

Governance Playbook

Director education and training:

How to prepare your board
for the road ahead

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In this special report, Governance Intelligence provides actionable advice from and for governance professionals to help them ensure their board has the information and training to be successful



Introduction

Director training and education are necessary to ensure that boards are able to fulfill their duties while adapting to ever-changing circumstances affecting the company.

Corporate secretaries and other governance professionals play the central role – as ‘a clearinghouse for education,’ one says – in arranging for the necessary information to be passed on to the board, either directly by the governance professionals themselves or through the

provision of advice from advisers from both within and outside the company.

Grant, chief legal officer (CLO) and corporate secretary at insurer Palomar.

the board succeed and avoid potential disasters. In this special report, we examine issues such as identifying both the evergreen and emerging topics that need to be addressed in education and training, who should be involved, how education and training can best be delivered and the role of technology.

In a rapidly changing world, it is more important than ever for board members to be prepared to meet an array of current and looming challenges.

“ Don’t operate in a vacuum ”

Experts time and time again offer this advice when looking at best practices in this field: be collaborative, adaptive and proactive. ‘Don’t operate in a vacuum,’ recommends Angela

There is no one-size-fits all approach to board education and training, terms generally used interchangeably. But there are many important lessons to bear in mind to help

Why board education and training are important

Quite simply, education and training are essential elements to making sure the board can fulfill its fiduciary duties and other responsibilities, including implementing good governance, overseeing management and taking part in strategic decisions and planning. Directors must also be ready to

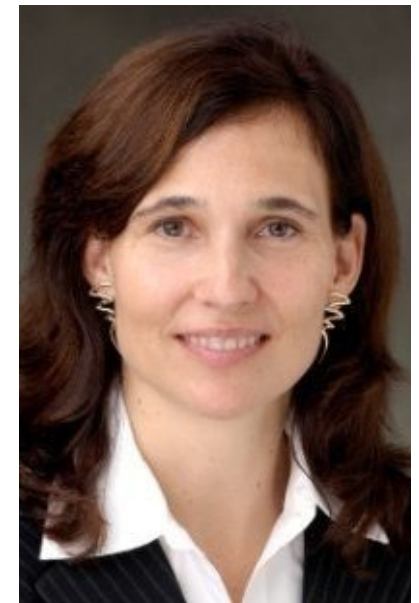
respond when problems and opportunities arise.

Regardless of their backgrounds as CEOs, CFOs, general counsel or other roles, directors need to be initiated and refreshed on the basic tenets of their role as well as kept updated on relevant

details affecting their company and their own work.

‘Value is tied to having a board apprised of the current landscape of corporate governance, which is changing all the time,’ says Grant, pointing to issues such as ESG, SEC rules and cyber-security.

Linda Riefler, who sits on the board of directors at CSX Corporation, summarizes the



Linda Riefler, CSX Corporation

“ If a director speaks to an institutional investor and isn’t prepared, it can have implications for the organization ”



role of a board in terms of oversight, having a focus on the future and adding value to management. The importance of education, she points out, is

The upsides to having an effective director education program are significant in providing a foundation for having a high-functioning

The downsides of failure are also great. 'When things go wrong, there can be catastrophic consequences if the board isn't educated,' says Christine Brown,

“ When things go wrong, there can be catastrophic consequences if the board isn't educated ”

that in order to fulfill these tasks, a board must have collective insight and processes. It also needs to be dynamic and organic, she adds.

board that is able to oversee strategic and financial success for the firm, its shareholders and its other stakeholders, such as employees.

vice president of learning product at SAI360. Such problems might arise from situations such as insider trading, antitrust violations and a



Joan Conley, EJF Acquisition Corp and Tigo Energy



harmful workplace environment involving either the company or its directors, she notes.

‘If a director speaks to an institutional investor and isn’t prepared, it can have implications for the organization,’ says Joan Conley, board member at EJV Acquisition Corp and Tigo Energy and former corporate secretary of Nasdaq.

