

Guideline on Effective Board Engagement



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Introduction

The effectiveness of Board performance depends partly on “engagement” of each director. The Board that consists of members who can adequately contribute time, knowledge, and expertise to perform their duties would comprehend with business context and able to set vision, purpose, business direction properly that will bring about utmost benefit of stakeholders and corporate sustainability.

In this regard, “Board Engagement” has become topic of discussion among global Boards as a key mechanism that all organizations “must have” (not just “should have”) in order to sail through disruptions and tackle rapid changes in business environment.

Although Board engagement is the expression of individuals (difficult to concretely evaluate) in and outside Board meetings, it can influence and turns into behavioral model for other members and eventually becomes “group behavior.” Therefore, it is essential for the Board to establish policy and clear guideline in

developing-promoting Board engagement throughout directorship (from invitation to join the Board until term expiration). The Board should also communicate and take part in periodical review of such behaviors to ensure each Board member is “role model” for each other.

Although regulators (both at national and international levels) have continuously driven Board engagement but knowledge in this front remain scattered. This guideline will compile such knowledge, reflect the significance of the matter, and point out to the Board that all companies (regardless of size) need clear direction to concretely promote “Board engagement.”

The IOD sincerely hopes the essence of this document will support the Board in promoting Board engagement. It can also be used as guideline for reviewing Board structure, culture, and process whether they are appropriate and accommodate Board engagement, which will lead to further improvement.

• Thai Institute of Directors •



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Guidelines for Boards 2021

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Section 1



Key Principles

Key Principles

- 1 Board Engagement is a mechanism to bring out untapped potential of each director and fully utilize them. It is a factor that will drive dynamics and enhance the effectiveness of Board performance in governing the company towards long-term objectives, sustainable growth, and for the utmost benefits of stakeholders. *(See Guideline 1)*
 - 2 Board engagement can be clearly and concretely built if the Board can create boardroom culture that aims for close collaboration among Board members, CEO, and the management while contributing appropriate and adequate time to govern the company. *(See Guideline 1.3)*
 - 3 The concept of promoting Board engagement is not meant only to push each director to “contribute more time” to perform Board duties but also to create more “in-depth” engagement so that the Board can fully contribute knowledge/competency in governing the company under time constraints. *(See Guideline 3.1)*
 - 4 The Board should recognize and emphasize the “Evaluation of Board engagement level” by taking into consideration the following issues: *(See Guideline 2)*
 - 4.1 How convince is the Board in the company's purpose?
 - 4.2 Does the mechanism used to evaluate Board performance valuation effective?
 - 4.3 Does the Board understand expectations toward their performance?
 - 4.4 How effective are the Board's communication and data access processes?
 - 4.5 Does the Board have a mechanism to bring out untapped potential of each director and utilize them?
 - 5 Successful Board engagement requires aligning attitudes among Board members, Chairman, CEO, and the management concerning the “value” of engagement as a crucial factor that will uplift governance standard toward corporate success and sustainable growth. *(See Guideline 3.1)*
 - 6 Stratagems to promote Board engagement are not “one off” but can be arranged throughout directorship. They can be included in all dimensions ranging from recruitment, orientation, committee nomination, strategy development, succession planning, Board meeting, to Board evaluation and development. *(See Guideline 3.2)*
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Section 2



Guidelines

Guideline 1 | Basic understanding about Board engagement

1.1 Meaning and significance of Board engagement

- 1.1.1 Board Engagement is the expression of the Board in various aspects including behavior, idea, and feeling that reflect personal attitude, belief, and commitment of each director towards the company.
 - 1.1.2 Board engagement has no definite format or scope but rather depends on objectives, interpretation, and expectations of each company. However, Board engagement usually covers the following behaviors:
 - 1.1.2.1 Express views - beliefs that link with the company's purpose.
 - 1.1.2.2 Engage in operations while keeping appropriate roles.
 - 1.1.2.3 Contribute potential - expertise for the company's benefits.
 - 1.1.2.4 Demonstrate care, keenness, and readiness to perform duties.
 - 1.1.2.5 Continuously build relationship with various groups (both internal and external)
 - 1.1.3 Engaged Board contributes sufficient and appropriate time to perform duties in order to meet expectations of stakeholders and monitor the company's operations to ensure utmost benefit of the stakeholders.
 - 1.1.4 Appropriate level of Board engagement could yield several benefits such as:
 - 1.1.4.1 Enhance effectiveness of the company's operations to achieve its objectives.
 - 1.1.4.2 Uplift the Board's performance standard and accountability.
 - 1.1.4.3 Promote transparency and trust among the Board and management.
 - 1.1.4.4 Boost the management's capability to fix or resolve complex-complicated issues.
 - 1.1.4.5 Reinforce positive image and confidence of stakeholders in the company.
-

