Daniel's Perspectives – March 7th, 2018

Why I am *against* penalties for director no-shows

A South African listed small cap business applies relatively small financial penalties for director non-attendance at Board and Board Committee meetings. If a chairman misses a meeting, their penalty is paid to whichever other director chairs that meeting in their absence.

At first it reminded me of my university squash-playing days when my playing partner and I would have to pay the other R10 for any no-shows. It wasn't about money, it was about pride. And it worked well.

I thought about it a bit more. Then I changed my opinion.

A social game of squash is not a profession where the participants are carefully selected for their skills and fairly compensated. In addition, there can be serious real-world consequences to their no-shows at the businesses that they are responsible for overseeing.

As an executive and non-executive director at three companies since 2002, I know that board and committee meetings are agreed well in advance, in many cases a year ahead. Unless I am waylaid by circumstances out of my control, or so sick that I cannot get out of bed, I really have no valid excuse for missing a meeting.

Of course there are exceptions, but almost all directors of listed businesses are adults that take their fiduciary responsibilities seriously. They have earned the right and deserve to be trusted to perform their duties and held to account fully, not punitively penalised or embarrassed with negative financial incentives.

Anyways, attendance in person does not guarantee adequate preparation, paying attention and applying fiduciary care.

Our work continues…

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