National Bank of the Republic of Macedonia
Supervisory Policy Manual

Title: **SR-1** Strategic Risk Management

Date: **FINAL**

Purpose: To set out the approach which the NBRM will adopt in the supervision of licensed institutions' strategic risk, and to provide guidance to licensed institutions on the key elements of effective strategic risk management.

Issue Type: Supervisory Guidance

Supersedes Previous Issue: None

Application: All licensed institutions and supervisory personnel

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1. Introduction

1.1. Definition of Strategic Risk

1.1.1. Strategic risk is the current or prospective risk to earnings and capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to changes in the business environment. This risk is a function of the compatibility of an institution's strategic goals, the business strategies developed and resources employed to achieve strategic goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes.

1.2. Background

1.2.1. The purpose of this Supervisory Guidance is to provide an integrated review of all aspects related to strategic risk management, as well as to provide guidelines for effective implementation of the strategic risk management process by institutions; and its involvement in the overall process of management of all risks the institutions are exposed to in their operations. The provisions of the Banking Law ("Official Gazette of the Republic of Macedonia" no. 63/2000, 37/2002, 51/2003 and 85/2003) and the recommendations of the Basle Committee for Banking Supervision, as well as the experience and the practice of foreign supervisory bodies underlie its preparation.

1.2.2. Institutions must carefully formulate their strategic and business plans, support corporate governance, and arrange to have an internal infrastructure appropriate for effective implementation of their plans. The internal infrastructure includes an understandable organizational structure, quality personnel, meaningful budgeting processes, effective and timely management information systems, and monitoring and control systems that accomplishes the business goals and efficiently manages the affairs of the institution.

1.2.3. Savings houses may, taking into account the nature, complexity and the volume of operations, adequately apply this Supervisor Guidance in their operations.

2. Requirements for Effective Strategic Risk Management

2.1. Elements of an Effective Strategic Risk Management System

2.1.1. The first step in the establishment and the development of an effective strategic risk management system is the creation of adequate conditions for its implementation, including the design and adoption of a strategic risk

management policy; and establishing the duties and responsibilities of management bodies.

2.1.2. The above requirements should be compatible with the nature, the features and the complexity of the institution and the activities it performs, as well as the surrounding market of the institution's operations. Also, an ongoing review of these requirements is necessary so that personnel can adjust to the changes in the institution's operations and changes in market conditions, as well as to adhere to policies and procedures pertaining to strategic risk management.

2.2. Strategic Risk Management Policy

2.2.1. Strategic risk management should be based on an established Strategic Risk Management Policy, which is in compliance with the institution's overall policy of risk management.

2.2.2. The strategic risk management policy should provide general guidelines to strategic risk management. The policy should contain, at least the following:

- Definition of strategic risk;
- Sources of strategic risk (external and internal risk factors);
- Risk mitigation factors to strategic risk;
- Manner of managing strategic risk;
- Institution's accepted tolerance for strategic risk exposure.

2.2.3. Strategic risk is risk that arises from formulation of strategic plans, business plans, and the implementation of plans that are inappropriate and inconsistent with internal and external factors that may negatively affect the institution.

2.2.3.1. A strategic plan is a document reflecting the mission and goal of an institution, generally for a period of three to five years. A good strategic plan must be clear, consistent with goals, flexible, and adjustable to changes in the environment.

2.2.3.2. A strategic plan should contain, at least the following:

- Analysis of the macroeconomic environment in which the institution performs its activities;
- Institutional review including the results of its previous performance, as well as an institution's SWOT[1] analysis if performed;
- Institution's strategic goals and activities;
- Description of the institution's risk management system;
- Mission, goals and operating plans for each of the institution's units /departments and associated companies;

[1] Strengths, Weakness, Opportunities and Threats

- Institution's financial plans for a period of three to five years;
- Institution's quantitative projection of financial statements for a period of three to five years.

2.2.3.3. A business plan is a document specifying the overall operational framework of the institution and supports the successful implementation of a strategic plan. It is a guideline or action plan, consistent with the budget of the institution, for each business unit within the institution. Generally, a business plan is a short-term plan, not exceeding one year, comprising of goals, profit expectations, responsibilities, resources to be used, work time frames, and monitoring criteria for performance.

2.2.4. Strategic risk can arise from two main sources: external and internal risk factors.

2.2.4.1. External risk factors are difficult for the institution to control or that the institution has no control over, and affect or deter the realisation of the goals determined in the strategic plan. Such factors include:

- Competition - a strategic plan and business plan must be in line with current and anticipated future competition. Competitive factors must be taken into consideration in the institution's pricing practices and when developing new products.
- Change of target customers - changes in demographics and consumer profiles may affect the customer base, earnings and capital funding of an institution.
- Technological changes – an institution may face risks from changing technology because its competitors can develop more efficient systems or services at lower costs. The institution should ensure that the level of technology in use is sufficient to retain its customer base.
- Economic factors - global, regional or national economic conditions affect the level of profits of an institution. Thus, continual assessment and monitoring of economic trends and forecasts are needed.
- Regulations – changes in laws and regulations of the supervisor, tax authorities, local authorities and other authorized agencies may affect the implementation of strategic and business plans established to meet the institution's goals; and may require adjustments to the plans in order to ensure compliance.

2.2.4.2. Internal risk factors are controllable by the institution but can affect or deter the implementation of the strategic plan. Such factors include:

- Organizational structure – it is important for the implementation of strategic and business plans, and in meeting overall goals in the most efficient manner, for the institution to establish an understandable organizational structure. An institution should

have an organizational structure consistent with its plans and that prevents conflicts of interest among its directors, managers, shareholders and staff.

