BY Peter Stephenson and Ciara Wakita

Are you 'overboarded'?

Despite plenty of guidance about how many boards are too many, the answer comes down to personal performance

THE EXPECTATION FOR BOARD MEMBERS to create sustainable value continues to grow. Stakeholders increasingly expect directors to stay current on industry trends and disruptive forces, remain inquisitive about strategic opportunities and risks, be prepared and contribute to meetings, and effectively monitor an organization's strategic and operational progress and risks. All of this has led to greater scrutiny of directors' bandwidth to fulfill their responsibilities, and ample recommendations on how much board work is too much.

Canadian Securities Administrators – a group that aims to harmonize securities regulations in the provinces and territories – has released relatively broad guidance, advising nominating committees to "… consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member." The Canadian Coalition for Good Governance (CCGG), and the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis & Co., have each developed their own policies to assess director "overboarding." Among their conclusions: Directors not employed full-time may serve on up to five public company boards, and active CEOs may serve on up to two or three boards.

At Hugessen Consulting Inc., our 2023 proxy review found that 52 per cent of S&P/TSX 60 companies have a policy stating that directors may serve on either three or four other boards. While the CCGG, ISS and Glass Lewis are silent on the issue of audit committee members being stretched too thin, 36 per cent of TSX 60 companies have implemented a policy stating, most frequently, that directors can serve on only two other audit committees (perhaps reflecting similar requirements set by the New York Stock Exchange for dual-listed companies). CCGG and Glass Lewis also consider time commitments related to directors' roles at not-for-profits, private companies and government agencies in determining whether they are taking on too much board work. Ultimately, none of these recommendations is binding on a public company. It is up to each board's nominating committee to determine whether a director should remain on the board if they assume another directorship.

The most important issue is individual director performance: Is a director adding value through their inquisitiveness about the organization, diligent preparation, engagement in meetings, and participation in decision-making? Is their personal contribution earning them their seat at the table?

While overboarding policies are good barometers, they are blunt tools for truly determining a director's performance. A well-managed individual director feedback process can more effectively gauge a director's contribution and trigger appropriate action. Ninety-five per cent of TSX 60 companies report having some form of individual director feedback process, though it is difficult to determine the quality, impact and outcomes of the process.

At the end of the day, if a director's performance is suffering for any reason, including being spread too thinly by their other board responsibilities, the board chair and governance and nominating committee need to act. DJ

ILLUSTRATION BY ERHUI1979/iSTOCK

Proxy advisory firms suggest directors limit themselves to a maximum of five boards. The key factor, however, is whether each member's personal contribution is enough to earn them a seat at the table.

PETER STEPHENSON and CIARA WAKITA lead Hugessen Consulting's board effectiveness practice and help boards improve their odds of making good choices. Both are faculty members of the ICD-Rotman Directors Education Program.