

GOVERNMENT OF LIBERIA: MINISTRY OF STATE
FOR FINANCE, ECONOMIC AND LEGAL AFFAIRS

PRINCIPLES AND PRACTICE OF EFFECTIVE CORPORATE GOVERNANCE: A GUIDE FOR SOE BOARD MEMBERS

(DRAFT: This report was submitted to the Government of Liberia Ministry of State for Finance, Economic and Legal Affairs for their review/approval.)

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INTRODUCTION

Liberia's state-owned enterprises play a vital role in the country's economic development. It is critical that these companies are well governed and perform to the highest standards delivering crucial products and services.

Appointment to the board of a state-owned enterprise carries great responsibility. Board members must provide strong leadership and set clear directions for their organizations. Above all, they must act in accordance with the trust the country has placed in them. If they contribute to developing a successful SOE, they will derive great satisfaction from the role.

Corporate governance frameworks differ from country to country, reflecting the history, culture, and domestic rules and regulations of the country. There are, nevertheless, some generic over-riding principles of good governance that must be applied universally. Beyond that, each board should tailor its governance approach to its own unique context. Local legal, financial and ethical standards will influence the approach, and effective boards will take steps to overcome any deficiencies in the external legal or financial regime.

When making investment decisions, international investors apply the same rates of return and security criteria all over the world. Board effectiveness, transparency, accountability, and financial probity are among their key criteria. As Liberia moves to a period of rapid development, access to donor and other sources of international funding and opportunities for private-public partnerships (PPPs) will be greatly enhanced if high standards of corporate governance prevail.

This guide to principles and good practice has been prepared as a resource kit for board members to develop their own approach to good corporate governance. The examples given are not prescriptive; rather they are for guidance when required. Companies' circumstances differ widely, and what may suit one SOE Board may not be appropriate for another.

Effective board meetings, timely and accurate financial reports, clear strategic direction, legal compliance and risk management can be approached in different ways. But every board should have its own clear set of rules to ensure that the enterprise performs to the highest standards and provides accurate, timely and relevant reports.

Appointment to the board of a state-owned entity is both a privilege and a responsibility. By using this guide board members can faithfully discharge their responsibilities and earn the privilege of their appointment through the implementation of good corporate governance processes and policies. In doing so, members will help to ensure the strong and effective performance of their enterprises and of Liberia's developing economy.

WHAT IS AN SOE IN LIBERIA?

There are 23 state owned organizations in Liberia including

- commercial, trading entities,
- non-commercial entities providing basic social services and
- regulatory bodies

State owned enterprises play a key role in the economy of Liberia. They may have social/developmental objectives as well as commercial objectives. They provide electricity, water, port services, airports etc. Some regulate services by allocating licenses, for example, Bureau of Maritime Authority, and telecommunications.

Each state enterprise is expected to operate as a successful business, a good employer and to exhibit a sense of social responsibility.

Directors are appointed to govern the state owned enterprises to assist in achieving the principal objectives. The directors are accountable to the Executive Office.

WHAT IS CORPORATE GOVERNANCE?

Corporate governance is about leadership, direction and control. It is a term used to describe the board's processes and policies, in order to add value to the enterprise on behalf of the owner. State owned enterprises are owned by the Government of Liberia and board members are accountable for their performance to the Executive Office.

Ultimately, corporate governance affects all of an enterprise's stakeholders — owners, management, employees, customers and suppliers, as well as the civil society at large.

Good corporate governance benefits all stakeholders and enhances the development of the economy. Poor corporate governance ultimately penalizes all stakeholders and inhibits progress in the country.

The three pillars of effective corporate governance are:

transparency

integrity

accountability

Transparency, within the limits imposed by competition, builds the confidence which needs to exist between the enterprise and its various stakeholders. In particular, transparency allows the enterprise's owners the Government of Liberia, to assess the enterprise's performance more effectively.

Integrity encompasses both straightforward dealing and completeness. Good corporate governance demands that reporting on the enterprise's financial and other affairs is timely, accurate, honest and balanced.

Accountability ensures the enterprise's owners are fully informed. Both the board members and the owners have to play their part in making this accountability effective. Collectively, board members must provide the Executive Office with good quality information, while the Executive Office must be willing to exercise their ownership responsibilities and support their board members.

There is no single one-size-fits-all model of corporate governance. Each board is responsible for developing a model of governance that is appropriate for their specific organization reflecting the over-riding generic principles of transparency, integrity and accountability. The board is responsible for reviewing composition, procedures and processes from time to time, to ensure that they remain appropriate and compliant with any new legislation or the changing economic environment.

THE ROLE OF THE BOARD

The SOE board is appointed by its owners to ensure the long-term success of the enterprise while representing and promoting the interests of the owners and other key stakeholders. In Liberia the SOE board members are appointed by the President of the Republic.

It is for the board to judge its key relationships, and which of their interests it is appropriate to meet, taking into account the sustainability of the enterprise, the law, relevant regulations and codes, fiscal responsibility and commercial objectives.

The objectives of an SOE board can sometimes seem contradictory. For example, the board must be entrepreneurial in the development of the enterprise while, at the same time, exercising prudent control and taking the social impact of all decisions into account. The board is expected to act in the best commercial interests of the enterprise while, at the same time, acting responsibly towards employees, creditors and civil society.

The board must have sufficiently detailed knowledge of the enterprise and its daily operations to be answerable to the owners and others for its actions. But while board members must comprehend the detail they must also be able stand back, at all times, and take a broader, high level, long-term view.

The tasks by which the board fulfils its role are numerous, but fall into five main categories: strategic direction, financial monitoring, legal compliance, monitoring management and managing risk.

1. **Strategic direction.** This includes:

- Setting goals and targets within the framework of the strategic plan, ensuring that the enterprise's structures, resources and capabilities are appropriate for implementing the agreed strategies
- Determining the values to promote an ethical culture throughout the enterprise
- Developing high level board policies setting ethical and performance standards for the SOE

2. **Financial monitoring.** This includes:

- Ensuring that management has completed the financial planning to achieve the targets set by the board in the strategic plan.
- Setting the budget annually and monitoring progress against budget at every regular board meeting, taking necessary steps to enhance transparency and accountability
- Preparing quarterly and Annual Reports, including audited financial statements, for timely presentation to the Executive Office.

3. **Legal compliance.** This includes:

- Complying with legislation, regulations and By-laws as required by the Liberian legislative framework.
- Reporting to the shareholder i.e. Executive Office as required.

4. **Monitoring management.** This includes:

- Establishing the job description and performance indicators for the managing director.
- Delegating authority to management, for both financial and non-financial matters

- Monitoring the implementation by management of policies, strategies and plans
- Ensuring that internal controls are effective
- Reviewing the performance at least annually, of the managing director

5. **Managing risk.** This includes:

- Identifying, assessing and categorizing risks across the SOE, planning to avoid crises in the future
- Using knowledge and various techniques to ensure staff, financial resources, facilities, and, suppliers, customers and services are exposed to minimal and manageable risk.
- Ensuring that two-way communications with both owners and relevant stakeholders are effective and no surprises

THE ROLE OF THE CHAIRPERSON

The chairperson's role is to provide leadership so that the board is effective in setting and implementing the enterprise's direction and strategy.

The chairperson supports the managing director and acts as the enterprise's leading representative, presenting the enterprise's aims and policies to the outside world.

The chairperson chairs general meetings and board meetings.

In preparation for board meetings, the chairperson is responsible for:

- Determining the content and order of the agenda
- Ensuring that the board receives the information it needs prior to the board meetings to consider matters properly and take decisions wisely
- Monitoring the contributions of individual board members and ensuring that all board members participate in the discussions and decision making
- Directing and summing up discussions to ensure that everyone understands what has been agreed and ensuring that resolutions are correctly recorded in the minutes.

Between board meetings the chairperson is responsible for

- Taking the lead in determining the composition and structure of the board, ensuring that there is an appropriate mix of skills and expertise
- Overseeing the induction of new board members and the on-going professional development of all board members.
- Ensuring the shareholder, the Executive Office, is fully informed with timely accurate reports.

THE ROLE OF THE BOARD MEMBERS

The board members are the key to ensuring the long-term success of the enterprise and for its compliance with relevant regulations and financial reporting requirements.

Board members have a duty to act, at all times, in good faith and within their powers. These powers are defined by the enterprise's establishment legislation and By-laws and the relevant regulations and laws of Liberia.

While boards take decisions, usually by majority, individual board members have a duty to exercise independent judgment. They must also be mindful of the limits of their skills and experience, and must not act beyond these limits. If in doubt, board members should always seek relevant expert advice.

Board members have a duty to avoid conflicts of interest, and, other than receiving their fees, must not personally profit in any way from their position as a board member.

All board members should be financially literate. They should also be good strategic thinkers and excellent confident communicators. In addition, it is normal for a board to include individual board members whose specific professional skills or experiences can be used to the enterprise's advantage.

While board members are elected or appointed by the Executive Office, they have a duty to consider the interests of all of an enterprise's stakeholders, including the enterprise's creditors.

EXAMPLES, GUIDELINES AND CHECKLISTS

1. COMPOSITION OF THE BOARD

The Appointment Process

The composition of the board is crucial to its success. Key responsibilities, skills, competencies and tasks are outlined below. When considering new board appointments time must be taken to analyze the current composition and the mix of skills and competencies required for the future.

Depending on the sector (e.g. ports or forestry), the stage of development (e.g. establishment, growth, downsizing), the future strategic direction (e.g. expansion, joint ventures, subcontracting, private public partnership etc) different skill sets will be required.

Financial expertise is always important particularly to ensure a competent Chair for the Audit Committee. Legal expertise is important especially when legislation is being reviewed and updated or major contracts are being negotiated.

Other skills such as marketing and engineering will be specified from time to time. At all times a mix of skills is important to enhance debate and facilitate wise decision making.

The Board Evaluation process contributes to the selection of new board members. The Evaluation not only identifies areas to improve board effectiveness but helps in determining skill gaps among board members. It is important that Chairpersons of SOEs provide feedback to the Executive Office to ensure that the appointment process enhances the skill mix on the board to suit the company at that time.