1.2 Types of Board engagement

- 1.2.1 For better understanding, Board engagement can be roughly divided into two types by expression characteristics including:
- 1.2.1.1 Psychological Engagement – A director’s attachment, emphasis, or loyalty toward an organization. Therefore, this type of Board engagement is mainly sentimental expression (which may not reflect in concrete actions and, thus, difficult to evaluate)
 - 1.2.1.2 Tangible Engagement – concrete expression that is easier to assess/evaluate than Psychological Engagement. Such behavior could be in the form of sufficient time dedication to perform the Board’s duties. *(See details in Annex 1)*
- 1.2.2 The Board should promote both types of engagement because one without the other will not result in complete “Engagement.”

1.3 Key characteristics that accommodate Board engagement

- 1.3.1 The aforementioned Board engagement tends to occur explicitly in the Board that can build Boardroom Culture, internal atmosphere, and collaboration behavior among Board members with the following characteristics:
- 1.3.1.1 Emphasize collaborative partnership in various aspects with the CEO and management both in and outside the meeting.
 - 1.3.1.2 Forward Thinking and dare to raise questions or challenging issues for extensive discussions among Board members.
 - 1.3.1.3 Willing to contribute time to present or engage in key activities of the company as appropriate, not just attending usual Board meetings to monitor operating performance or approve key policies.

1.3.1.4 Understand that the Board and management have different authorities and duties but must work in harmony and support each other. Therefore, the Board should aim to make the management feel that the Board is a partner rather than superior.

1.3.1.5 Focus and dedicate time on the Big Picture rather than Minutiae and apply this concept with the prioritization and establishment of business direction in alignment with the company's purpose.

1.3.1.6 Regularly conduct self-evaluation to learn from mistakes, fix them, and find ways to develop own's potential.

1.3.2 Engaged Board is the Board that can maintain a balanced "level of roles expression, not being a passive Board or mere rubber stamp that only "acknowledge and approve" the management's proposals.

Meanwhile, the Board should be careful not to intervene in the operations or inappropriately make decision for the management (known as Intervening / Operating Board with excessive engagement beyond the scope of the Board.)



Guideline 2 | Board engagement evaluation

2.1 The Board should observe gesture, behavior, or expression of its member for any red flag that the director may lack engagement or not engage enough. (see Annex 3) Even though the red flag may occur with only one director, such behavior could influence other members and eventually turn into “group behavior” if not being tackled properly in timely manner.

2.2 Some directors may lack engagement or not engage enough because of their own behaviors or traits. It could derive from defection in Board recruitment mechanism - process that resulted in getting person with mismatched skill, knowledge, and expertise for the position. It could also be a result of inexperienced new director who has never been on any Board before.

| Example: (4P) questions for self-evaluation of the Board engagement | |
|--|---|
| Preparedness | Punctuality |
| <i>Are you “prepared” to perform Board duties?</i> | <i>Do you have “time” to perform Board duties?</i> |
| <ul style="list-style-type: none"> - Contribute time to properly prepare and study documents / information ahead of every Board meetings. - Always seek additional information (beyond received meeting documents) to strengthen comprehension of the matters. | <ul style="list-style-type: none"> - Able to attend Board meetings and all other key corporate activities (e.g. shareholders’ meeting, Board orientation etc.) - Be punctual in attending Board meeting and other key corporate activities. |
| Participation | Positivity |
| <i>Are you “capable” of performing Board duties?</i> | <i>Are you “willing” to perform Board duties?</i> |
| <ul style="list-style-type: none"> - Able to offer perspective or comments on issues freely and fully at Board meetings. - Regularly develop own skill-knowledge necessary for governing the company. | <ul style="list-style-type: none"> - Have personal view, belief, attitude that align with direction / goal /purpose of the company. - Feel that own knowledge-competency is useful and essential in driving corporate strategy. |

2.3 Besides aforementioned possibilities, lack of engagement could also derive from other reasons. Therefore, the Board should recognize the significance of “Board engagement evaluation” by taking into consideration the following factors that could be key culprit of the problems.

2.3.1 Evaluate how “convince” is the Board in the company’s purpose.

2.3.1.1 Each director may be recruited for different reasons (e.g. by invitation or by position etc.) but all have duties to further the mission of the company. If any director lacks motivation, shared value or have misaligned perspective / belief with the company’s purpose, the director may not be willing to join, have nonchalant stance, or not paying enough attention to the company’s operations. This could result in flawed or ineffective performance of the director.

