



Boardroom Fundamentals 101

Module 2: The Board's Standing Committees

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BOARD COMMITTEES

- Standing committees include Audit, Compensation, and Nominating and Governance
- All members of the standing committees must be independent
- Boards may delegate certain duties to committees as defined in committee charters
- Committee decisions and deliberations are reported to the full board



BOARD COMMITTEES (CONT.)

Under California law, boards may **NOT** delegate:

- Any action requiring shareholder approval (also under Delaware law)
- Filling of board vacancies
- Fixing of director compensation
- Amending bylaws (also under Delaware law)
- Declaring dividends or other distributions on company shares

AUDIT COMMITTEE RESPONSIBILITIES

- Oversee financial reporting and disclosure
- Approve and oversee external auditor
- Oversee internal audit program and system of internal controls (SOX)
- Monitor accounting policies and practices
- Establish procedures for whistleblower complaints
- Oversee regulatory compliance
- Oversee risk management
- Hire consultants as necessary



COMPENSATION COMMITTEE RESPONSIBILITIES

- Set compensation for the CEO
- Establish performance goals for CEO
- Monitor performance of CEO relative to goals
- Advise CEO on compensation for other executives
- Determine structure of executive compensation, including cash, bonus programs and equity awards
- Hire consultants as necessary



NOMINATING AND GOVERNANCE COMMITTEE RESPONSIBILITIES

- Identify individuals qualified for board service
- Recommend director nominees to be elected at annual shareholders' meeting
- Determine corporate governance guidelines
- Manage board evaluation process
- Review shareholder recommendations for board members



OTHER COMMITTEES

- Besides audit, compensation and nominating/governance, committees may include risk management, technology, corporate responsibility, credit, and asset liability management, depending on industry
- Special committees may also be formed for significant events or transactions, such as mergers and acquisitions, leveraged buyouts, high level investigations and litigation

QUESTIONS?

Contact Linda via email → lindaiannone35@gmail.com

END OF MODULE 2



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