Key Responsibilities of Board Members

- To contribute fully to the effective governance of the SOE and act at all times in the interests of the enterprise and its relevant stakeholders
- To use skill, experience, and judgment to help ensure the SOE performs successfully in both the medium- and long-term, while recognizing the financial and social obligations of a state-owned enterprise
- To ensure that the SOE complies with all relevant legislation, regulations, codes and reporting requirements
- To accept collective responsibility in the board room, to respect confidential information, and to declare all conflicts of interest

Skills and Abilities Required of Board Members

- An understanding for the distinction between governance and management
- Well-developed strategic thinking skills
- Well-developed financial literacy skills
- An understanding of the legislative framework and the importance of compliance
- Excellent written communication skills
- The ability to speak clearly and concisely, to contribute to informed debate, and provide management with precise, meaningful feedback
- The ability to analyze and absorb large amounts of information
- The ability to think independently while working collaboratively

- The ability to recognize innovation and evaluate opportunities
- The courage to stand back and ask difficult questions
- An understanding of risk management concepts and practices

Experience

- Relevant business experience
- Relevant sector experience
- A track record of achievement in the board member's own chosen profession
- Corporate governance experience

Personal Attributes

- Objectivity
- Integrity
- Honesty
- Diligence
- Commitment
- Ethical behavior at all times

Key Competencies Required for an SOE Board Member

- A knowledge of the industry sector and its strategic direction:
- An understanding of the specific environment in which the SOE operates
- An understanding of the formulation and implementation of enterprise's strategy and an understanding of the management team's part in this
- A knowledge of the SOE's strengths and weaknesses and the industry's opportunities and threats as a context for the financial data
- A knowledge of corporate governance, the board and the board's role:
- An understanding of individual board member's governance roles and responsibilities, accountabilities, and liabilities
- A knowledge of best practice principles associated with good corporate governance and organizational management
- Analytical and technical skills:
- Financial acumen, especially the ability to read and interpret financial reports
- The ability to read, comprehend and analyze management reports and other relevant literature and legislation
- Decision-making and communication skills:
- The ability to recognize and counter any 'group think' tendencies and decision-making biases in board discussions
- The ability to make decisions and seek high-quality outcomes through the consistent application of logical step-by-step decision-making processes

- The courage to think independently and to clearly articulate personal views, even in the face of opposition, undue pressure or threat
- The ability to maintain an open mind, absorbing and analyzing large quantities of information, valuing the opinions of others, and building on the best available information to develop innovative solutions and strategies

Personal Style

- Tolerant, retaining a constructive outlook, even when the Board is unable to resolve an issue or reach a conclusion, and being willing to make risk-adjusted decisions when outcomes are uncertain
- Wise, at all times exercising effective judgment, applying common sense, reason, knowledge and experience to reach a conclusion and ensure decisions that balance risk and reward
- Acting and speaking with integrity, consistency and intellectual honesty
- Self-aware, recognizing and managing one's personal strengths and weaknesses as well as the strengths and weaknesses of others
- Innovative, approaching issues with an open mind, alert to trends, patterns and relationships which may not be immediately apparent in the information provided
- Diligent and committed to representing the SOE with dignity, showing high ethical standards of conduct both inside and outside of the board room

Specific Tasks for SOE Board Members

Strategy:

- To understand and evaluate strategic plans and reports presented by management
- To oversee the development of the SOE's strategic plan and to monitor its implementation — it is not, however, a board member's job to be directly involved in the management process and day-to-day operational detail

Financial management:

- To monitor the enterprise's financial performance and to ensure that financial reports are timely, true and fair
- To understand and monitor the underlying assumptions on which the decisions of both management and fellow board members are made

Legal compliance:

- To ensure that the SOE complies with all legislation, regulations and codes
- To ensure the Annual Report, including audited financial statements, is prepared within three months of the end of the financial year

Management performance:

- To select, hire and evaluate top management
- To establish and maintain a process that ensures that the enterprise is managed effectively, both on a day-to-day basis and for the longer term — this process must be based on sound, objective criteria, and must be totally without prejudice or bias
- To set compensation for top management, based on a compensation strategy that will ensure that the enterprise is well managed in the interests of all relevant stakeholders
- To develop effective succession plans for the senior management team of the enterprise

Risk management:

- To prioritize and manage the relevant risks facing the enterprise
- To establish a logical process for identifying the relevant risks based on an understanding of the enterprise and the sector in which it operates
- To determine an acceptable relationship between risk and potential reward which can be used to guide the board members' decision-making process
- To develop risk management strategies that will ensure that the enterprise operates with an appropriate level of risk
- To monitor the various risk strategies in use to ensure that they remain relevant

Effective Board Meetings

- To contribute wisely to an efficient and effective board meeting process
- To promote decision-making based on clear, consistent and honest communication
- To foster reasoned debate and encourage the exercise of sound judgment
- To be sensitive to 'group think' decision-making and poor quality decisions made because 'that's the way we've always done it'
- To attend all board meetings, having prepared thoroughly and read all papers provided by the management team
- To establish a context for wise decision making by keeping up to date with developments in the sector and the economy
- To ensure that board papers and minutes are circulated and read in a timely manner
- To ensure that the Register of Interests is up to date at all times
- At least once a year, to participate fully in evaluating the board's effectiveness

2. SOE BOARD FOLDER

Suggested contents for a Board Folder to be presented to a board member as soon as their appointment is confirmed. It provides all the key documents a board member requires to know and understand in order to fulfill their duties.

- Address and Contact Details for the SOE and Key Staff
- Contact Details for Board Members
- Introducing Board Members — A Brief Biography of Each Member
- Introducing Key Management Staff — A Brief Biography of Each
- Corporate Structure of SOE
- Board Work Plan for the Year
- Terms of Reference for The Board Audit Committee and List of Members
- Terms of Reference for The Board Remuneration Committee and List of Members
- Board Charter/ By-Laws
- Establishment Legislation
- Articles of Association

- List of Other Relevant Legislation
- Register of Interests
- Latest Annual Report
- Strategic Plan
- Latest Annual Budget
- List of Acronyms
- Banking Arrangements
- Managing Director’s Employment Agreement and Performance Framework
- Delegated Financial and Non-Financial Policies
- Websites relevant to Corporate Governance and to the Sector
- It is the Board Secretary’s responsibility to Keep the Folders Up to Date.

3. EXAMPLE OF AN ANNUAL WORK PLAN

Planning the Board’s work schedule allows management to be fully prepared and Board Members to understand their full responsibilities,. Setting board meeting dates in advance enhances attendance. At each regular Board meeting, board members must review the monthly financial statements and the Managing Director’s report. Members will also require extra items on the agenda, depending on the annual cycle of reporting.

SOE Liberia	(Example only)	Board Timetable 2010
Date 2010	Place & Time	Agenda Item
Wed 20 Jan	Krystal Ocean View 9.00	Corporate Planning Workshop Unaudited Annual Financial Accounts
Wed 17 Feb	Boardroom 9.00	Managing Director Performance Review 2009
Wed 24 Mar	Boardroom 9.00	Draft Annual Report & Audited Accounts Audit Committee meeting to review DRAFT Annual Report
Wed 21 Apr	Boardroom 9.00	Finalize Annual Report & Audited Accounts
Wed 19 May	Boardroom 9.00	Review of Board Effectiveness Annual General Meeting
Wed 23 Jun	Boardroom 9.00	Review Risk Management Strategies Board & Management Team Lunch
Wed 21 Jul	Boardroom 9.00	Review and Monitor Legal Compliance Checklist Draft Half-Yearly Report
Wed 18 Aug	Boardroom 9.00	Draft Corporate Plan Draft Employment & Industrial Relations Plan
Wed 22 Sep	Boardroom 9.00	Adopt Corporate Plan Adopt Employment & Industrial Relations Plan
Wed 20 Oct	Boardroom 9.00	Review Succession Planning Strategies Audit Committee to review 2011 Budget including capital expenditure
Wed 24 Nov	Boardroom 9.00	Adopt 2011 draft budget including capital expenditure Set Board timetable for 2011
Fri 10 Dec	Boardroom 16.00	Christmas function

4. GUIDELINES FOR AN SOE ANNUAL REPORT

The Annual Report must provide the information necessary to enable an informed assessment to be made of the SOE's operations and performance for the financial year in question. It should be an assessment of performance measured against the intentions, measures and standards set out in the Strategic Plan prepared at the beginning of the financial year. It is important that the Annual Report includes audited financial statements and is submitted within three months of the end of the financial year.

Summary of suggested contents:

- Chairperson's Letter
- Report from the Managing Director
- The activity of the SOE—trading, licenses given, etc.
- Corporate Governance Statement
- Auditor's Report
- Financial Commentary
- Revenue and Expenditure Statement
- Balance Sheet
- Statement of Cash Flows
- Notes to the Accounts
- Statement of Accounting Policies
- Directory (includes solicitor, auditor, bankers, insurance broker)
- Date of submission of the report

See suggestions for content of Chairperson's and MD's letter below with an example of the content for the statement on Corporate Governance

Chairperson's Letter

A one-page (maximum) overview of the SOE's year, including:

- the financial contribution to, or subsidies from, the Government of Liberia
- any directions or requests from the President or Minister
- any changes in the external environment which had or will have an economic, political, or social impact
- any donor-funded projects
- any changes to board and thanks to any retiring board members
- a thank you to donors, board members, the MD, and the SOE staff

Managing Director's Report

A two-page (maximum) account of what has been done and what has been achieved during the year, including:

- progress against the goals defined in the Strategic Plan
- nature and scope of activities, noting any variations between planned and actual achievement
- comparative (trend) information from earlier years to give a fuller picture of long-term progress
- any new initiatives or changes of importance to the overall success and future operational effectiveness of the SOE
- any change or dramatic increase in any service or product
- any changes in relevant legislation and the impact of those changes
- comments on initiatives taken as a good employer
- a summary of any changes in the number of staff, staff structure, and organizational health in general
- the financial contribution to, or subsidy from, the Government of Liberia (again)

Activity of the SOE

Departmental statistical tables showing comparative figures over previous three years. These will come straight from the quarterly board reports where the final end of year report shows the total of all four quarters.

Statement of Responsibility

In the opinion of the board and staff of the SOE the financial statements and the reports contained in this document reflect the financial position and performance of the SOE

.....

Chair

.....

Managing Director

Example Content for the Statement on Corporate Governance

This statement is an overview of the SOE's main corporate governance policies, practices and processes followed by the Board.

Compliance with the Board Charter, Code of Ethics and Governance Policies

The SOE expects its Board members and employees to maintain high ethical standards that are consistent with its core values, business objectives and legal and policy obligations. The Board members support the principles set out in the Board Charter and Code of Ethics endorsed by the Board in 2010. While recognizing that the Code of Ethics expresses principles and does not purport to determine the detailed course of conduct by members on any particular matter, the members are committed to the highest standards of behavior and accountability.

Role of the Board

The Board members of SOE are appointed by the President and are responsible for the corporate governance of the SOE as set out in the Board Charter. The Board is the final body responsible for decision making within the SOE and for maintaining the SOE's corporate governance and ethical business practices.

