises the directors' awareness of the organisation's overall policy framework. As such, the annual review of the board charter should be included into the board's calendar of activities.

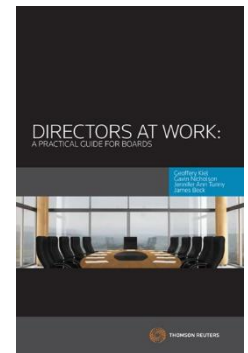
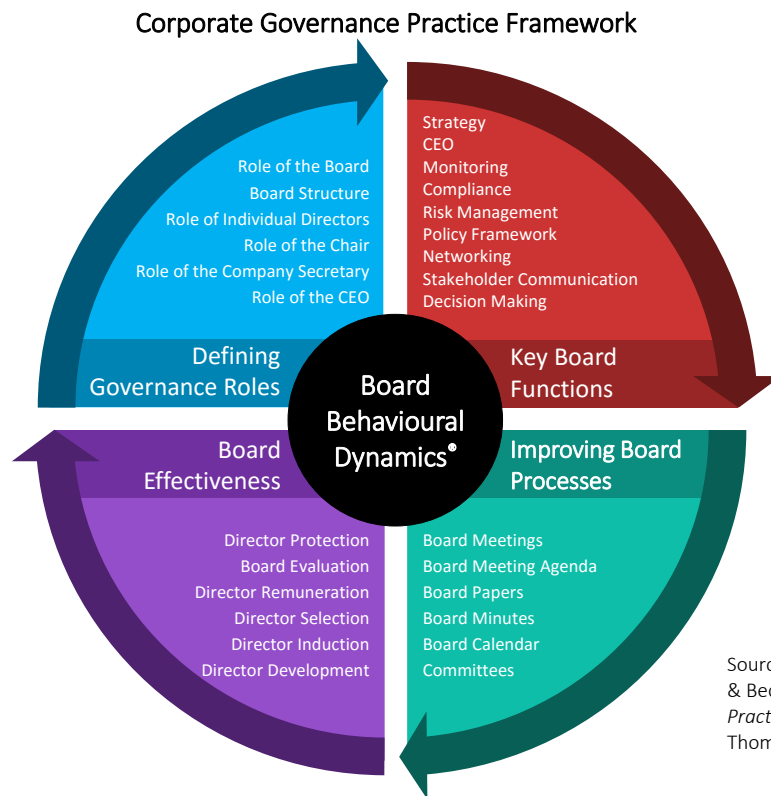
Our process for board charter development (see over page) has assisted numerous organisations can assist your board to formulate a leading practice charter.

BENEFITS OF BOARD CHARTERS

- Assists the corporation's leadership in delivering good governance;
- Documents the policies that the board has decided upon to meet its legal and other responsibilities;
- Serves as a reminder for the board of the legal framework within which it operates;
- Is a point of reference for disputes;
- Serves as an induction tool for new directors and senior managers;
- Greatly assists in establishing effective operating procedures for a board;
- Develops of a shared understanding of the board's role throughout the organisation.

The Effective Governance approach

To guide boards in establishing and continually developing effective governance policies and practices including board charters, we use the Corporate Governance Practice Framework, which is presented in *Directors at Work* (Thomson Reuters, 2012) and was developed by Effective Governance. This framework has been adapted for a large number of Australian organisations as the basis for their governance documentation since its inception.

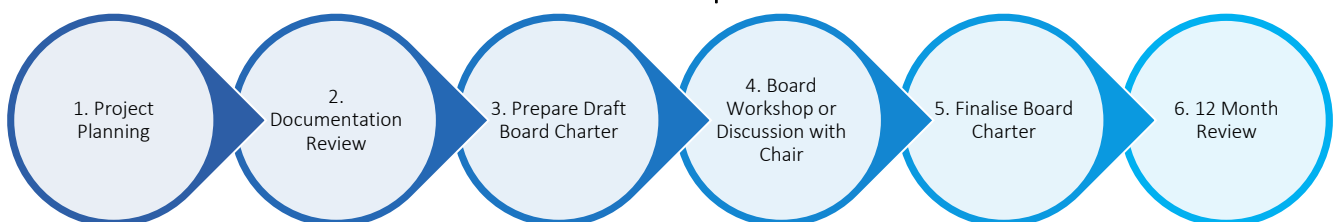


Source: Kiel, G., Nicholson, G., Tunny, J. A. & Beck, J. 2012. *Directors at Work: A Practical Guide for Boards*. Sydney: Thomson Reuters.

In developing a board charter as a key governance policy, we consider it important the board has the opportunity to discuss, elaborate and formulate the charter as part of the process, as illustrated below, as such our charter development process incorporates director feedback. Broadly speaking, there are five stages we undertake to develop a board charter with a sixth stage for the board to undertake annually:

1. Meetings with key governance personnel, e.g. the chair, CEO and company secretary, to plan the project;
2. Document existing board policies and practices, and analyse the documentation collected;
3. Prepare materials for discussion;
4. Facilitate a workshop with the board to discuss the draft charter
5. Document the board's decisions in the board charter for final approval; and
6. The board or a committee of the board to review the charter annually.

Board Charter Development Process



WHERE TO FIND US

Effective Governance Pty Ltd
 Suite 6, Level 3, 16 McDougall Street
 PO Box 2140
 Milton QLD 4064

(07) 3510 8111
 (07) 3510 8181
advisors@effectivegovernance.com.au
www.effectivegovernance.com.au