2.3.1.2 Director’s “Conviction” toward the company’s vision / goal is difficult to evaluate and may require consideration of relevant contexts such as observing how each director explicitly and consistently express perspective / comment that links with the company’s value, principle, and purpose at Board meetings.

2.3.2 Evaluate whether the mechanism used to evaluate Board performance is appropriate.

2.3.2.1 Under good governance principles, the Board should be evaluated at least once a year. Board evaluation should not be just the consideration of “performance completeness in the past year” but should also be an opportunity for each director to evaluate his/her own “quality of expression and engagement roles.” The evaluation result should be used to determine things that the Board should continue, start, and stop. In this regard, the Board may consider drafting a concrete “Board engagement promotion plan”

2.3.2.2 Some companies do not recognize the significance of Board evaluation and do not take it serious enough. Thus, evaluation results do not directly reflect flaws and may make directors miss the opportunity to review key issues as they misunderstand that the level of engagement is already appropriate.

2.3.3 Evaluate whether the Board comprehends with surrounding expectations

2.3.3.1 The Board, organization, and stakeholders may have different priorities. It is a challenge for the Board to harmonize these different perspectives into the same direction in order to meet such expectations effectively. There are cases where the Board perform its duties by taking one-way expectation without having any role to comment, amend, or develop.

2.3.3.2 Taking one-way expectation that does not derive from mutual agreement between the Board and stakeholders could make the Board lack “shared vision” or feel alienated with such expectations, causing incomplete Board engagement.

2.3.4 Evaluate whether the Board’s communication and data access processes are effective.

2.3.4.1 Report / information prepared by the management is a key tool that will have direct impact on the decision making quality of the Board. Therefore, opening channel for the Board to access such information conveniently could help uplifting Board engagement.

2.3.4.2 However, Boards of some companies may find difficulties accessing those information due to various reasons such as:

- The company lacks effective data storage, compilation, and processing systems.
- Information (presented by the management) lacks transparency and quality.
- Delayed / untimely data submission to the Board.

These issues are “key obstacles” that make directors lack comprehensive data, not feeling confidence with their decisions and views, and eventually reduce engagement.

2.3.5 Evaluate whether the Board has effective mechanism enough to bring out untapped potential of each director and utilize them.

2.3.5.1 The Board should consist of persons with diverse knowledge, expertise, and experience so that they can blend the diversity to create sustainable value of the company.

2.3.5.2 However, diverse composition and quality does not ensure effective Board performance without mechanism to promote Board engagement or encourage each director to perform roles in accordance with their personal expertise in order to bring out their potential and fully utilize them. Among issues that could prevent effective Board performance are lacking of motivation-encouragement by the Chairman, inflexible meeting agenda, and not getting continuous knowledge development.

2.4 After the Board has jointly conducted Board engagement evaluation (according to Guideline 2.1-2.2) and able to indicate key reasons behind the problems, the Board should analyze the flaws detected (if any) and seek ways to resolve, improve, or develop further.



Guideline 3 | Development and promotion of Board engagement

3.1 Key challenges and new context of Board engagement

- 3.1.1 Many companies attempted to promote Board engagement and encourage more time contribution by pushing directors to take parts in idea initiation or participate in key corporate activities occurred during the year.
 - 3.1.2 However, such attempt may not always lead to an “engaged Board.” Without a “fine balance” and genuine understanding of the Board’s scope of duties, the attempt to enhance Board engagement may be ineffective and eventually turn the Board into busier Board instead.
 - 3.1.3 The attempt to promote Board engagement to gain maximum effectiveness is a challenge that brings about two key questions concerning “constraints” of the Board including:
 - 3.1.3.1 Time constraint – Especially when the director also has Board seat at other company. Allocating more time for one company could mean lesser time to govern the other.
 - 3.1.3.2 Scope constraint – This is a crucial challenge for the Board as it has to be careful not to overstep (by misunderstanding for in-dept engagement) beyond the scope of “monitoring” and turn into “interference” with the management such as seeking information or questioning with too much details. (micromanagement)
 - 3.1.4 Given such constraints, recent concept of Board engagement does not aim at pushing the director to only “contribute more time” for the company but also at “the depth” of engagement. (given available time)
 - 3.1.5 Creating the Board engagement perspective will help the Board make better use of their limited time but it also requires driving factors as follow:
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- 3.1.5.1 Positive relationship between the Chairman and CEO, which is considered the beginning and crucial “example” for other Board members to see and follow.
- 3.1.5.2 The Board and CEO should have common beliefs and recognize the value of “Board engagement” as a crucial factor towards the company’s success and sustainable growth.
- 3.1.5.3 The stance and expression of CEO that demonstrates willingness to accept and encourage the Board to participate more in idea initiation and other operations. The CEO should see the Board as a partner that will help decision-making more prudent and effective, not being interference or abuse of power.