Corporate Governance encompasses the requirement for the Board to discharge such responsibilities, to be accountable to the Legislature through the President, and to other stakeholders for the performance of the SOE, and to ensure that the SOE is compliant with laws and standards.

The Board establishes the strategic objectives of the SOE and monitors management's implementation of strategies to achieve those objectives. It is engaged in ongoing strategic planning in order to ensure the targets are met. It provides an oversight of compliance and risk, it measures and monitors management performance and it sets in place the policy framework within which the SOE operates.

The Board monitors financial results comparing them to budgets and annual plans at the Board meetings.

The Board has delegated components of its powers to subcommittees of the Board, being Audit and Risk Committee and Remuneration Committee. The ambit of these delegations is documented in the subcommittees Terms of Reference and by relevant Board resolutions.

Delegation of Authority

The Board delegates its authority where appropriate to the SOE's management for the day-to-day affairs.

Formal policies and procedures exist that detail the delegated authorities and parameters that the SOE and, in turn, the executive management are able to operate within.

Treasury Policy

The SOE has a Treasury Policy to manage interest rate and foreign exchange risks. The policy approves the use of certain instruments for risk management purposes, and it prohibits any activity that is purely speculative in nature. It also sets out exposure limits, delegated authorities and internal controls.

Board Composition and Membership of the Board

The President appoints non-statutory members of the SOE after consultation with the SOE Board for a term of up to three years and thereafter they may be re-appointed.

The details and background of the members are detailed above. All current members are ordinarily resident in Liberia. The Chairperson is appointed by the President and it is her/his role to manage the Board in the most effective manner and to provide a conduit between the Board and the SOE staff. The Chair has no significant external commitments that conflict with this role. The Board holds an Interests Register in the Board Folder and conflicts of interest are recorded if necessary in the minutes.

Operation of the Board

The Board meets at least monthly on a formal scheduled basis. Key executives attend board meetings by invitation. The MD prepares a report to the Board that includes a summary of the SOE's activities, together with financial reports and financial sector updates. In addition, the Board receives regular briefings on key strategic issues from management, both as part of the regular scheduled Board meetings, and in separate strategic planning sessions.

Members receive induction training primarily involving oral presentations from the MD and all members have a Board Folder containing all Board policies and procedures, the relevant Act, Board timetable and committee Terms of Reference.

Managing Director

The Board is responsible for the evaluation of the MD against her/his key performance criteria and is responsible for the setting of these objectives on a periodic basis and ensuring that they are appropriate measurable targets.

The MD provides financial and risk reports to the Audit and Risk Committee, which meets at least four times a year.

Board Committees

The following standing committees have been established to assist in the execution of the Board's responsibilities. Each of these committees has a charter outlining its responsibilities and objectives.

Audit and Risk Committee:

The Audit and Risk Committee was established in....., and at the end of the financial year comprised

The Audit and Risk Committee is responsible for monitoring the ongoing effectiveness of risk management activities. The Committee monitors trends in the SOE's risk profile and considers how the business manages or mitigates key risk exposures. It implements risk management through its business processes of planning and budgeting, investment of cash and operations management.

The Committee also monitors and oversees the quality of financial reporting and financial management.

In order to achieve this the Committee considers accounting and audit issues and makes recommendations to the Board as required and monitors the role, responsibility and performance of the external auditor. The function of the Audit and Risk Committee is to assist the Board in carrying out its responsibilities under the Associations Law 1977 Section Part 1 Business Corporations Act and on matters relating to accounting practices, policies and controls relevant to the financial position, and to liaise with the external auditor on behalf of the Board.

The Chairperson, MD and Chief Financial Officer attend Committee meetings by invitation as does the external auditor when required.

Remuneration Committee:

The Remuneration Committee was established in July 2010 and at the end of the financial year comprised

The Remuneration Committee's primary purpose is to review board members' meeting fees, the MD's remuneration packages and performance, and the policy for remuneration for senior management. These reviews form the basis of recommendations to the Board.

Conflicts of Interest

If Conflicts of Interest exist in any transaction, then the member declares their conflict of interest and does not exercise their right to vote in respect of such matters. The SOE maintains an Interests Register which is updated at each Board meeting.

Interests Register

The Board Secretary maintains an Interests Register in which the particulars of certain transactions and matters involving members are recorded. The following table summarizes details of entries in the Interests Register made during the financial year.

Board Member	Counterparty	Nature of Interest

Board Members' Remuneration

Board members fees:

The following table summarizes members' remuneration for the year to June 30, 2010

Board Member	Fees	Other Remuneration

Attendance at Board meetings

Board Member	Total Board meetings	Attendance 2009	Attendance 2010	Total committee meetings	Attendance 2010

Directors Indemnity and Insurance

The SOE has Directors' & Officers' Liability Insurance of In the aggregate which commenced in 2009?

5. EXAMPLE OF A LETTER OF APPOINTMENT

Dear [Name]

Appointment as a Board Member

State owned enterprises play a key role in developing the infrastructure of the Liberian economy. Your acceptance of this appointment as an SOE board member will allow you to make a major contribution to the future of Liberia.

This letter sets out the terms of the appointment of your appointment. Please note that this is a contract for services and not a contract of employment.

Duration of Appointment

The appointment is for an initial term of three years commencing on [date]. The term is contingent on your attendance and performance, and in accordance with the Company's constitution and by law.

Directors are typically expected to serve for two three-year terms. However, you may be invited to continue on as a director after that period.

Role of the Board

The Board's role is to represent and promote the interests of the shareholder, being the Republic of Liberia, with a view to adding long-term value to the company. In that capacity, the board directs and supervises the management of the business.

In the normal course of events, day-to-day operations of the company are the responsibility of management. The board focuses on the high level strategy, policies and the corporate governance of the company.

In particular, the board:

- ensures that the company has clear strategic goals and targets, and that there are resources in place for achieving them;
- establishes policies for strengthening the performance of the company, ensuring that management is proactive in seeking to build the business through innovation, initiative, and the development of its business capital;
- monitors the performance of management;
- recommends the appointment of the Managing Director, sets the terms of the MD's employment contract and, where necessary, terminates the MD's employment;
- decides what steps are necessary to protect the company's financial position, ensuring that the company can meet its debts and other obligations when they fall due;
- ensures that the company's financial statements are timely, accurate and fair, and otherwise conform with all relevant laws and reporting requirements;
- ensures that the company complies with all relevant legislation, regulations and codes;
- ensures that the company adheres to high standards of ethical behavior and corporate conduct;
- ensures that the company has appropriate risk management and regulatory compliance policies in place;

- ensures that the Annual Report is submitted to the National Cabinet within four months of the end of the financial year, with complete audited financial statements, including a report on the board's governance responsibilities.

All directors are expected to take decisions objectively and in the best interests of the company, recognizing both the economic and social imperatives of a state owned entity.

All directors, whether statutory or non-statutory, have the same general legal responsibilities.

Timing and Location of Board Meetings

The board normally meets [when?], and holds additional meetings as required. Meetings usually take place [where?]. Typically, the duration of each meeting is [how long?].

In addition to routine Board Meetings, you should allow time for Committee Meetings, preparatory work and travel. Please ensure that you are in a position to make the necessary time commitment.

Remuneration

The Board determines the level of remuneration paid to its Board members within any limitations imposed by the National Cabinet. Currently, you will be paid a basic fee of \$ [amount] per year. This will be paid [when?].

Membership and Chairpersonship of board committees, as well as company events, clearly fall outside the scope of directors' base responsibilities. The extra responsibilities attract supplemental fees. These fees are subject to Board approval on a case-by-case basis.

The company will reimburse you, on submission of receipts, for all direct and indirect expenses, such as telecommunications, accommodation and travelling expenses, reasonably and properly incurred and documented.

Basic and supplemental fees are reviewed annually.

Committee Involvement

Board committees are formed when it is efficient or necessary to facilitate effective decision-making. The Board's present standing committees are Audit Committee, Remuneration Committee. [list].

This letter refers to your appointment as a director of the company. In the event that you are also asked to serve on one or more board committees, this will be addressed by a separate process setting out any supplemental fees payable, and ensuring that you are aware of the committee's terms of reference and the responsibilities involved.

Board and Individual Board Member Assessment Processes

The performances of the board as a whole, its committees and individual directors are evaluated annually. If, in the meantime, there are any matters which cause you concern about your role, you should discuss them with the Chairperson of the board as soon as appropriate.

Outside Interests, Including Directorships

It is accepted and acknowledged that you may have business interests other than those of the company. Please contact the Company Secretary as soon as possible to arrange for your interests as a shareholder, director, officer or trustee of other companies or entities to be entered in the company's Interests Register. The Interests Register is tabled at each board meeting. Please ensure that the Company is kept informed of any changes to your interests so that the Interests Register can be kept up to date.

While holding office, any director is at liberty to accept other board appointments, so long as the appointment is not in conflict with the company's business and does not materially interfere with their performance as a director of the company. All other appointments must first be discussed with the Chairperson before being accepted.

Induction and Development Processes

As soon as practicable, the company will provide a comprehensive induction program aimed at broadening your understanding of the company, its business, and the environment in which it operates. As part of the program you will meet key management and receive a board folder of essential board and company information.

All directors are expected to remain current on how to best discharge their responsibilities as directors of the company, including keeping abreast of changes and trends in economic, political, social, financial and legal climates and governance practices.

Access to Independent Professional Advice

All directors are entitled to obtain independent professional advice relating to the affairs of the company or to their responsibilities as directors. If, in your own case, you consider such advice is necessary, you should first discuss it with the Chairperson. Subject to the prior approval of the Chairperson, the cost of the advice will be reimbursed by the company, but you should ensure, so far as is practicable, that it is reasonable.

Availability of Liability Insurance

The company provides all its directors with, and pays the premiums for, indemnity and insurance cover while acting in their capacities as Directors. The present amount of the cover is \$ [amount].

You are strongly urged to obtain a copy of the relevant policy from the Company Secretary and satisfy yourself as to the suitability and extent of the cover.

Confidentiality

All information acquired during your appointment is confidential to the company. It must not be disclosed to third parties, either during your appointment or following termination (by whatever means), except as permitted by law and with prior clearance from the Chairperson.

Please sign the attached copy of this letter and return it to me.

We look forward to working with you in developing the Republic of Liberia.

Yours sincerely

Office of the President

6. A CHECKLIST FOR WRITERS OF BOARD PAPERS

Well-written board papers can greatly enhance the productivity of board meetings. By encouraging those responsible for preparing board papers and other briefing documents to follow these guidelines, directors can make better decisions, quicker.