Board education can also be the subject of regulation. For example, the NYSE requires listed companies to include it in their corporate governance guidelines. There can be

government requirements in certain industries, too.

‘Make sure your board is engaged and understands the issues your company is facing so that it can oversee the company,’ says Richard Gluckselig, vice president, associate general counsel and assistant secretary at Regeneron Pharmaceuticals.

Key takeaways

- Education and training is key for the board to be able to fulfill its duties in overseeing the company and protecting long-term shareholder value.
- Failure to provide effective education can lead to serious problems or exacerbate existing ones if the board is not able to respond adequately.
- Take note of any regulatory requirements the company and its board may be subject to.

“ Make sure your board is engaged and understands the issues your company is facing ”

Setting the agenda

A starting point for creating a board education program is identifying the topics directors need information about, either as an update, refresher or first look at an emerging issue.

Corporate secretaries and other governance professionals are the starting point for this exercise. They can generate ideas for new educational elements from an array of sources, such as keeping tabs on new SEC rules, following media and analyst coverage of developments in the company's industry or seeing whether the board needs updating on specific events such as a geopolitical crisis.

Governance professionals say the best way to make determinations in setting the agenda is collaboration with the board itself. Experts advise the corporate secretary to discuss with the chair of the nominating and governance committee and lead independent director what educational needs the board has in the short term and over the course of the year. This may take place through the corporate secretary handing over a file on training and receiving feedback and/or through more informal communications.

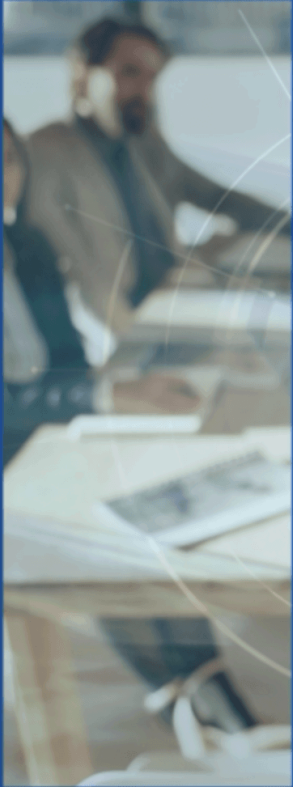
Corporate secretaries can also ask for feedback from directors in board assessment questionnaires, such as by asking what topics they

feel have not been addressed sufficiently, and through conversations with individuals. Pulse surveys can provide more frequent insights outside of annual assessments. Such feedback can help better align future efforts with the board's needs.

In early 2024, governance professionals report a wide range of topics fueling demand for board education. These include:

- The SEC's new cyber-security rules
- AI risks and opportunities
- Delaware court rulings. Respondents replied before the Delaware ruling regarding Elon Musk's Tesla compensation package, but that would appear to be an issue of great interest to boards more broadly
- Human capital management disclosures
- Taking corporate positions on social and political matters, particularly in a US election year
- Climate change reporting requirements
- Economic and geopolitical concerns
- Promoting ethical corporate cultures, including with respect to workplace harassment and diversity issues
- Addressing conflicts of interest, antitrust and insider trading.





Nasdaq recently compiled from conversations with corporate secretaries and general counsel a list of emerging issues for boards in Q1 2024. In summary, these are:

- Global geopolitical instability requiring frequent board updates on the effects on corporate strategy, goals and operations and US-based company review of strategy ahead of the presidential election
- Data governance on cyber-security, privacy and AI, such as board education and management reporting/updates on cyber-security threats and response plans
- Sustainability, including monitoring global and state developments regarding disclosures of sustainability goals and metrics
- Shareholder and other stakeholder engagement
- Human capital management, succession and executive compensation
- Risk management, including board education on company risk register and mitigation, and contingency plans and director participation in crisis simulations
- Regulation, including compliance with the new SEC cyber-security rules and pending human capital management rules
- Digital transformation and digital assets oversight, including board education and discussion of digital transformation strategy and opportunities for the business and risk oversight.

