TOP TAKEAWAYS

Roundtable on the CFO's Interaction With the Board

These are the top takeaways from the roundtable on the **CFO's Interaction With the Board** moderated by Marty Traber and Todd Pfister on November 17, 2011 during the NDI Executive Exchange, a segment of Foley's 2011 National Directors Institute. Featured participants in the roundtable were Wayne Burks, John Sykes, and James Williams. These takeaways reflect the input of audience members in addition to the individuals previously mentioned.

CFO as Information Source/CFO's Communication Function

1. Because the CFO often serves as the main source of information for the Board, the panelists suggested:

   - Providing Board books to the members of the Board well in advance of the Board meeting (preferably ten to fourteen days prior to the Board meeting);
   - Encouraging the members of the Board to review the Board books and communicate with the CFO prior to the Board meeting
   - Providing a holistic overview of the business for the members of the Board
   - Avoiding "information overload" by providing an overview of key business points followed by more detailed information for those members of the Board that prefer a greater level of detail
   - Providing information regarding trends in order to assist the members of the Board in making decisions that will affect the company on a long-term basis
   - Building a rapport with the individual members of the Board, which will assist the CFO in determining the amount, type, and complexity of information to be provided to the members of the Board in preparation for Board meetings and in between Board meetings
   - Gauging the reaction of members of the Board to the amount, type, and complexity of information provided and adjusting the amount, type, and complexity of information provided in accordance with such reactions
   - Understanding that, as the members of the Board change, the amount, type, and complexity of information provided may also need to change

2. In the event that the CFO becomes aware of negative financial results or other information, the CFO should:

   - Brief the members of the Board on such results or information – between Board meetings and/or prior to Board meetings, as applicable – so that the members of the Board do not feel ambushed or surprised
   - To the extent possible, provide the members of the Board with complete and thorough information so that they can appropriately assess such results or information

3. By providing information to the members of the Board regarding the identity of the company's investors/shareholders, the mix of the investor/shareholder base, and changes in the mix of the investor/shareholder base, the CFO can assist the members of the Board in determining which parameters and results are important to investors/shareholders.

Interaction Between the Board, the CFO, and the Internal Financial Team

4. In establishing a strong relationship with the Board, the CFO should consider introducing his/her financial team (including internal auditors and internal control personnel) to the Board. Introducing the financial team to the Board and allowing the members of the financial team to interact with the Board on a regular basis should increase the Board's confidence in, and comfort with, both the CFO and his/her financial team.

Balancing of CFO's Roles

5. As a member of the management team, the CFO is responsible for keeping the company on track and moving toward its established goals. However, in working with the Board, the CFO must be flexible and willing to acknowledge and accept that the path to the company's established goals can change without sacrificing the achievement of such goals.

6. The CFO is responsible for providing the members of the Board with the information they need to make decisions, and the CFO should be in the boardroom when such decisions are made. If the CFO sees that the Board is preparing to make a decision that he/she, as a member of the management team, disagrees with, he/she should share his/her concerns with the members of the Board. However, if the Board does not share his/her concerns and decides to move forward despite his/her concerns, the CFO must respect the Board's decision.

7. As a member of the management team, the CFO works with the CEO on a daily basis to implement the policies set by the Board and to ensure that the company is moving toward its established goals. However, there may be times when the CFO does not necessarily agree with the CEO's proposed plans for implementing such policies and/or moving the company toward such goals. During these times, the role of the CFO as a member of the management team may conflict with the role of the CFO as a trusted information source for the members of the Board – especially if the members of the Board ask for the CFO's honest evaluation of the CEO's proposed plans. In order to retain his/her position as a trusted information source for the members of the Board, the CFO should provide his/her honest evaluation while keeping in mind that he/she must continue to work with the CEO and may be required to assist in the implementation of the proposed plan in the event that the Board approves of the plan. In addition, generally speaking, the CFO should be open with the CEO about his/her discussions with the members of the Board, including, absent special circumstances, copying the CEO on correspondence with the Board.

Building Relationships With Board Members

8. The CFO should maintain an open dialog with the members of the Board – both during Board meetings and between Board meetings.

9. The CFO should make a concerted effort to build strong relationships with the members of the Board. In building these relationships, the CFO should get to know the members of the Board and let the members of the Board get to know him/her.

CFO's Role in Risk Management

10. Under the current regulatory regime, it is important for the CFO to provide the Board with the information it needs to manage risk, including information relating to strategic risk and market risk. The information should be complete and should be discussed with the company's CEO and Chairman prior to presentation to the Board.

Relationship Between the Audit Committee, the Internal Auditors, and the CFO

11. As the responsibilities of the audit committee have increased, the open dialog between the audit committee, the company's internal auditors, and the CFO has become more essential to the proper functioning of the audit committee and the company.

For more information

For more information on the CFO's Interaction With the Board roundtable session, please feel free to contact the moderators directly:

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