Checklist:

- Is it complete?
 - Is there enough information?
 - Can the reader make a decision with confidence?
- Is it relevant?
 - Is all the information relevant or does it include ‘nice to know’ information as well?
 - Is there too much information?
 - Is there enough analysis?
- Is it appropriate?
 - Is there enough supporting information?
 - Is the language suitable, i.e. clear and simple, without too much jargon?
- Is it objective?
 - Are the risks clearly identified?
 - Are opposing views given a fair hearing?
- Is it accurate?
 - Is the financial information complete and accurate?
 - Are fact and opinion clearly differentiated?
 - Does the paper comply with the company’s strategy?
 - If the paper is outside the company’s strategy, are the reasons clearly explained?

(This checklist was developed by Mary Morel, author of **Write to Govern** www.themfactor.com.au and www.writetogovern.com.au.)

7. GUIDELINES: OVERSEEING FINANCIAL REPORTING

Board members are responsible for ensuring that the SOE they govern prepares and publishes the financial reports required by the relevant rules and regulations under which the SOE operates. These can include statements of financial performance, profit and loss accounts, balance sheets, cash flow statements, etc.

While the specific rules and standards that the reports must follow will vary slightly from one jurisdiction to another, the same principles apply ensuring international acceptance of financial reporting. All parties who rely on the reports — and this might include shareholders, funders, bankers, employees, etc — must be able to have full confidence that the financial reports represent a true and fair account of the enterprise.

In practice, financial statements are usually prepared by management, with external auditors and the Board's own audit committee playing an important part in checking management's processes and procedures. However, the ultimate responsibility for the financial statements remain with the SOE's board members.

Board members should have a thorough understanding of the SOE's operations and should be able and prepared to ask hard questions based on their reading of the financial reports.

While, in most jurisdictions, the final decision to appoint an external auditor lies with the SOE's shareholders, board members should strongly encourage an appointment as a further means of ensuring true and fair reporting.

It would be appropriate that an SOEs audit committee be wholly or substantially made up of financially-literate non-statutory board members.

For an SOE of any complexity, it is also good practice for board members to ask the MD to establish an internal audit function. Again, board members should insist that personnel involved in managing the internal audit process are persons of skill and integrity. The internal auditor, although appointed by the MD, reports directly to the chair of the audit committee.

In a well-balanced board, not all of the board members will be accounting experts. However, all of the board members should be financially literate, and all should have an understanding of the concept of 'true and fair view', of generally accepted accounting principles (GAAP) and of the International Accounting Financial Standards (IFRS).

8. BOARD EMPLOYMENT POLICY

The board is the ultimate employer for the organization and must have a clear policy to ensure transparent and equitable treatment of all employees. As such, it has an obligation to ensure that all employees are treated equitably, remuneration is affordable, consistent and fair, and that the workplace is safe in all senses of the word.

The board should develop a **Board Employment Policy** covering:

Leadership and culture, making clear the importance that the organization places on its staff, and requiring management to engage with employees at all levels to create and maintain a productive and rewarding working environment;

Remuneration and recognition, setting out clear policies and practices on pay and other rewards, to support a fair remuneration reflecting the location, the financial status of the SOE and within the country's economic environment.

Recruitment and induction, supporting a transparent employment process based on the best person for the job, regardless of age, sex or ethnicity

Employee development, requiring an equitable approach to developing the organization's people through appropriate training, coaching and mentoring, and demanding performance reviews that are transparent and fair;

Performance reviews, enhancing understanding of expectations of both employee and employer; the board monitors the managing director's performance based on goals set in the strategic plan; the managing director sets targets for management based on the business plan. A professional disciplined approach to performance assessment ensures the board's strategic goals are achieved and people are appropriately rewarded.

Harassment and bullying, setting out a zero-tolerance policy on all form of workplace harassment and bullying, together with a complaints and grievances review process that is fast and fair;

Safe and healthy workplace, requiring the workplace to be physically and psychologically safe for all employees, requiring all employees to be adequately trained and to be able to recognize and deal with potential hazards, including stress-related hazards.

The board should identify key indicators of success or failure in each of the Employment Policy areas and require the managing director to present a situation summary for review at each board meeting. Indicators such as staff turnover, accidents in the workplace, bonuses paid to staff give the board an idea of the employment culture.

9. BOARD SECRETARY EXAMPLE OF A JOB SPECIFICATION

Position:

Board secretary

Reports to:

Board chairperson

Purpose:

- To service the board and ensure that decisions are taken in a timely manner and in accordance with all relevant legal and financial requirements and guidelines
- To assist the chairperson, board members, and the board as a whole, to function effectively in keeping with best practice corporate governance standards
- To support the board in becoming a role model for SOE effective governance, enhancing the reputation of the SOE and contributing to the economic success of Liberia

Strategic goal:

To enhance corporate governance

Scope:

- Supporting [number] board members
- Servicing at least ..x.. board meetings each year, with each meeting requiring at least two days for collation of papers, completing minutes, and planning

Staff Responsibility:

Nil

Budget Accountability:

Board budget line item xxxxx for board members' fees only, travel, accommodation, fuel, catering and venue hire, and professional development for board members

Principal responsibilities:

Board records:

- Taking accurate minutes
- Maintaining electronic records with back-up
- Maintaining the minute book, with minutes signed by chairperson, and ensuring that the minute book is accessible at all times for verification of resolutions

SOE fiscal responsibility:

- Ensuring that the SOE annual budget is submitted to the audit committee early in November and to the board at the November board meeting for approval
- Ensuring that the annual report with financial statements is presented to the Executive Office by March each year
- Submitting the annual financial statements to the auditor by end January each year and ensuring inclusion of the audited financial statements in the SOE annual report
- Submitting previous month's financial report to the board at each regular board meeting
- Monitoring all delegations of authority, both financial and non-financial

Register of interests and board folder:

- Regularly updating the register of interests
- Compiling a board folder for each new board member, and providing regular updates to all board members

Servicing board and committee meetings:

- Delivering quality board papers, concise and informative, at least five working days prior to each board meeting
- Providing a monthly/quarterly management report, summarizing all departmental activity, both financial and non-financial
- Taking minutes at all board meetings and board committee meetings
- Keeping board members fully informed of the date, time and venue for each board meeting,
- Maintaining an up-to-date board schedule/work plan
- Arranging an induction program when new board members are appointed

Best practice corporate governance:

- Keeping board members informed of developments in corporate governance, particularly those relating to the xxx sector
- Ensuring all procedures and decisions comply with all relevant legislation

Strategic and corporate planning:

- Assisting in the development of strategy and the SOE's strategic plan
- Ensuring that the SOE's strategic plan is reviewed at each board meeting, and that progress towards targets is monitored

External relations:

- Keeping key stakeholders informed of any key decisions, as requested by the board
- Liaising with local authorities when the venue for meeting is outside the SOE's offices
- Responding to external stakeholders' enquiries relating to the governance of the SOE
- Liaising with the media on behalf of the chairperson

This summarizes the board secretary's main responsibilities and is not intended to be an exhaustive list.

10. GUIDELINES FOR MINUTES

The board must keep a record of the deliberations and decisions taken at its board and committee meetings. It is important to note that minutes can be used as evidence in court.

The minutes must be prepared by the board secretary within three days after the meeting, checked over by the chairperson, approved at the subsequent board meeting and must be kept in the company archives with the agenda for that meeting.

The Minute Book is the collection of minutes which have been signed by the chairperson after endorsement by the full board at the subsequent meeting. The records of minutes can be kept in paper form and in electronic archives.

At the meeting the chairperson should assume that all board members have read the minutes and seek only any amendments to the minutes. It is inappropriate that the minutes be read out loud.

At a minimum, the minutes must contain the following:

- Location and time of the meeting
- Names of board directors attending
- Names of absent board members
- Names of those invited to attend who are not board members
- Updates for the Register of Interests
- Declarations of any conflicts of interest
- Short description of meeting deliberations under each item of the agenda
- Resolutions with time frame for implementation
- Name of any director who abstains from voting
- Time of concluding the meeting

The chairperson and board secretary are responsible for the accuracy of the minutes.

The minutes must be signed by the chairperson and the board secretary after they have been adopted by the full board at the subsequent meeting. The board is ultimately responsible for ensuring the meeting deliberations are fairly recorded.

The minutes provide only a brief summary of the board meeting, but must be of sufficient detail to ensure those unable to be at the meeting can have a full appreciation of why decisions were taken.

Sufficient detail will avoid members wanting to reopen discussions, and change decisions. Any absent members will understand why and what decisions were taken.

11. MINUTES EXAMPLE

Please Note: Each Board must determine the content and wording that is appropriate for its own enterprise. This is simply an example of what the board minutes **might** look like.

LIBERIA SOE LIMITED
("Company")
MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS
HELD ON TUESDAY 6 JANUARY 2010
AT THE OFFICES OF SOE
COMMENCING AT 10AM

PRESENT:	Board members attending, Note who is chairperson after their name If a board member is late note time of arrival
APOLOGIES:	Board members absent
IN ATTENDANCE:	Those participating in the meeting but not board members, e.g. financial comptroller, external advisers.
BOARD SECRETARY:	Note the name of the person who is recording the minutes.

1. Welcome:

The chairperson commenced the meeting at 10am and welcomed all present.

2. Apologies

The chairperson asked the board to endorse the apologies received and invited board members to state any request for further items on the Agenda.

Resolution: The board endorsed the apology received as Mr. N was out of the country and noted there were no further items for the day's agenda.

3. Register of Interests

The chairperson invited members to declare any conflicts of interests relating to the day's agenda and to update their interests.

Mr. B declared he had a major shareholding in a construction company and that if the board was going to discuss tenders for the new office building, he would remove himself from the meeting.

Ms D asked that her new interest as chairperson of the board of XYZ be added to the Register of Interests.

4. Minutes from 4 December 2009

Resolution: the board approved the minutes from the meeting held on 4 December 2009 with the amendment that Mr. X had left the meeting early.

5. Matters arising Minutes from 4 December 2009

Concern was expressed that the board had asked for an update on the company's car fleet and future plans but this was not in the Managing Directors report. The MD explained that he was waiting on quotes from three car companies and would report fully at the next board meeting in February.

6. Managing Directors Report

The Managing Director reported on (for example)

- Key issues arising since last meeting
- Strategic issues — report on progress against strategic plan targets
- Operational report — product /service delivery, units sold, market trends and share, key risks, trends and risk related issues, staff changes

7. Finance Report

- Profit and loss report
- Cash flow forecast
- Capital expenditure
- Corporate overheads expenditure
- Debtors report
- Loan facilities or donor contributions

Resolution: That the board approves the Financial Statements

8. Business Case for new office facilities

- Description of proposal
- How proposal fits in strategy
- Technical and financial scope
- Financial analysis and source of funds

Resolution: That the board seeks further information about the long term use of this facility and whether the number of offices planned will be sufficient given the company's strategy for strong growth.

