

Time commitment of board members

Position paper

Norges Bank Investment Management position

1. Board members should devote sufficient time to fulfil their responsibilities effectively. Board members of listed companies should not serve on more than five boards at one time.
2. The chairperson is responsible for leading all aspects of the board's work and should devote a significant amount of time to fulfil his or her responsibilities effectively. The chairperson of a leading company should generally not chair the board of another company.
3. Board members should contribute to effective discussions and decision-making by attending all meetings. The company should disclose individual attendance rates and explain any absences.
4. The board is accountable to shareholders for the time commitment of its members. The board should disclose all external board assignments, committee roles and employment, so that shareholders can assess the functioning of the board.

Background

The board is responsible for guiding company strategy, monitoring management performance and providing accountability to shareholders. Ensuring that the board functions effectively is of fundamental importance to shareholders. This position paper considers the relevance of board members' availability and time commitment for the overall effectiveness of the board.

Serving on too many boards can interfere with board members' performance. Disclosure about board memberships and other significant commitments is a key instrument for improving board nominations. Publishing attendance records for individual board members is a way of strengthening confidence in corporate governance.

As a global investor, we observe differences across markets as well as companies. For certain financial institutions in the EU/EEA, board members' time commitments are specified in regulation. The UK corporate governance code recommends against any full-time executive director taking on more than one non-executive directorship in a FTSE 100 company. Some markets require disclosure of attendance rates for board members, and some companies report beyond requirements.

Arguments for the position

Board work requires a significant time commitment

Board members who are not able to prepare for meetings, or take part in them on a regular basis, cannot contribute effectively to the company. The chairperson must also allocate time to interacting with management and shareholders.

The board should have capacity for unexpected events

The board must ensure that its members have availability to handle unexpected events, such as major transactions or critical challenges. This is particularly the case for the chairperson, whose leadership is critical at such times.

Time requirements help manage expectations

Shareholders need to know if the board members they vote on will have the time to contribute. Limits on the number of assignments and requirements for attendance clearly communicate shareholder preferences to the market.

Arguments against the position

Board members can manage their own time

Most board members do not want to overcommit themselves. Nominating bodies typically consider the total workload and attendance rates when preparing their recommendation.

The board benefits from members with experience from other boards

By sitting on many boards, members gather valuable experience and build an extensive network of contacts that can also benefit the board and the company.

Introducing rigid limits is arbitrary and impractical

Any rule on the number of board assignments will be imprecise and not helpful in assessing the effectiveness of the board. The time required to be an effective board member varies significantly by company size and the specific issues at hand.

Norges bank Investment Management considerations

Weighing the arguments, we find that limits on time commitments and expectations for attendance can contribute to board effectiveness.

Shareholders have an obvious interest in boards whose members have enough time to perform the work they were elected to do. Board members should be well prepared for meetings and actively participate in discussions. This requires time and availability, which is why there will always be a limit to how many board roles one person can hold and how board assignments can be combined with employment and other commitments.

A high number of different board roles may indicate to shareholders that a member is not always able to devote sufficient time to the board. We recognise that a simple count of board roles does not always give a complete picture of the availability of a member. Still, we regard such thresholds as useful flags.

This position will serve as a basis for our discussions with company boards.