

WELCOME  
ABOARD!

## HELPING NEW DIRECTORS SETTLE IN

Corporate secretaries need to do more than just explain company policies and procedures when onboarding directors – and time is a growing pressure

*By Debbie Miller*



## Onboarding

A corporate secretary's duties include facilitating the orientation and training of new directors to integrate them into the organization, a process that has become increasingly important – and one that has to be completed with increasing haste. This urgency is driven in part by the need for directors to be brought up to speed with an increasingly complex regulatory environment. They also need to understand the level of commitment and greater range of responsibilities involved in their new role as soon as possible.

Corporate secretaries go beyond merely explaining company policies and procedures to new directors. According to the Association of Corporate Counsel, arriving board members need to understand the company's financial, strategic, operational and risk management positions. They also need briefing on matters currently before the board and should be up to speed on the history of what has happened in relation to those matters over the past few meetings.

### Recruitment and conflicts

Onboarding begins at the recruitment stage. 'The director search process should be a robust one that includes identifying any conflicts that could impact director independence,' Elizabeth Ising, partner at Gibson Dunn & Crutcher, tells *Corporate Secretary*. 'In addition to using a [director and officer (D&O)] questionnaire, recruiters should ask prospective directors about their career and business relationships, in order to assess any relationships that could present conflicts of interest in the future once the candidate is on the board.'

Angela Hilt, vice president, corporate secretary and associate general counsel at The Clorox Company, suggests recruiters work with the nominating and governance committees and review the director candidate's current employer, affiliations and service on any existing boards before administering a D&O questionnaire. 'If there are any concerns, it can be helpful to have

discussions with the director candidate and, in some cases, the general counsel of the company the director candidate is affiliated with, to better understand potential conflicts,' Hilt tells *Corporate Secretary*. A search firm, if used in connection with director recruitment, can also be a useful partner in this process, she adds.

'Onboarding is an ongoing process that should occur through the recruitment process as well as the annual disclosure process,' says McDermott Will & Emery partner Michael Peregrine. 'It obligates board members to disclose potential conflicts when hired and any that occur between annual disclosures. It's not just a one-year process, but rather one that should be addressed whenever potential conflicts of interest occur.'

As director conflicts of interest can come up after a new director joins the board, establishing a continuing process to keep an eye out for future conflicts is advised. 'Many companies have a provision in their corporate governance guidelines that requires a director to provide notification prior to joining another corporate board, thereby allowing for potential conflicts to be assessed in advance of such events,' Hilt says.

### Getting started

New directors should be prepared to be active on the board right out of the gate, professionals say. Before coming on board, a new director should have met with the chair and lead director, members of the nominating and governance committee and the other directors. 'It's also helpful for new directors to meet the company's senior financial officers, the general counsel, the CFO, the chief compliance officer and the chief strategy officer,' Peregrine says. Depending on the company's structure, this may include the heads of marketing, human resources, and research and development.

In recent years, the onboarding process has become faster and more sophisticated. 'There is sometimes a perception that it



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- Angela Hilt, The Clorox Company

can take too much time for new board members to catch up and, as a result, their effectiveness is limited by the time lag, so programs now are designed to provide more intensive onboarding at the beginning of the process,” Peregrine says. “Governing boards can’t afford to have directors taking a long time because that’s not good for oversight.”

“Training used to be, *Here’s the manual and let’s talk to you for a couple of hours about what’s going on.*” Ising says. Now, the process treats onboarding more as a series of stages. The more complex regulatory environment companies now face and the number of issues confronting boards means it’s incumbent on new directors to become fluent in the various matters as soon as possible, and for the company to tailor the onboarding process to each new director. Ising adds. This includes talking with new directors about their specific needs based on their committee assignments and how their background can enhance the board.

The orientation can also be tailored to the particular needs and interests of the new director, depending on his or her level of director experience. “For example, the orientation for a first-time-ever director may go deeper into governance, compliance and fiduciary duties than an orientation for a director who has served on multiple public company boards,” Hilt says.

Alternatively, a director may have particular interest in certain aspects of the company based on his or her background and knowledge. “It may be the case that the nominating and governance committee specifically sought out that director for his or her expertise in an identified area, such as cyber-security or digital marketing, and

the orientation may focus more deeply in that area in order to help the director better advise the company and to leverage his or her strategic expertise,” Hilt says.

**Socializing and training**

In addition to attending board meetings, new directors are advised to attend informal dinners, cocktail hours and other social events as part of the onboarding process. These events can provide opportunities for new directors to become better acquainted with their fellow board members and to establish collegiality and trust,” Hilt notes, adding that new directors should be encouraged to develop a working relationship with the corporate secretary and general counsel. “While boards generally have free access to all members of management, the corporate secretary can often serve as the most efficient point of contact for directors on many matters.”

First-time directors or those new to the company’s industry may need additional aid. “In addition to the company-specific information and support that the corporate secretary team and other members of management can provide, corporate secretaries can also make available to the board a list of continuing director education courses and seminars,” Hilt says. These range from general training for first-time directors to sessions about board committees or topics of special interest such as cyber-security.

“The evolution of a company’s strategy can also be a factor in determining what director skill sets and experiences are being sought by the board,” she explains. “For example, Clorox’s shifting focus from traditional media as the primary means

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of communicating with consumers to reaching them through more targeted communications, including via digital and social media, has led us in recent years to a focus on identifying and adding to our board directors who have digital media and marketing backgrounds.’

Some companies may choose to have the general counsel or an outside law firm provide formal training sessions for their

boards, other boards may believe time together is more effectively spent focused on the company’s strategy. Having first-time directors increases the urgency of providing training on key policies and governance topics during orientation. ‘Providing a list of recommended director continuing-education programs can be a useful resource for those directors who are interested in additional training.’ Hilt says.

**HELPING HAND**

The corporate secretary and other key organizational leaders can help new directors gain an understanding of matters including

- The company’s business, strategy and key metrics and drivers
- Risk and mitigation plans
- The external environment and competition impacting the company
- The company’s financial plans and targets
- The company’s people-related strategy and culture
- Governance policies, codes of conduct and charters
- The management team
- The next generation of leaders, in order to help guide succession planning
- The board meeting schedule
- Whistle-blowing policies
- Board nomination policies
- Diversity policies
- How and when to deal with the media
- CSR.

**‘Onboarding is an ongoing process that should occur through the recruitment process’**

– Michael Peregrine, McDermott Will & Emery



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