9. Board Committees

Resolution: The board endorsed the report from the Audit Committee seeking confirmation from the chair of the committee and the comptroller that the accounts would be ready for the external auditor by the end of January.

Resolution: The board endorsed the report from the Remuneration Committee and asked that a report be provided in July assessing the performance of the Managing Director against the strategic plan targets.

10. Other items

There being no other items, the chairperson closed the meeting at 12.30pm.

12. EXAMPLE OF THE TERMS OF REFERENCE FOR AN AUDIT COMMITTEE

Please Note: Each Board must determine the content and wording that is appropriate for its own enterprise. This is simply an example of what the Terms of Reference for an Audit Committee **might** look like.

Introduction

The Audit Committee is constituted as a statutory committee of [the enterprise] in respect of its statutory duties in terms of Chapter 6 of the Business Corporation Act, and a committee of the Board in respect of all other duties assigned to it by the Board.

The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the Board.

The deliberations of the Committee do not reduce the individual and collective responsibilities of board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their legal obligations.

These terms of reference are subject to the provisions of [the relevant Act or Articles of Incorporation], any other applicable statutory or case law or regulatory provision and the ‘Guidelines on the Appointment and remuneration for members of the Board of Public Corporations or State Owned Enterprises’ of the President of the Republic of Liberia.

Purpose of the terms of reference

The purpose of these terms of reference is to set out the Committee’s role and responsibilities as well as the requirements for its composition and meeting procedures.

Composition of the Committee

The Committee comprises at least three members.

Members of this Committee and its Chairperson are nominated by the Board.

All members of the Committee must be suitably skilled and experienced.

The members of the Committee must collectively have sufficient qualifications and experience to fulfill their duties, including an understanding of the following: financial and sustainability reporting; internal financial controls; external audit process; internal audit process; corporate law; risk management; sustainability issues; information technology

governance as it relates to integrated reporting; and governance processes within (the Company, for the companies, the Authority, for the authorities).

The Chairperson of the board is not eligible to be the Chairperson or a member of the Committee.

The board elects the Chairperson of the Committee.

The board must fill vacancies on the Committee within 40 business days after the vacancy arises.

The Committee members must keep up-to-date with developments affecting the required skill set.

Role

The Committee has an independent role with accountability to both the board and stakeholders.

The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Responsibilities

The Committee has the following specific responsibilities:

The Committee oversees integrated reporting, and in particular the Committee must:

- have regard to all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgments and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
- review the annual financial statements, interim reports, preliminary or provisional result announcements, summarized integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents;
- comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- recommend to the Board whether or not to engage an external assurance provider on material sustainability issues;
- recommend the integrated report for approval by the board;
- consider the frequency for issuing interim results;
- consider whether the external auditor should perform assurance procedures on the interim results;
- review the content of the summarized information for whether it provides a balanced view; and
- engage the external auditors to provide assurance on the summarized financial information.

The Committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee must:

- ensure that the combined assurance received is appropriate to address all the significant risks facing (the Company, for the companies, the Authority, for the authorities); and
- monitor the relationship between the external assurance providers and (the Company, for the companies, the Authority, for the authorities).

The Committee reviews the expertise, resources and experience of the company's finance function, and discloses the results of the review in the integrated report.

The Committee is responsible for overseeing of internal audit, and in particular the Committee must:

- be responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive;
- approve the internal audit plan; and
- ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate.

The Committee is an integral component of the risk management process and specifically the Committee must oversee:

- financial reporting risks;
- internal financial controls;
- fraud risks as it relates to financial reporting; and
- IT risks as it relates to financial reporting.

The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard the Committee must:

- nominate the external auditor for appointment by the shareholders;
- approve the terms of engagement and remuneration for the external audit engagement;
- monitor and report on the independence of the external auditor in the annual financial statements;
- define a policy for non-audit services provided by the external auditor
- approve the contracts for non-audit services to be rendered by the external auditor;
- ensure that there is a process for the audit committee to be informed of any Reportable Irregularities identified and reported by the external auditor; and
- review the quality and effectiveness of the external audit process.

Authority

The Committee acts in accordance with its statutory duties and the delegated authority of the board as recorded in this terms of reference.

It has the power to investigate any activity within the scope of its terms of reference.

The Committee, in the fulfillment of its duties, may call upon the chairmen of the other board committees, any of the executive directors, company officers, company secretary or assurance providers to provide it with information subject to board approved process.

The Committee will have reasonable access to the company's records, facilities and any other resources necessary to discharge its duties and responsibilities subject to following board approved process.

The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.

The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at (the Company, for the companies, the Authority, for the authorities)'s cost, subject to a board approved process being followed.

The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to both the board and the shareholders.

To this end, the Chairperson of the Committee must be present at all annual general meetings.

On all responsibilities delegated to it by the board outside of the statutory duties, the Committee makes recommendations for approval by the board.

Meetings and Procedures

Frequency:

The Committee should hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of two meetings per year.

Meetings in addition to those scheduled may be held at the request of the external auditor, the chief executive officer, chief financial officer, chief audit executive or other members of senior management or at the instance of the board.

The Committee must meet with internal and external auditors at least once a year without management being present.

Attendance:

The chief executive officer, chief financial officer, chief audit executive, representatives from the external auditors, other assurance providers, professional advisors and board members may be in attendance at Committee meetings, but by invitation only and they may not vote.

Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson or company secretary.

The company secretary is the secretary to this Committee.

If the nominated Chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairperson.

Agenda and minutes:

The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.

The annual plan must ensure proper coverage of the matters laid out in the audit committee charter.

The more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.

The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the board and other invitees.

Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.

The minutes must be completed as soon as possible after the meeting and circulated to the Chairperson and members of the Committee for review thereof.

The minutes must be formally approved by the Committee at its next scheduled meeting.

Quorum:

A representative quorum for meetings is a majority of members present.

Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

Evaluation:

The board must conduct an evaluation of the effectiveness of the Committee each year.

Approval of these terms of reference

These terms of reference were approved by the Board on [date] and will be due for review on [date].

13. EXAMPLE OF THE TERMS OF REFERENCE FOR A REMUNERATION COMMITTEE

Please Note: Each Board must determine the content and wording that is appropriate for its own enterprise. This is simply an example of what the Terms of Reference for an Remuneration Committee **might** look like.

Introduction

The Remuneration Committee is constituted as a committee of the Board of directors of [the enterprise].

The duties and responsibilities of the members of the Committee are in addition to those as members of the Board.

The deliberations of the Committee do not reduce the individual and collective responsibilities of board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their statutory obligations.

These terms of reference are subject to the provisions of [the relevant Act or Articles of Incorporation], any other applicable statutory or case law or regulatory provision and the ‘Guidelines on the Appointment and remuneration for members of the Board of Public Corporations or State Owned Enterprises’ of the President of the Republic of Liberia.

Purpose of the terms of reference

The purpose of these terms of reference is to set out the Committee’s role and responsibilities as well as the requirements for its composition and meeting procedures.

Composition

The Committee comprises at least three members.

Members of this Committee and its Chairperson are nominated by the Board.

The members of the Committee as a whole must have sufficient qualifications and experience to fulfill their duties.

Role

The Committee has an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval.

The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The role of the Committee is to assist the board to ensure that:

- [the enterprise] remunerates directors and executives fairly and responsibly; and
- the disclosure of directors and executives remuneration is accurate and transparent.

Responsibilities

The Committee must perform all the functions necessary to fulfill its role as stated afore and including the following:

- Oversee the establishment and implementation of remuneration policies in relation to non-executive directors, executive directors and other executives' remuneration.
- Review the outcomes of the implementation of these policies for whether these policies promote the achievement of strategic objectives and encourage individual performance. The Committee will recommend the necessary improvements to the board in this regard.
- Review the remuneration disclosure to ensure that it is accurate and transparent and provides sufficient forward-looking information for the shareholders to assess the remuneration policy and for passing a special resolution (in terms of the law).

Authority

The Committee acts in terms of the delegated authority of the Board as recorded in these terms of reference.

It has the power to investigate any activity within the scope of its terms of reference.

The Committee, in the fulfillment of its duties, may call upon other board committees, any of the executive directors, officers or company secretary to provide it with information, subject to following a board approved process.

The Committee has reasonable access to the company's records, facilities and any other resources necessary to discharge its duties and responsibilities.

The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.

The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at company's cost, subject to following a board approved process.

The Committee makes the recommendations to the board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.

Meeting procedures

Frequency:

The Committee should hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of two meetings per year.

Meetings in addition to those scheduled may be held at the request of the Managing Director, head of human resources or other members of senior management or at the instance of the board.

The Chairperson of the Committee may meet with the Managing Director, head of human resources and/ or the company secretary prior to a Committee meeting to discuss important issues and agree on the agenda.

Attendance:

The Managing Director, Financial Director, head of human resources or other members of senior management as may be required, assurance providers, professional advisors and board members may be in attendance at Committee meetings, but by invitation only and they may not vote.

Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson or company secretary.

[The enterprise's] Secretary is the secretary to this Committee.

Agenda and minutes:

The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.

The annual plan must ensure proper coverage of the matters laid out in the audit committee charter.

The more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.

The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the board and other invitees.

Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.

The minutes must be completed as soon as possible after the meeting and circulated to the Chairperson and members of the Committee for review thereof.

The minutes must be formally approved by the Committee at its next scheduled meeting.

Quorum:

A representative quorum for meetings is a majority of members present.

Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

Evaluation

The Board must conduct an evaluation of the effectiveness of the Committee every year.

Approval of these Terms of Reference

These terms of reference were approved by the Board on [date] and will be due for review on [date].

14. CODE OF ETHICS AND CODE OF CONDUCT

What is a Code of Ethics?

Code — from the Latin *codex*, meaning a system of laws — is a set of rules describing the prevailing morality of a society, a class, or just about any other group of people.

Ethics is also about rules — the rules of conduct recognized in and by a particular group, society or organization.

There is an overlap in the definitions of the individual words but, as a term, Code of Ethics describes the morally-permissible standards of behavior for all the members of a particular group or organization. A Code of Conduct provides the tasks and approach to ensure compliance with the Code of Ethics.

A Code of Ethics says:

- this is what we, as a group, consider to be morally right;
- this is what we consider to be morally permissible;
- these are the values and principles that guide our actions and our decision-making.