Key takeaways

- Be collaborative. Find out what the board wants and needs to know by asking directors.
- Look for issues where board members may not appear confident in meetings.
- Keep your eyes open to a wide range of emerging issues that may impact the company and that the board will need updating on.
- Check the board skills matrix for areas where additional training may help.

These topics will vary widely between companies and industries and will also depend on the expertise of board members. A look at the board's skills matrix can help determine whether individual directors may need additional training in certain areas. Aside from emerging issues, directors need training on fundamental and evergreen issues, which are addressed in the next section of this report.

Delivering education and training: When?

The board's annual agenda provides many options for determining when education and training should take place.

In terms of scheduling over the course of the year, some corporate secretaries arrange for educational sessions to take place outside of regular board meetings, while others use the opportunity of having the board together – virtually or otherwise – to make a presentation. Others have an extensive annual session, while peers have smaller sessions at

each regular meeting and others do so on an ad hoc basis, or a combination of the various options. There is little consensus on a single best practice. The answer as to what works best may lie in director preferences and their usually hectic schedules. A combination of options is generally seen as ideal.

Professionals further point to the importance of supplementing scheduled education and training should a specific topic arise, either

internally or externally. One such situation is if the company is involved in a material M&A deal, for example.

Chris Gaskill, executive vice president, CLO and corporate secretary at Summit Materials, notes that in these cases it is important to provide additional training on directors' duties related to a merger and what to do if they are contacted by the media or investors about the deal or by another company that may want to insert itself.



Chris Gaskill, Summit
Materials

“ There’s an educational element to every board meeting ”

Either way, ‘there’s an educational element to every board meeting’ as directors learn about the company and the issues its faces, Gluckselig points out.

Corporate secretaries recommend that boards receive annual refreshment training on core governance and compliance matters ranging from their duties and responsibilities to the company’s ethics code and insider trading rules, which the SEC updated in 2023. Other

topics might include developments from the proxy season, including around executive compensation.

Conley suggests that a good time for a detailed board orientation session is directly after the company’s AGM. This is an opportunity to address, for example, company values, corporate strategy and mission, business model, director duties and legal developments such as court rulings from the past year on the business judgment rule, she explains.

New to the board

Onboarding a new director is an essential process but one that removes variables around timing and topics.

Research conducted by Governance Intelligence in late 2022 found that 90 percent of respondents say onboarding at their firm includes training on corporate governance, followed by compliance/regulation (73 percent of respondents), ESG issues (57 percent), litigation issues facing the company and cyber-security (51 percent each)



Richard Gluckselig, Regeneron Pharmaceuticals



and ethics and executive compensation (46 percent each).

Riefler says education is particularly important for new directors who have never previously sat on a board. Even

He also shares company policies that board members are subject to, such as those on insider trading and ethics.

Conley is an advocate of the importance of onboarding, her

“ Materials, meetings and a mentor ”

if they've led a firm, a board is a 'different space,' she notes.

At Gaskill's firm, each new board member receives a four-hour training session on governance and company matters, including topics such as fiduciary duties and the role of committees and the board.

motto being: 'Materials, meetings and a mentor.' This process can last up to two years after a director joins the board and involves learning from other directors, external advisers such as executive compensation consultants and auditors, and meetings with business leaders at the firm.

Key takeaways

- Boards should receive an annual reminder of their core duties and responsibilities, in addition to emerging issues. The AGM may be a good opportunity for this session.
- Devise the annual schedule for training and education with an eye to directors' needs, preferences and availability.
- Special events may require special training and/or briefings.
- New directors need extensive and carefully crafted training on both their duties and responsibilities and the company. In addition to other educational resources, a fellow board member can play an important role as a mentor.

Delivering education and training: Who and how?

Governance professionals also face an array of choices when it comes to determining how and by whom board education and training should be delivered.