3.2 Stratagem to promote Board engagement

Board engagement is a behavior that has its own dynamic and can be changed. Therefore, the Board should regularly observe behavioral trends and seek stratagem to uplift engagement level of each director. The stratagem can be implemented throughout the director’s life cycle via “experience creation” in various forms for the director from the recruited date until the term expires. (See Annex 4) Key directions include:

3.2.1 Director recruitment

- 3.2.1.1 The director’s commitment to add value and “belief” in the company’s purpose are desirable qualifications that will concretely build Board engagement. They are no less significance than knowledge, experience, and expertise of the director. Such qualifications should also be included in “key criteria” for the director recruitment.
 - 3.2.1.2 Before the new director assumes position, the Board may consider conducting an “interview process” or “in-depth survey” designed to help the Board concretely evaluate the qualifications. The Board can also learn about the proposed director’s personal motivation in joining the Board through discussion, exchange of views, and expression while answering questions (especially in issues concerning the company’s vision / purpose) to ensure the person’s attitudes align with direction that the company is heading.
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3.2.1.3 The Board should ensure the proposed director has been communicated right from the start about “expectations” of the company and stakeholders before assuming directorship. The communication will allow the person to understand and has a clear picture of how to utilize knowledge, competency, and experience for the company's benefit and how to engage appropriately.

3.2.2 Director orientation

3.2.2.1 Board engagement starts from the first day that assume directorship. But before fully engaged, the director must have “shared vision” and adequate “knowledge – understanding about the company.” Therefore, director orientation is required activity for the new director to get used to and adjust smoothly to the working environment with other Board members. The director should take this opportunity to learn / ask about key issues / challenges that the company is facing.

3.2.2.2 During orientation, the Board should communicate expectations and demonstrate that it welcomes and has confidence in the new director's potential (Open, Inclusive, and Welcoming Climate) to boost morale and create positive environment. This will bolster confidence and make the new director feel more willing to participate in the company's operations.

3.2.2.3 The Board should encourage all members to attend director orientation. The activity can help new director familiarize with other Board members, ease pressure on the new director, uplift engagement of existing directors, and provide opportunity to review key knowledge.

Note See additional details in “Guideline for Board on new director orientation” by the Thai Institute of Directors.

3.2.3 Compilation of director's responsibilities

3.2.3.1 “Expectations of the Board's roles and duties” should be stipulated, compiled, and communicated clearly in written (Statement of Expectation). It can be in the form of Charter, Code of Ethics, Board Agreement, Commitment Policy etc. Directors are required to review and sign every year.

3.2.3.2 The Board should ensure all directors (old and new) acknowledge, understand, and ready to act in alignment with those “expected behaviors.” The company should communicate such expectations before a person accept the position so that the person has time to contemplate whether he/she is willing and capable to respond to those expectations fully.

3.2.3.3 The Board should encourage all directors to engage in the determination of those “expectations”, not just bearing them.

Note See additional details in “Guideline on division of responsibilities between Board and management” by the Thai Institute of Directors.

3.2.4 Committee Nomination

3.2.4.1 One way to uplift Board engagement is to appoint director to be member of committees. Doing so will accommodate the director to perform more “in-depth and specific” duties which require the director to learn and contribute more time to monitor the mater closely with the management in accordance with the scope of that committee.

3.2.4.2 The Board should consider take into account the knowledge, expertise, experience, and personal interest to ensure the director is able to perform duties and fully create value for the committee. This is one mechanism to bring out untapped potential of each director and make it more explicit.

3.2.4.3 The Board should be careful and not allow any director to assume too many positions in committees (Maximum two committees) because it may cause excessive burden and prevent the director from effective engagement.

3.2.5 Participation in corporate strategy development

3.2.5.1 Corporate strategy development is a task that the Board can engage extensively and is a “key venue” for each director to contribute diverse view, knowledge, and experience to create sustainable value of the company.