In an organization, a Code of Ethics underpins the organization's corporate culture — the term corporate culture meaning 'the way we do things around here'.

A Code of Ethics can exist without being written down. If a significant majority of a group recognizes and adheres to a set of values and principles, then that constitutes some sort of Code of Ethics. But in the corporate sense, a Code of Ethics is usually something that has been carefully considered by the group, refined by the group, and deliberately communicated throughout the group.

What about a Code of Conduct?

The terms, Code of Conduct and Code of Ethics, are sometimes used as if they were interchangeable. They are not. They are two different though closely-related things.

A Code of Conduct is a set of rules — sometimes written down, sometimes just widely understood — by which an organization is managed and by which members' behavior and performance is measured.

For a Code of Conduct to be effective, it must be based on, and entirely consistent with, the organization's Code of Ethics.

What can a Code of Ethics Contribute?

A carefully-considered, well-crafted Code of Ethics can make a very real difference, both inside and outside the organization.

Internally, a Code of Ethics can strengthen the 'membership' of an organization. By identifying and supporting the values shared by the individuals who make up the organization, the Code of Ethics reminds the members of an organization that 'we're all in this together. It's not me and you, it's us.'

A Code of Ethics can also strengthen the bond between the different layers of an organization. Different people at different levels may have different responsibilities and different degrees of autonomy, but the fundamental values, principles and ethics are the same for all. From the most junior to the most senior, there is just one set of rules.

A Code of Ethics can encourage better decision-making. If the basis on which decisions should be made is understood by everyone, then everyone can make better quality decisions.

In particular, a Code of Ethics enables good quality decisions to be made quicker and at lower levels in the organization.

Externally, a Code of Ethics can help the organization to present a consistent face to the outside world. No matter which part of the organization someone from outside sees, there will be a familiar look and sound.

A Code of Ethics can help to build trust in the organization. Customers, suppliers, distribution partners — even regulators — will soon learn that they can trust the organization to behave consistently from one encounter to another, from one day to another, from one year to another.

A Code of Ethics can help portray the organization as a good citizen — a responsible, dependable member of society.

If the organization is generally seen as responsible and dependable, it is less likely that society will feel the need to use a heavy hand in ‘policing’ it. The application of a Code of Ethics says to society that this is an organization that is capable of substantial self-regulation. Society as a whole — governments in particular — can afford to use a lighter regulatory touch than might otherwise be the case.

In an increasingly-litigious society, a Code of Ethics can help deflect legal challenges — especially challenges based on claims of negligence or unfair discrimination. A Code of Ethics says this is an organization that takes its responsibilities seriously and goes to considerable lengths to ensure that everyone within the organization acts in accordance with high values and sound principles.

What Can't a Code of Ethics Do?

The process of developing a Code of Ethics will inevitably improve the organization — sometimes a little; sometimes a lot. However, simply writing a Code of Ethics will not make an organization something which it is not.

It is the (sometimes-painful process) of developing a Code of Ethics that casts light on some of the reasons why a bad organization is bad. It is then up to the organization's leaders to take steps to remedy the situation.

A Code of Ethics cannot make up for poor governance. A Code of Ethics is an important tool in governing an organization; but it is not a substitute for good governance.

A Code of Ethics will not work if it is applied differently to different parts of the organization. Everyone has to share the same values and follow the same guiding principles.

The Code of Ethics in Use

If the Code is to be of real value, you must not allow it to become frozen in time. You must not allow it to become a record of a moment in history. You need to ensure that it is at the heart of what the organization does on a daily basis.

You need to integrate it into your corporate culture, use it to inform your Code of Conduct, and consider it when we are setting key performance measures.

You need to communicate it again and again.

You need to reward those who comply with the Principles and Behaviors. And you need to encourage those who don't to think again.

Even though it's now a published Code, you still need to review it regularly. Does it still work? Does it still reflect the organization you want to be?

And, when necessary, you must not be afraid to update it.

15. WRITING A CODE OF ETHICS

The process of writing a Code of Ethics is as important as the code itself. The finished product is a document. But the process of producing that document is at least 50 percent of the value.

The key steps in the process are:

- Appoint a Champion, someone who really believes in the idea and has the authority to make it happen. Someone at Board level or a C-level manager is ideal.
- Recruit a Code Team. The team's job is to gather views and act as the 'editorial board'. How many team members you need will depend on the size of your organization. For a small organization, three members might be sufficient. For a large organization, as many as nine or ten members might be required. And whether it's a small team or a larger team, it vital to have team members from throughout the organization.
- Ask everyone in the organization for their input. And everyone means everyone. Don't fall into the trap of just asking senior managers and a few well-known 'deep thinkers'. It can also be useful to get the thoughts of a few outsiders — customers, distribution partners, etc.
- Recruit an Editor, someone who can write simple, straightforward prose, someone who can turn to the distilled wisdom of the many into something that everyone in the organization can read and understand. And make sure your editor is someone who knows how to avoid business speak, legalese and jargon. If we're going to publish the Code in more than one language, you might need a separate Editor for each language.

A suggested Format

There is no right or wrong format for a Code of Ethics. The only test is whether it works for your organization. That said, it does need some sort of logic.

Many organizations find it is a good idea to begin with a **Statement of Intent** — a brief statement of what you are trying to achieve and why.

At some stage it is also a good idea to list the organization's **Core Values**. What are the fundamental values that the whole organization shares? Some will probably border on the obvious; other may require a bit of explanation.

The next level might be your **Ethical Principles**. What are the guiding principles that you apply to your actions and your decision-making?

Following on from the Principles, you will probably want to discuss your **Ethical Behaviors**. What, guided by your Values and Principles, do you actually do? And what, if you are true to your Principles, do you not do?

Finally, you will need a section titled something like **The Code in Practice** that explains how you can make it work for the organization. How should people use it? What should they do if they find something that doesn't quite work? Who should they tell?

Putting it all Together

A Code of Ethics must reflect the Values, Principles and permissible behaviors of the people to whom it applies. So the first step in putting it all together is to ask the members of your group, your organization, what they believe the shared Values are.

What do they think makes the organization what it is? What do they think is important? What do they think the organization gets right? And what do they think the organization (occasionally) gets wrong?

There are various ways of doing this. Peer meetings, self-completion questionnaires (brief), interviews and hotlines (leave a message), can all be useful and most organizations use several methods.

Even in an organization that doesn't yet have a formal Code of Ethics, there are probably many written clues — statements, rules, mottos, etc — to what the organization and its people believe and value. It is useful to ask what these say about your organization.

Having gathered all these views, opinions, statements, etc, the next step is to try and boil them down to just two or three sentences that describe your organization's Values?

Then do the same for the organization's guiding Principles and Behaviors.

At this point you can finally start to draft an initial Code of Ethics. And, even though it's only a draft, you need to get your Editor—or Editors—to make sure that it's as well-written as it possibly can be. You want people to want to read it. And you want people to understand it. Easily. And completely.

Prior to Publishing

With your draft clearly marked as a draft, you can now get as many people as possible to have a look at it and give you their comments. Does it seem 'right' to them? Does it describe values they recognize? What seems right about the draft? And what might need a bit of a tweak?

Armed with the feedback, you can then do a bit of fine tuning before piloting the revised draft at a few workshops. The workshops will give you a measure of the effectiveness of your (still) draft Code of Ethics—and allow you to polish the draft one more time in preparation for publishing it.

Publish and Be Proud

Having a carefully-considered, carefully crafted Code of Ethics is a big deal. Its launch should be a major event. It should be a celebration. And you need to give credit where it's due, and thank everyone for their contributions.

You also need to train everyone in how to use the Code.

You need to encourage feedback. You need people to tell you what works for them. And what (perhaps) doesn't. And, if something doesn't quite work, what ideas do they have for changes?

You need to review the Code regularly. And you need to be prepared to update your Code of Ethics whenever necessary.

16. CONFLICTS OF INTEREST

What is a Conflict of Interest?

A Conflict of Interest arises when a board member, a member of the board member's family, or an enterprise in which the board member has an interest, stands to gain materially from a decision made by the Board. Every board must have an up-to-date Register of Interests to ensure that all potential conflicts are monitored.

In What Circumstance Might a Conflict of Interest Arise?

A Conflict of Interest will arise when the private activities of a board member, or of an enterprise in which the board member has an investment, overlap with the activities of the Company.

For example, if the Company requires engineering expertise and a board member has a financial interest in an engineering business that could supply such expertise, it would be a Conflict of Interest for that board member to be involved in the selection of the supplier. Access to confidential information would give an advantage in the tendering process.

Similarly, it would be a conflict of interest if information provided to the board in confidence was likely to personally benefit a board member, a member of the board member's family or an enterprise in which the board member had an interest.

There may be times when it is entirely appropriate for a board member, or a business in which a board member has an interest, to supply the Company with goods or services. However, in such a case, the process by which the supplier is selected must reassure other Board members that this is in the best interests of the Company.

What Should You Do if You Believe You Have a Conflict of Interest?

If, as a board member, you believe that you, or a member of your family, or an enterprise in which you have an interest, might benefit from a particular Board decision, you must declare a Conflict of Interest.

You must advise the Chairperson as soon as you are aware of a possible conflict. With the Chairperson's consent, you may stay in the room during the discussion the matter, but you must abstain from voting.

Alternatively, you may wish to leave the room, thus ensuring that you do not influence any decision taken. This will also reduce the chances of you becoming aware of information which may give rise to a further Conflict of Interest in the future. Whether or not you remain in the room, the Conflict of Interest should be recorded in the minutes.

17. EXAMPLE OF A DECLARATION OF INTERESTS

To all Board Members

It is accepted and acknowledged that directors may have business interests other than those of the board on which they serve. The Board Secretary arranges for any interests as a board member, officer, consultant or trustee of other companies or entities, or as a shareholder, investor or land owner to be entered in the Board's Register of Interests.

The Register is tabled at every board meeting and an item 'Update Register of Interests' is an early item on the Agenda. All directors must ensure that the Board Secretary is kept informed of any changes to a board member's interests so that the Register of Interests is maintained up to date.

This information would be publicly available through Share Registers, land ownership titles; board reports, etc, however, the Register is only for the use of the board members to ensure that all board members are aware of other members' interests throughout all deliberations of the board.

Any director is, while holding office, at liberty to accept other appointments as long as the appointment is not in conflict with the entity's business and does not materially interfere with their performance as a director on that board and is first discussed with the Chairperson before being accepted. If a new appointment is accepted the director must immediately inform the Board Secretary and the updated Register must be tabled at the next board meeting.