Again, there is no one-size-fits all approach for all boards – or even all board members. Professionals need to assess what works for those involved. Sensitivity and human skills are key.

The choices include whether to use an outside or internal management expert to brief the board and whether to do training as a group or to encourage directors to pursue

their own interests. In many cases, directors and corporate secretaries like to get the board together for training sessions.

The advantages of doing so include members being able to ask each other questions either during the session or more informally before or afterward, and being able to engage with the presenters, whether they be in-house or external.

Grant comments that a group in-person session is more suitable for broad topics that affect the board as a whole.

Interaction among board members is also helpful for sharing their own experiences and independent study – for example, by letting fellow directors know about helpful online or in-person training courses, webinars, conferences, podcasts, articles or white papers they have come across. Corporate secretaries are advised to research and share similar suggestions.

Training that directors undertake on their own is advantageous for those who prefer that mode of learning.



Angela Grant, Palomar



Directors are generally time-poor and can find it easier to schedule online or in-person training sessions in their

Governance professionals and directors see significant value in bringing in outside advisers to lead board

Seth Gastwirth, deputy general counsel and assistant corporate secretary with Jones Lang LaSalle, says

“ They love outside speakers. Having a different perspective drives engagement ”

calendar as an individual. This approach also enables them to focus their training on more narrow issues they may feel they need additional help with.

training sessions. ‘They love outside speakers,’ Gaskill points out. ‘Having a different perspective drives engagement.’

bringing in an outside expert can be helpful in terms of getting an independent take on a topic. Some topics really lend themselves to this



Seth Gastwirth, Jones Lang LaSalle



approach, such as the market's view on shareholder activism, he adds.

Governance professionals advise choosing speakers carefully to ensure they align with the board's needs.

The corporate secretary must be clear on advisers' approach to presenting and exactly what content will be covered. It is important to make sure before speakers enter the boardroom that they won't waste directors' time by talking about matters

that are irrelevant – or that the board is already aware of, Gluckselig points out.

Internal subject matter experts are also a useful resource, not least because they understand the company best and it is helpful to have links between the board and the management team.

'I'm passionate about marrying the two – external and internal [presenters],' Conley says, adding that it is useful to get feedback from the board after a training session.

Key takeaways

- Group sessions and independent individual study each have benefits. Using a combination of the two gets the best of both.
- Outside advisers can be very helpful in providing new perspectives but need to be aligned with the needs of the board. They can also provide informal insights such as during dinner the night before a board meeting.
- In addition to the corporate secretaries' own recommendations, it is useful for directors to share recommendations for sources of information and education.

Getting the most from technology

Technology is playing an increasingly important role in governance across many fields, including board education and training. It can be particularly helpful for directors who wish to engage in training on their own, enabling them to arrange short and effective sessions as suits their schedule, perhaps if they have an unexpected time window during an otherwise busy day, Brown says.

Online training sessions can also be targeted and configured to an individual's needs and interests, she adds, and can track in aggregate how directors performed in certain areas,

potentially highlighting a topic where further education is needed.

Board portals feature prominently in education and training as a repository of documents and recommendations for webinars, reading, podcasts and events such as seminars that are uploaded by both the corporate secretary and fellow board members. Directors can share their notes from their outside education, too.

Additionally, there is potential for AI to play a role, perhaps in distilling lengthy educational documents or selecting available materials and events on offer.

Key takeaways

- Technology is useful in terms of both collaboration between board members and engaging in self-learning.
- Keep an eye out for new tools that may offer opportunities for providing training and education and share that knowledge with the board.



Christine Brown, SAI360

Advertisement feature

Board engagement: A crucial lever in steering ethical corporate cultures

By Jon Bricker and Christine Brown



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The role of a well-informed board is central to the governance of any organization, particularly in shaping its ethical and compliant landscape. A board's values and actions reflect significantly on an organization's culture. Board members serve as cultural architects and have a crucial role in fostering value-driven leadership.