- 3.2.5.2 Such benefits can only be created when the Board engaged right from the initiation of “strategy development stage”, not just being mere rubber stamp that acknowledge and approve “instant” strategic plan proposed by the management.
- 3.2.5.3 Corporate strategy development should be collaborative process between the Board and management. While the management reports competition landscape, details of strategy, expected results, and relevant factors, the Board should use the opportunity to assess rationality of the management assumption, present different views, raise overlooked risk, and probe to ensure the strategy is practical, effective, in alignment with business context, and help driving the company to achieve its purpose.
- 3.2.5.4 The Board should raise bold strategic questions that lead to joint debates in the Board meeting such as
- Questions about factors that will make the strategy (proposed by the management) fail, not just questions about benefits or success factor.
 - Questions about businesses that should be terminated to prevent over expansion and inflexibility, not just about additional investment in new businesses.
- 3.2.5.5 The level of Board engagement in corporate strategy development depends partly on “business context” comprehension of each director. Therefore, the Board should encourage all Board members to participate in the company’s activities for continuous potential improvement of the director. For examples, training-seminar on changes within the industry or new trends, meetings between the Board and management-staffs to learn more about operational perspectives.
- 3.2.5.6 Strategy development and implementation are continuous processes. Although the Board has no direct role in strategy implementation, it should regularly engage in implementation result monitoring. The Board should consider including “strategic issues” debate as one agenda item in every Board meeting.
- 3.2.5.7 Strategy implementation result monitoring is not restricted to Board meeting but can also take place during the months with no scheduled Board meeting as well. The Board should communicate its expectations with the management for the latter to continuously report progress of strategy implementation. The Board should clearly indicate the list of information or key performance indices that it wants the management to report.
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3.2.6 Recruitment of CEO and development of personnel with high potential

3.2.6.1 The Board should engage in the recruitment and nomination processes and ensure the CEO (and senior management) succession plan is in place.

3.2.6.2 Besides ensuring that CEO periodically reports succession planning implementation and review the list of personnel with potential to become senior management (at least once a year), the Board may also engage in the development stage of succession plan by offering useful views such as:

- Views about short- and long-term “strategic direction” (What kind of CEO’s knowledge-expertise that will align with the strategy?)
- Views about expected “corporate culture” (What are desirable qualification-character of the CEO that would help driving corporate culture toward expected point?)

3.2.6.3 Besides “observing talent” of CEO candidates, the Board can also help cultivating talent of those candidates via discussion or work collaboration with senior management. This will give them opportunities to learn and get the experience / perspective in the Board level. The Board and (current) CEO will closely observe and offer suggestions to assess competency and readiness of those management for the role of (future) CEO.

3.2.6.4 The Board should promote the culture of succession and create the right attitude among internal personnel that it is “normal” practice that should be implemented continuously, not just temporary nor only when the CEO’s term is about to expire. The Board should ensure key issues such as succession process, talent pool, or even the departure of future CEO, are openly discussed with (current) CEO in straight forward manner.

Note See additional details in “Guideline on succession planning and people management” by the Thai Institute of Directors

3.2.7 Preparation prior to Board meeting

3.2.7.1 Board meeting is a key activity that allows each director to debate extensively. Therefore, it should be conducted effectively and accommodatively for directors to take part in decision making / express opinions fully.

3.2.7.2 With limited time that each director can contribute, the Board should ensure each meeting is concise and straight to the point as much as possible. It should also see that information proposed by the management has appropriate volume and is sent in advance to allow sufficient time for the Board to study properly.

3.2.7.3 The Board should communicate expectations with the management about “format and volume” of meeting documents that the Board deem to be easy to digest, present clear issues, save time to analyze, and support decision making. The Board should also promote stipulation of clear schedule for meeting documents delivery.

3.2.7.4 To avoid discussion deviation or inexact debate, the Board may suggest that the management prepare “coversheet” clearly indicating:

- Key points that the management would like to focus on.
- Significance and urgency of the key points.
- How the management want the Board to respond to those key points.

This method can help shaping debate between the Board and management into common direction and allow the Board to express straight-to-the-point comments.

3.2.7.5 The Board should ensure each director has and able to access information equally. The Board may assign “Corporate Secretary” to be solely responsible for compiling, collecting, storing, and delivering documents to enhance clarity in the communication mechanism and channel at the Board level.

3.2.7.6 During agenda determination, the Chairman may enhance engagement of other directors by allowing each Board member to raise significance issue (if any) and include them in the agenda of upcoming meeting or invite Board members to vote on issues that should be prioritized at the meeting.

3.2.7.7 Each director should prepare for the Board meeting and contribute adequate time to study documents presented by the management so that the Board can discuss issues without wasting time with “introduction” or “recap” for certain members who forgot to study the document or not study enough.

Note See additional details in “Guideline on Board meeting” by the Thai Institute of Directors.