Declaration of Interests

I [name] being a member of the Board of [the enterprise] do solemnly and sincerely declare that:

I consent to my appointment as a board member of [the enterprise]

My personal details are as follows:

Name:

Address of Principal Place of Residence:

Address for written communications (if different from above):

Telephone number:

Email address:

Business Occupation:

Interests in other entities [Any roles as a board member, trustee, partner, employee, or consultant, whether remunerated or not — the name of the entity and the nature of operations]:

Investments exceeding a cumulative value of \$10,000 [name of Company, including holding companies and subsidiary companies, if applicable]:

Real Estate [location of Real Estate in which a beneficial interest is held other than principal place of residence]:

Other than the matters detailed in this Declaration, I have no direct or indirect interests which conflicts or which could conflict with my duty as a board member of an SOE.

I declare that, if any of the matters referred to in this Declaration change, I will execute a further declaration immediately and file it with the Board Secretary.

Declared at [place] this day of 2010

Signature of Board Member:

Signature Board Secretary:

18. REGISTER OF INTERESTS

Example

Liberian Company for Corporate Governance LCCG

NB Imaginary names and companies- demonstration only.

Board Member LCCG	Interest	Position
Elizabeth Elliot	Raj and Miller Law Care Liberia Inc Consolidated Group	Partner Chairman of Board Shareholder
Nelson Morris	Business Printing Ltd Intercon Security World Bank Beever Communication	Owner Board Member Consultant Board Member
Charles White	Global Stationery Safeway Cargo	Managing Director Board Director
Caesar Tubman	Tubman Accounting Services African Trading Centre Monrovia City Council	Partner Chairman of Board Councillor
Joe Sherman	Ocean View Star Hotel Craft House Inc Sasouk Shopping Centre	Owner Investor Board Member
Cameron Rafi	Auto Tyre Services Housing Contractors Ltd R and F Road Enterprises	Shareholder Chairman of Board Managing Director

19. CONFLICT OF INTEREST CHECKLIST FOR BOARD MEMBERS

Do I have a conflict of interest?

- Do I have confidential information which will benefit myself or a family member financially?
- Do I have a particular interest in a product or service which is purchased by the organization?

Key steps for an SOE to minimize conflicts of interest:

- Are all projects tendered in a transparent manner?
- Are products and services obtained at the best value?
- Are all positions in the organization open to all qualified candidates?
- Are all the interests of Board Members recorded in the Register of Interests?
- Is the Register of Interests updated at every regular board meeting?
- Do board members know and understand the rules around declaration of conflicts of interest?

20. LEGAL COMPLIANCE CHECKLIST

This is a first attempt to compile a list of legislation relevant to board members serving on SOE boards. While each board member is not expected to be a legal expert it is important to be aware of all legislation which might impact on the staff or activities of the SOE.

NB It proved difficult to get correct titles and dates. Please treat this as guide only.

1. Public Authorities Law Forestry Development Authority 1976
2. National Forestry Reform Law 2006
3. Liberia Airport Authority Act 2009
4. Civil Aviation Act of 2005
5. Amendment Chapter 6 of the Public Authority Law Creating the National Port Authority
6. An Act Granting Exclusive Rights To The Liberia Petroleum Refining Company(LPRC) For The Importation, Sale And Distribution Of Petroleum And Petroleum Products Within The Republic Of Liberia Approved July 26, 1989.
7. Public Procurement and Concessions Commission Act September 2005
8. New Associations Law of the Republic of Liberia.
9. A Code Of Conduct For All Public Officials And Employees Of The Three Branches Of Government Of Liberia And Parastatal Bodies.
10. National Social Security and Welfare Corporation of the Republic of Liberia Act
11. Revenue Code of Liberia Act of 2000.
12. Natural Resource Act
13. Commercial and Bankruptcy Act
14. Public Finance Management Act 2009

15. Public Finance Regulations 2009
16. Labor Practices Laws of Liberia (Decent Work Act currently being drafted)
17. Environmental Protection Act 2005
18. An act to Repeal the People's Redemption Council-PRC Decree No. 12 of Chapter 44 of the Labor Practices Law of Liberia
19. Whistle Blowing Bill (Not yet Passed)
20. Revenue Code of Liberia 2000 (currently being amended)
21. Public Safety Act/Fire Prevention Code Title 35 (Vol 6) Effective date 1968

21. A GLOSSARY OF FREQUENTLY USED TERMS

Accountability

All board members are accountable to the owners of the entity which they serve. SOE Board Chairmen are accountable to the President . Board members are accountable to the President through the Chair.

SOE Chairmen must keep the Executive Office informed at all times of major expenditure decisions and of any deviation from agreed plans.

Ad Hoc Committee

An ad hoc committee is a board committee convened for a specified short period of time for a specific purpose. For example an ad hoc committee might be set up to consider and oversee the development of a new office building.

Agenda

An agenda is a list of items to be considered at a meeting. Every meeting requires a carefully planned agenda to ensure that objectives are met. An agenda is usually prepared by the Chairperson in consultation with the Managing Director, and should be circulated in advance of the meeting. A well-prepared agenda will set a sound foundation for effective decision making, clear resolutions and succinct minutes.

Allowances and Expenses

Generally, board members should be reimbursed for all direct and indirect expenses. These might include office and secretarial expenses, toll calls, and accommodation and travelling expenses reasonably and properly incurred. Expense claims should be submitted with receipts.

Usually Executive Office Directives prescribe levels of fees and allowances for SOE board members.

Annual Report

All SOEs report to their owners, i.e. the Executive Office. This is usually done at least every twelve months, hence the term Annual Report. Included in the Annual Report are financial statements prepared in accordance with recognized accounting principles, together with other statutory information, including a section on governance detailing amounts earned by board members, attendance at meetings, composition of board committees, etc.

Articles of Incorporation

The original articles of incorporation or any other instrument filed or issued under any statute to form a domestic or foreign corporation, amended, supplemented, corrected or restated

articles of amendment, merger, or consolidation or other instruments filed or issued under a statute or

A special act or charter creating a domestic or foreign corporation as amended supplemented or restated, (Refer Chapter 1 General Provisions Business Corporations Associations Law 1977.)

Audit

An audit is an independent external auditor's opinion as to whether the financial statements present a 'true and fair view'. Financial statements are given an unqualified (clean) opinion or a qualified opinion. A qualified opinion indicates some serious disagreement about the way in which the accounts have been prepared or presented.

The external auditor has a statutory responsibility to report on the truth and fairness of the accounts.

Audits can also be carried out to determine failures of internal control systems or to identify possible fraud. These internal audits are separate from the annual audit opinion.

The legislation will usually state who appoints the auditor, usually it is the Board.

Audit Committee

This is a subcommittee of the Board, which meets at least several times a year, and advises the Board on the accuracy and integrity of the financial statements.

The Audit Committee meets with the External Auditor, and oversees both the external financial reporting procedures and the internal financial systems and controls.

The Internal Auditor reports to the Audit Committee.

Bureau of State Enterprises (BSE)

The BSE was established in 1985 to oversee the performance of state owned enterprises. The BSE was reporting to the EFMC

Casting Vote

When a Board or committee votes on an issue and there are an equal number of votes for and against the motion, the rules or constitution of the SOE may provide for the Chairperson to have an additional casting vote. The casting vote is separate from the Chairperson's right to a deliberative vote as a member of the Board.

Chief Executive (CE) or Chief Executive Officer (CEO)

The chief executive is usually appointed by the Board to manage the organization in accordance with the agreed Strategic Plan or other accountability document. The chief executive is accountable to the Board.

When a chief executive is also a board member and can vote as a board member, he or she is normally called a Managing Director or MD.

The head of a government entity may be known as a Managing Director, or, possibly, by some other title, including Secretary, Commissioner, Director-General, Principal, or Vice Chancellor. The SOEs in Liberia use the term Managing Director

Civil Action

A civil action is a legal proceeding brought by an individual or organization for the recovery of a debt, or to seek damages for a breach of contract.

Code of Conduct

A code of conduct is set of rules of behavior — based on, and consistent with, a code of ethics — to which members of a group or organization are expected to adhere.

Compliance

Compliance is action taken in accordance with a directive, legislation or regulation. Board members can be liable if they do not comply with the legislation governing their particular enterprise or sector.

Conflict of Interest

A Conflict of Interest occurs when a board member, member's family, or an enterprise in which the board member has an interest, stands to gain materially from a decision made by the Board of which the board member is a member.

Board members must at all times act in good faith, both in the interests of the entity, and consistent with the entity's statutory functions.

All organizations should have clear guidelines for dealing with Conflicts of Interest.

Constitution

The Constitution – sometimes called the Rules – provides the rules and regulations for the entity, meeting procedures, annual reporting, terms and conditions of appointment of board members, AGM procedure, etc The contents of a Constitution might also be covered in the By Law or the Articles of Incorporation.

Corporate Governance

Corporate governance is an umbrella term for the issues facing a board of board members in directing and controlling the activities of an organization. Corporate governance has four main aspects: strategy, performance, compliance, and monitoring.

Governance is also used in a more generic sense applying to the governance structures of a country, for example, Parliament and the public service.

Deliberative Vote

A deliberative vote is that name given to a Chairperson's vote as an ordinary member of the Board or committee. See also Casting Vote.

Dissenting Vote

A dissenting vote is a vote cast against a particular proposition.

Dividend

A dividend is a portion of an enterprise's profit that is paid to the shareholders.

In commercial organizations, it is normal for a portion of the after-tax profits to be reinvested in the business. This portion is known as retained earnings. The rest of the profit is distributed to the shareholders in proportion to their shareholding and is known as the dividend.

Due Diligence

Due diligence is the term given to the process by which the prospective purchaser of an enterprise is permitted to review the enterprise's records in order to help establish the enterprise's value to the purchaser.

The term can also be used describe the discussions that take place between a prospective board member and the rest of the Board to determine whether the appointment would be in the best interests of all parties.

EFMC

The Economic and Financial Management Committee was established in 1985 to oversee the economy. The BSE was established at the same time to oversee SOE performance.

Evaluation

An evaluation is a formal process by which the Chairperson, individual members and the Board as a whole are assessed. The purpose of an evaluation is to identify skill gaps and areas for training, and to provide feedback on the appointment process. Boards may choose how they do the evaluation — it may be a self evaluation process led by the Chair or they may choose to bring an independent facilitator to assist with the process.

Executive Director

A board member who is also an employee of the enterprise is known as an executive director. In the SOEs in Liberia, the Managing Director is classified as an executive director.

A director who is not an employee of the enterprise is known as a non-executive director. The Statutory and Non Statutory board members are classified as non-executive directors. If a non-executive director has no material interest in the enterprise, they may also be known as an independent director.