The tone at the top matters

New regulations are in place to ensure company leaders are creating the right kind of culture. Now, it's not just about focusing on governance but also about

leading with a moral compass in an ever-evolving business world. For example, the Department of Justice's (DoJ) March 2023 guidelines stress the importance of organizational compliance, incentivizing compliant behavior and penalizing non-compliance at the top level.

'The company's top leaders – the board of directors and executives – set the tone for the rest of the company,' the DoJ says. 'Prosecutors should examine the extent to which senior management has clearly articulated the company's

ethical standards, conveyed and disseminated them in clear and unambiguous terms, and demonstrated rigorous adherence by example.'

An unengaged board poses potential risks

A board that does no more than oversee business operations on a surface level invites potential crises. A board must have a close-knit, intimate knowledge of protocols.

The Delaware Chancery Court's Caremark ruling, for instance, underscores the importance of deep board engagement. This ruling raised the bar for board accountability, mandating that boards possess a deep understanding of specific industry risks. Now, corporate directors must ensure systems are in place for legal compliance monitoring within their companies.

Other recent incidents, such as Boeing's flight issue when a cabin

panel broke mid-flight on the 737 MAX 9, highlight the dire consequences of inadequate board oversight in risk management and quality control. The Federal Aviation Administration heightened its oversight of Boeing, requiring additional inspections and considering having an independent entity oversee certain safety aspects that Boeing had previously managed.

Five ways to improve board engagement

Below, we offer five actionable steps to maximize your board's positive impact.

1. Implement accessible, continuous board training: Board members often have demanding schedules, necessitating training formats that are brief yet impactful.

First, training should offer insights and tools that are easily digestible during short breaks, such as at a child's swim meet or during an unexpected

flight delay at the airport. This non-regimented, on-the-go approach to consuming information makes the training process less of a checklist item.

Using technology for mobile-friendly formats can significantly enhance the accessibility and efficiency of the learning experience. Additionally, digital formats make updating training content a seamless and quick experience and ensure the information people are studying is always up to date.

Second, regular updates on new potential risks and regulatory expectations are crucial.

2. Establish resource allocation for ethics & compliance programs:

Allocating resources to ethics & compliance programs is both a procedural step and a strategic decision reflecting the board's commitment to ethical stewardship.

As new risks emerge – particularly in areas such as ESG – a board's agility and informed decision-making become crucial. Boards must proactively engage and allocate resources to ensure these programs are established and foster the support necessary for effective implementation and quick-witted adaptation.

3. Have a deep understanding of ethics & compliance programs:

Board members must have an intimate knowledge of their organization's ethics & compliance structure. This includes being aware of responsibilities and actively overseeing the implementation and effectiveness of various programs.

Understanding these programs in detail will enable the board to provide better oversight and guidance, which in turn ensures the organization's adherence to ethical standards and regulatory requirements.

4. Drive more proactive board

oversight: A passive approach is insufficient for effective board governance. Active oversight involves a detailed understanding of how ethics & compliance activities are integrated into the organization's operations. Board members should be knowledgeable about the specific risks pertinent to their industry and how their company's programs address these challenges.

This active role is crucial in shaping an organization's ethical direction and maintaining its integrity in the face of industry-specific challenges.

5. Ensure adequate resources for

compliance programs: The board's role extends to ensuring that the ethics & compliance program is well supported and resourced. This responsibility involves understanding the intricacies of risks the organization faces and providing the necessary backing –

financial, structural and strategic – for managing these risks effectively.

The board's active involvement in resource allocation demonstrates its commitment to upholding the highest standards of ethical conduct.

Final thoughts

Board training, when done correctly, must ultimately be three things: concise, impactful and adaptable. Proactive engagement, flexible training opportunities and a comprehensive understanding of the organization's ethical framework are essential. A board's commitment to these principles reflects its dedication to integrity and transparency, shaping a culture that values ethical conduct at all levels.

Jon Bricker is vice president of sales for the Americas and Christine Brown is vice president of learning product at SAI360

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