3.2.8 Board meeting attendance

3.2.8.1 Board meeting attendance does not only cover “physically present” but also “mentally present” to hear different views and express useful comments for the company.

3.2.8.2 Regular attendance reflects readiness to perform duties and emotional attachment of the director. This behavior can also help avoiding quorum issue, which may make the Board fails to make decision in timely manner. To encourage such behavior, the Board may set minimum requirement for meeting that each director must attend each year. (such as 75% of total meetings)

3.2.8.3 The Chairman should monitor in case any director miss several meetings, suddenly absence without prior notice, or fail to meet minimum attendance rate. In such cases, the Chairman should seek to discuss (personally) with the director to find out any reason or obstacle the director may be facing in order to provide guidance in solving the issue.

Note See additional details in “Guideline for the Chairman” by the Thai Institute of Directors.

3.2.9 Creating atmosphere that encourage Board engagement

3.2.9.1 Not all Board members needs to be expert in the industry. Persons outside the industry can play useful roles by providing different or contrasting views that people within the industry may not be aware of. Therefore, the Board's consideration-decision making covers all dimension and has more profoundness.

- 3.2.9.2 In case most Board members are industry experts, the Board (particularly the Chairman) should look out and be careful not to make (minority) non-expert directors feel uneasy or lack confidence in their views until they dare not take parts-express views at Board meetings.
- 3.2.9.3 All directors should help building easy environment at Board meetings, which will make members feel convenience to express their views. The Board may consider using mechanism such as setting ground rules about “desirable” behaviors (e.g. asking challenging questions, expressing constructive comments in straight forward manner) and behaviors that “should be avoided.” (e.g. debating personal matters)
- 3.2.9.4 The Chairman should ensure comments of all directors are heard. (especially of those with contrasting views) In certain cases, the Board may be divided into small groups to separately discuss complicated issues and then bring the discussion outcome to debate with the whole Board. When any group presents its view, others may raise observation / challenging question to assess the rationality of the idea. This could help some directors, who may feel inconvenience to express their views straightly at the Board meeting, participate and dare to express their comments more. (via small group discussion)
- 3.2.9.5 The Board should ensure the timing spent in each meeting is utilized for the utmost benefit while timing for Board discussion and management’s discussion are allocated properly and sufficiently.
- 3.2.9.6 During Board meeting, the Board should be careful not to contribute excessive time with “past matters” (e.g. follow up on past performance or progress of projects) until it has not sufficient time to discuss “future matters.” (e.g. corporate strategy, new trends that could affect the company)
- 3.2.9.7 In an agenda item to consider the management’s performance, the Board should clarify to the Board and request more information without hesitation if it finds the report has inadequate information to consider and make decision prudently.
- 3.2.9.8 At the end of each meeting, the Board may ask the Corporate Secretary to conduct a director survey on the effectiveness of meeting process / format and whether it accommodates full participation and expression of views. The conclusion can be used to find ways for further improvement.

3.2.10 Continuous intercommunication

3.2.10.1 Positive interaction between directors and teamwork are among factors supporting Board engagement, making directors dare to play their roles and feel comfortable to express the views in straight forward manner.

3.2.10.2 The Board may consider holding (informal) social activities for Board members to interact more with each other such as annual Board retreat. These activities can tighten relationship among Board members and provide good opportunity for them to exchange attitude, feeling, and views. Consequently, Board members will understand each other's personality and trait which will mitigate risk of future Boardroom dispute.

3.2.10.3 During months without scheduled Board meeting, the CEO may use the opportunity to create interaction and enhance Board engagement by informal meeting, discussing, or seeking advice. Doing so can reduce tension and pressure between the Board and management while creating constant communication, keeping the Board up to date about company progress, reducing potential surprise in the Board meeting, and effectively avoiding delayed decision.

3.2.10.4 Regular interaction can create trust among Board members and the management while providing opportunity for the Board to observe CEO behaviors, to be used for CEO evaluation.

3.2.10.5 The Board may use the opportunity to ask about obstacle or difficulty the CEO / management has been facing to assess how the Board can help / support.

TIPS for BOARDS: Effective communication for the Board

- “Communication” should be continuous activities. (No Surprises)
- Each director may be convenience to receive the company’s information through different “channels”...but the “information” that each director receives must be the same set.
- During the months that Board has no scheduled meeting, information received from the management should be “for acknowledgement” only. It should not aim to sway the Board’s idea to reach quick consensus at the meeting.
- Confidential or Sensitive Matters must be communicated with care and could be done so via personal discussion.