Fiduciary Duty

A fiduciary duty is a legal or ethical relationship of trust between two (or more) parties.

Government

Government means the authority of the Republic of Liberia to administer and control the affairs of State.

Indemnity

Security against damage or loss, legal exemption from penalties etc incurred. A board member may be indemnified or insured by the entity in certain circumstances but not in case of negligence or a criminal act. Refer Section 6.13 Indemnification of Directors and Officers Business Corporations, Associations Law 1977

Induction and Training

Induction is the formal introduction of a newly-appointed board member to their role and includes provision of comprehensive information on the structure, functions, philosophy, facilities, etc, of the enterprise to which they have been appointed. The induction process will also confirm their duties and responsibilities.

Every board member also has an ongoing obligation to develop their skills and knowledge to ensure that they continue to contribute to the successful governance of the enterprise. It is usual for the enterprise to provide training where this is appropriate.

Insurance

Appointees should consider whether Directors' Liability Insurance is necessary and, if appropriate, seek confirmation that it is available through the entity during the due diligence process. Refer Section 6.13 Indemnification of Directors and Officers Business Corporations, Associations Law 1977

Intellectual Property (IP) Rights

Intellectual property or IP refers to creations of the mind. These can be ideas and inventions, literary and artistic works, as well as symbols, names, and designs used in commerce.

IP is often divided into two categories. One category is known as Industrial Property and includes inventions (usually patented), trademarks, industrial designs, etc. The other category is Copyright and includes literary and artistic works such as novels, poems and plays, films, musical works, artistic works such as drawings, paintings, photographs and sculptures, and architectural designs.

Sometimes intellectual property rights (the right to use or exploit a particular piece of intellectual property) are given monetary values in financial statements. For example, the ownership of a patent to manufacture boat anchors of a particular design may be considered a valuable intangible asset.

Legislation

The Executive Office is responsible for determining whether any changes should be made to the basic legislative ‘rules of the game’ under which the entity is established or operates. The President initiates changes by sponsoring legislation into the Legislature. The legislation impacting on entities is wide ranging, for example, the Business Corporations Act, Financial Management Act. It is essential that board members are aware of their legal duties and responsibilities and that the entity has appropriate processes in place to ensure effective compliance at all levels.

Legislature

The Legislature means the Senate and House of Representatives of the Republic.

Liability

Board members are legally bound and answerable for the decisions they take. Board members have rights to receive indemnity and insurance covering board members against all liabilities, defense costs and settlement costs with some exceptions. It is important to seek professional advice. Refer Section 6.13 Indemnification of Directors and Officers Business Corporations, Associations Law 1977

Managing Director

The Managing Director is usually appointed by the Board to manage the organization in accordance with the agreed Strategic Plan or other accountability document. In some SOEs the Managing Directors appointed by the President. The Managing Director is accountable to the Board through the Chairperson.

The head of a state owned entity may also be known as a Chief Executive, Secretary, Commissioner, Director-General, Principal, or Vice Chancellor. The SOEs in Liberia use the term Managing Director

Mandate

A mandate is an authority from someone else or some other body to act. As well as the authority, a mandate usually involves a responsibility.

Non-Judicial Activity

A non-judicial activity is one that does not fall under the jurisdiction of court of law or a legal statute.

Parent Company

A parent company is one that has one or more subsidiaries. Except in very limited circumstances, each subsidiary is a legal entity in its own right, and quite separate from its parent organization.

President

President means and refers to the President of the Republic

Presiding Chair or Chairperson

The Presiding Chair or Chairperson is the person who is chairing the meeting, whether or not they are also Chairperson of the Board.

Probity

Probity, meaning uprightness and honesty, is considered a crucial characteristic for board members. Candidates should consider whether there is anything in their personal histories that may make their candidacy for the board inappropriate.

Quasi-Judicial

Quasi-judicial means ‘as if done by a court of law’. It refers to a non-judge exercising judge-like powers, including examining evidence under oath before making a decision affecting rights, powers, or interests.

Remuneration and Fees

Board member’s fees are set at a level to attract, motivate and retain people of a high caliber who can perform the duties of their board duties to a very high standard and contribute fully to the success of the enterprise. In setting the base fee level, it is also usual to take into account the time that board members will be required to devote to their role, and the size and performance of the enterprise.

It is usual for the Chairperson’s fee to be approximately 200 percent of a Board member’s base fee, and for the Deputy Chairperson’s fee to be approximately 125 percent.

Board member’s fees may be paid daily, monthly, quarterly or annually as determined by the Board..

Board members should also be reimbursed for actual expenses incurred in the course of performing their duties, generally within guidelines set by the Board and on submission of invoices.

The National Cabinet usually sets the fees for SOE board members.

Resolution

A resolution is a formal expression of opinion or intention on which members can vote for or against. Resolutions are normally passed (or not) by a simple majority.

Revenue

Revenue is the gross financial income a trading enterprise derives from sales, during its ordinary course of business.

Except in some special circumstances, where social imperatives over rule, good performing boards will ensure that an enterprise’s revenue exceeds its expenditure.

Senate

The Senate is the Senate of the Republic of Liberia

Shareholders

The owners of the company, for SOEs, it is the Government of Liberia.

SOE — State Owned Enterprise

An entity owned by the Government of Liberia to provide and sell goods and services, can be commercial, non-commercial or regulatory.

Solvency Test

Before an enterprise can enter into certain transactions, including making a distribution to the Government of Liberia, the board members must be satisfied that the enterprise is solvent. This is known as the solvency test. The test does not require the board members to be satisfied that the company is solvent on every day it trades, only when certain actions are proposed.

Solvent

An enterprise is solvent when it is able to meet all its debts as they fall due. If the company cannot meet its debt when it falls due, it may be insolvent.

Special resolution

A special resolution must be passed by a certain percentage of the members present and voting. This is usually defined in the legislation or Articles of Association.

Stakeholders

Stakeholders are people, either internally or externally, who have an interest in the enterprise and its performance. These can include shareholders, customers, clients, employees, landlords, board members, suppliers, contractors, bankers, funders, donors.

Standing committees

Standing committees are set up by the Board and given general authority to consider issues within a particular area as they arise. Audit Committee, Capital Expenditure Committee, and Remuneration Committee are examples.

Standing committees report to the full Board and the Board retains ultimate responsibility.

Statement of Responsibility

A Statement of Responsibility is a notice preceding the formal accounts of an enterprise stating who — normally the Managing Director, Comptroller or Chairperson — accepts responsibility for the form and substance of the accounts.

Succession Planning

It is recognized as sound practice to identify and prepare people to succeed key board members and officers (Chairperson, Managing Director, Comptroller, etc) as their terms come to an end. This ensures that the enterprise continues to operate effectively.

Also, when considering the appointment of new board members, it is important to ensure continuity of necessary skills and provide feedback about board composition to the Executive Office.

Term

A term is the period for which a board member is appointed. Terms will vary depending on the nature and purpose of the enterprise.

State owned board appointments are usually initially for a terms of three years.

Board members should only be appointed for a second term if their skills are still relevant and their performance is sound.

Warrant

A warrant is a formal authorization from a statutory authority, for example, a warrant for a board appointment.

22. CORPORATE GOVERNANCE WEBSITES

- | | |
|--|--|
| 1. Business for Social Responsibility | www.bsr.org |
| 2. Commonwealth Business Council | www.cbc.to/ |
| 3. Corporate Governance Portal | www.corpgov.net/links/links.html |
| 4. COSO Fraudulent Financial Reporting | www.coso.org |
| 5. Council of Institutional Investors, USA | www.cii.org |
| 6. Financial Services Board | www.fsb.co.za |
| 7. Financial Services Authority | www.fsa.uk.gov |
| 8. General Motors Board of Directors | www.gm.com |
| 9. German Code of Corporate Governance | www.gccg.de |
| 10. Global Corporate Governance Forum | www.gcgf.org |
| 11. Global Reporting Initiative | www.globalreporting.org |
| 12. Governance | www.governance.co.uk |
| 13. International Corporate Governance Network | www.icgn.org |
| 14. JSE Securities Exchange South Africa | www.jse.co.za |
| 15. OECD Corporate Governance | www.oecd.org/daf/governance/principles.htm |
| 16. Policy Governance | www.boardgovernance.com/home.htm |
| 17. South African Excellence Foundation (SAEF) | www.saeef.co.za |
| 18. Standard and Poor's | www.standardandpoors.com |
| 19. Sustainability | www.sustainability.com |
| 20. The Corporate Library | www.thecorporatelibrary.com |
| 21. The Directorship Search Group | www.directorship.com |
| 22. Institute of Social and Ethical Accountability | www.accountability.org.uk |
| 23. World Bank Corporate Governance | www.worldbank.org/html/fpd/privatesector/cg/index.htm |
| 24. World Business Council for Sustainable Development | www.wbcsd.ch |

Monitoring Units for State Owned Entities.

1. Crown ownership monitoring unit NZ <http://www.comu.govt.nz/>

“The Crown Ownership Monitoring Unit (COMU) is part of the New Zealand Treasury. It:

- Provides strategic ownership advice to the New Zealand Government on the commercial assets it owns and monitors the performance of those assets;
- Assists with the appointment of directors to Crown company boards;
- Advises shareholding Ministers on performance and governance issues; and
- Works with other monitoring departments and agencies to share good practice and lift performance.

COMU monitors:

- 17 state-owned enterprises;
- Eight Crown research institutes;
- Four Crown financial institutions;
- Air New Zealand Limited;
- Five other Crown companies;
- Some statutory entities; and
- The Crown’s shareholding in a shipping line and four airports.

Collectively and individually, these organizations provide important products and services to and for New Zealanders and make a significant contribution to the national economy and well-being.

2. Shareholders Executive www.shareholderexecutive.gov.uk/

“Our role is to be a proactive, intelligent shareholder, working with government departments and management teams to help government-owned businesses perform better. We advise Ministers and officials on a wide range of shareholder issues including objectives, governance, strategy, performance monitoring, board appointments and remuneration. Our goal is to create a climate of ownership that, while challenging, is genuinely supportive, and provides the framework for its businesses to be successful.”

Director Organisations Providing Professional Development

1. Institute of Directors in South Africa www.iodsa.co.za
2. National Association of Corporate Directors, US www.nacdonline.org
3. New Zealand Institute of Directors www.iod.org.nz/
4. Institute of Directors Kenya www.iodkenya.co.ke
5. Australian Institute of Company Directors www.companydirectors.com.au
6. Institute of Directors UK www.iod.com

For more information, please visit
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