3.2.11 Engagement in the company’s key activities and access to stakeholders

3.2.11.1 The Board should seek opportunity to participate in the company’s activities such as Investors Day, Company visit with suppliers / partners, Town Hall meeting to comprehend with the company’s business characteristics and operational perspective. The presence of director in these activities could create positive corporate image and allow the director to access stakeholders comprehensively.

3.2.11.2 The Board may urge each director to engage specially in activities “beyond own expertise” to open new vision and create “another” perspective which will make the director understand the company’s context more deeply and comprehensively.

3.2.11.3 The Board may assign director to engage in special activity or project with the management. For instance, the Board may assign director with IT expertise to be a member of working committee when the company plans to make huge investment in cyber security system. This is not meant to interfere with the management’s authority but allowing the director to make use of knowledge – competency as an advisor to reflect different perspective and provide useful guidance for decision-making by the management.

3.2.11.4 The Board should support directors to allocate time for regular site visit, giving them opportunity to discuss with management / staffs in various departments as appropriate. It could stipulate policy requiring each director to participate in site visit at least once a year. This activity may also help director find blind spot that the Board has never been aware of from information presented by the management.

3.2.12 Continuous Board evaluation

3.2.12.1 The Board should take part in the evaluation of the Board, committees, and individual directors at least once a year. It should ensure the evaluation process is fair and straight forward.

3.2.12.2 The Board should ensure evaluation criteria / issues uplift corporate governance standard beyond compliance and reflect Board engagement level as well as ability to coordinate and sustain positive relationship with the CEO/management.

- Comprehension with the company's purpose / long-term goals and recognition of expectations toward director's roles and duties.
- Adequate time contribution to perform Board duties before, during, and after Board meeting.
- Collaboration with the management on key matters such as corporate strategy development, succession planning, determination of risk appetite.
- Accessible by the CEO / management to discuss or seek advice openly and in straight forward manner.

3.2.12.3 The Board should ensure evaluation process allows each director to learn about evaluation result that points out strength-weakness as well as flaw in performing duties. Meanwhile, the process should also allow directors to exchange useful comments among Board members. Should the Board engagement evaluation of any director show "dissatisfactory" result or has room to improve, the Board should discuss to seek ways to improve. It may consider adding into a plan to enhance director's potential and continuous self-improvement.

Note See additional details in "Guideline on Board evaluation and development" by Thai Institute of Directors.

Annex

Annex 1 Various forms of Board engagement

1. *Conceptual engagement (take part in analysis)* – The Board contributes sufficient time to study information proposed by the management to prepare for the Board meeting, allowing directors to effectively raise issues for debate, questions, and seek agreement / solution. This is the most common and explicit form of Board engagement.
2. *Regulatory engagement (take part in monitoring)* – The Board contributes time to monitor progress and performance of the management via data / metrics to ensure resources have been allocated sufficiently and in alignment with objectives to accommodate operations.
3. *Strategic engagement (take part in planning)* – The Board contributes time together with the management to seek future business opportunity / growth channel and develop appropriate strategy to drive the company toward the goals. This form of engagement is future-oriented, unlike the “regulatory engagement” that is past-oriented.
4. *Operational engagement (take part in implementing)* – The Board contributes time to operate certain activities such as participating in key activities, representing company in meeting / discussing with external individual / agency, and presence together with the management in resolving crisis.

Annex 2 Issues to consider in Board engagement evaluation

1. Expectations toward the Board's roles and duties

- 1.1 Lacking appropriate – sufficient Board engagement may not always derive from “excessive” expectations by the company towards the Board's roles and duties. (making them unable to respond to such demanding expectations and, thus, unable to engage fully.) It could also be a result of “too little” or unclear expectations, making the Board lacks attentiveness or motivation to perform governance duties at full potential.

MYTH 1: *“The Board already has enough expectations on its roles, duties, and responsibilities... therefore, additional expectation should not be put on them.”*

- 1.2 The Board should consider reviewing “expectations” toward its roles and duties together with relevant stakeholders (e.g. management, major shareholders) regularly to create common understanding and ensure the Board can respond fully to those expectations.

2. Expression and stance of the Board

- 2.1 In certain cases that the company has Board with proper qualifications, some directors may not engage or offer useful suggestion as much as they should. This may create misunderstanding that the directors do not dedicate nor willing to perform for the company.

However, some directors did not play enough roles because they hesitate about when, how and to whom should they perform such roles.

MYTH 2: *“If a company equips with the Board with appropriate knowledge, competency, and qualification...they would always offer useful suggestions or idea to the company without the need to ask or request.”*

- 2.2 The aforementioned case may make some directors feel they did not fully contribute knowledge and competency to perform director's duties and miss the opportunity to contribute to the company's long-term growth.

Therefore, the Board should regularly review the Board process by considering if the current process has appropriate mechanism, promotes favorable atmosphere for directors to perform duties, and bring out untapped potential of each director and fully utilize them.

3. Board Turnover

- 3.1 Zero (or very low) Board turnover during the past years may not be a result of emotional attachment or commitment of directors.

"Long duration" of directors could derive from legal constraints or certain conditions. For examples, independent directors may have assumed directorship for many terms because the company cannot recruit their replacement. Meanwhile, those directors may start to feel less independent given their lengthy acquaintances with the management, preventing them from expressing comments or arguments in straight forward manner.

MYTH 3: *"In recent years...the Board has very low turnover, implying that each director has emotional attachment and fully dedicate to perform Board duties."*

- 3.2 Therefore, the Board should review, consider, and keep Board turnover at appropriate level. Too low turnover could cause lacking of performance dynamics while too high turnover may affect policy stability. The Board may stipulate clear Board turnover target, for example, at least x new directors must be recruited to join the Board every X years.

Annex 3 Indication of disengaged Board

1. Lack attention to perform duties or forget assigned task, causing operations to derail.
2. Lack preparation prior to the Board meeting. For instance, not study nor read meeting documents in advance make the director unable to comment, raise question, or offer useful suggestion.
3. Frequently absence from Board / Committee meetings, late attendance, or unable to presence throughout the meeting.
4. Be passive and stay quiet without expressing opinion nor observation, making debate in the meeting lacks dynamic.
5. Lack sufficient and continuous communication among Board members or lack attempt to access information to monitor progress from CEO / management during the months without scheduled Board meeting. (Inter-meeting period)
6. Try to refuse, avoid, or not allocate time to participate in key corporate activities. Doing so make the director miss opportunity to promote good corporate image and create positive interaction with stakeholders.
7. Has confidence that the recruited CEO is the right CEO. Therefore, the director tends to go along with the CEO's idea and grant the CEO excessive freedom to run the company while neglecting the monitoring activities, proactive audit, and prudent observations.
8. Excessive Board turnover could affect continuity and stability in the implementation of the company's vision, mission, and strategy.

Annex 4 Ways to promote continuous engagement of former director

Maintaining positive relationship with former director

- Throughout directorship, certain director may have explicitly expressed genuine commitment, dedication, and contribution to the company. Upon expiration of the director's term, the Board may seek ways to maintain relationship with the former director.
- In this regard, the Board of some company may invite the former director to assume other positions (such as advisor) or grant "special status" such as "Chairman / Director Emeritus" or "Honorary Chairman / Director" to honor the former director as admirable role model for the Board.
- However, this guideline is not meant to direct or encourage the Board to recognize the need to apply the aforementioned method with former directors. It just hopes the Board has "principle" in place that can be used as reference when there is a situation reasonable to do so.

Engagement roles of former director

- The Board should communicate clearly with former director granted "special status" about expectations on roles, duties, and scope of engagement in the company's operations to create common understanding and help the former director perform duties with confidence.
- Former director who has been appointed Honorary Director is usually expected to play various roles such as being corporate ambassador, Board advisor, and mentor for new director.
- The Board may invite former director to attend Board meeting, either in certain agenda item or throughout the meeting. However, attending Board meeting should not be stipulated as "routine duty" of the Honorary Director. The Board should consider if there is any specific agenda item that it should invite former director to join and send invitation on a case by case basis as deem appropriate.
- In case former director is invited to attend Board meeting, the Board should adhere to righteous principle that, despite honorary member status, the former director is not counted among meeting quorum and has no voting privileges while maintaining only non-voting consultative capacity as deem appropriate.

Managerial method to promote engagement of former director

- The Board should stipulate “written guideline” about granting honorary status to director and clearly indicate expectations of roles and duties to keep engagement of former director within appropriate scope and not interfering authorities of the current Board.
 - The honorary member status should be granted on a case by case basis. The status should be preserved for director who contribute great value to the company and not being automatically conferred upon term expiration or retirement. The Board should stipulate qualification criteria and clear nomination process for the position.
 - The Board may assign committees (if any) such as Nomination Committee or Corporate Governance Committee to screen initial qualifications of the former director before proposing to the Board for further consideration.
 - The Board (not just the Chairman) has duties to make final decision whether to grant honorary membership status to the former director. The authority to nominate and dismiss honorary member rest solely with the Board.
 - The Board should avoid lifetime appointment of Honorary member but stipulate clear term with open room for reappointment as deem appropriate.
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