- Work processes and procedures – these factors enable timely and accurate implementation of business plans. The Board and Directors should establish responsibilities and clear guidelines, policies and procedures in order to prevent deficiencies in internal controls.
- Personnel – the success of accomplishing strategic and business plans is dependent on the knowledge, experience, and vision of the Board, Directors and staff. The staff should have the necessary expertise and training to conduct their assignments in an efficient and effective manner. Lack of competent and sufficient staff levels can increase risk exposures, impair financial performance and damage the institution's reputation.
- Information - adequate, appropriate, accurate and timely information will provide a clear understanding of the institution and its market place, thereby positively affecting the formulation of strategic and business plans, and management decisions.
- Technology – technology systems should serve and support complex transactions and all customers' needs, as well as maintain the competitiveness and support of new business lines.

2.2.5. Risk mitigation factors help in the implementation of a strategic plan. Such factors include a qualified Board and Directors, adequate preparation of strategic and business plans, quality personnel and their ongoing training, an effective risk management system, adequate access to information, and timely and efficient introduction of new products or services.

2.3. The Role of Management Bodies

2.3.1. The prerequisites for effective implementation of the strategic risk management process are the establishment of a proper organization structure and effective management. The Board and Directors must ensure adherence to the strategic risk management policy and establish clear definitions of the tasks and responsibilities for the institution's staff and organizational units. Additionally, they must establish proper lines of communication between all persons and units involved in strategic risk management.

2.3.2. ***Supervisory Board***

2.3.2.1. The Board is responsible to establish an organizational-wide risk management system. All types of risk must be taken into account during the formulation of strategic plans. The Board should adopt strategic risk management policies, set a time frame for implementation of the strategic plan, and establish a performance evaluation system.

2.3.2.2. The Board has direct duty and responsibility for strategic planning and implementation of the strategic plan. The Board should establish business objectives; and periodically evaluate the success of the institution's strategic and business plans. The plans should be reviewed by the Board, at least once a year, in order to establish consistency between the strategic plan, business plans and various analyses; and to ensure the plans remain appropriate in light of the institution's current and anticipated business environment, resources and financial performance.

2.3.2.3. The Board should be knowledgeable, with a clear understanding of the institution's market, economic and competitive conditions. Board members should maintain their independence in order to properly monitor the activities of Directors in meeting targeted goals.

2.3.2.4. The Board should identify which members of the institution's management team will be in charge of the operational implementation of the strategic risk management process.

2.3.3. ***Risk Management Committee***

2.3.3.1. The Risk Management Committee is responsible for:

- Developing procedures and practices which will ensure the fulfillment of the strategic risk management policy adopted by the Board;
- Monitoring the implementation of strategic and business plans;
- Establishing a suitable reporting system which will ensure timely monitoring of strategic risk exposures, and undertaking measures for the elimination of any possible problems pertaining to external and internal factors, and
- Informing the Board of deviations from strategic and business plans, and giving recommendation for corrective actions.

2.3.4. ***Board of Directors***

2.3.4.1. Directors are responsible for carrying out the institution's activities on a daily basis, in accordance with defined strategic and business goals.

2.3.4.2. Directors are directly responsible for the institution's organizational structure and the maintenance of adequate human resources that are capable of implementing the strategic risk management policy. Directors should organize ongoing training of its employees, in order to improve the institution's performance and fulfillment of its strategic and business plans.

2.3.4.3. Directors are also responsible, either directly or through the establishment of a unit/department, for:

- The operational fulfillment of the strategic risk management policy, including ongoing identification and measurement of strategic risk;
- Carefully analyzing external and internal factors that may affect the proper implementation of the institution's strategic goals or prevent the development of a comprehensive and realistic strategic plan;
- Assessing market conditions especially as it pertains to major changes affecting the institution, such as new product offerings or merger activities;
- Assessing customers' needs by considering demographics, income and customers' behavior in order to better understand the need for new product development and marketing approaches;
- Periodically reviewing environmental changes, competition, and future trends in order to identify strengths, weaknesses, opportunities and threats; and
- Developing plans to change or eliminate exiting initiatives that are not meeting their strategic objectives.

2.3.5. ***Internal Audit Department***

2.3.5.1. The Board and Directors should establish a proper internal control system, including an effective audit function that enables the integration of the strategic risk management process into the institution's overall risk management function. Internal control of strategic risk management should be an integral part of the overall internal control system established throughout the entire organization.

2.3.5.2. The Internal Audit Department should have an active role in ensuring accurate and timely reporting to management bodies on compliance with established strategic risk management policies. The internal audit of strategic risk management should be an integral part of the annual plan of the Internal Audit Department.

2.3.5.3. The Internal Audit Department should, within its scope of operations, include the following aspects of strategic risk management:

- Analyze the implementation of established strategic risk management policies and procedures, particularly from the aspect of fulfilling the goals and plans of each unit/department;
- Analyze the efficiency of those responsible for strategic risk management;
- Review the timeliness and accuracy of the reporting process to management bodies with regards to strategic risk management, and
- Monitor adherence to measures taken to overcome identified deficiencies in strategic risk management.

3. Identification and Measurement of Strategic Risk

3.1. Strategic Planning Process

3.1.1. Identification and measurement of strategic risk can be determined through strategic planning, the preparatory process of a strategic plan and the reasonableness of a strategic plan. An institution's business plan and the preparation process of the business plan should be consistent with the specified strategic plan. Both the strategic plan and the business plan should be consistent with the business scope, complexity, external environment and internal factors of the institution.

3.1.2. If the planning process is not appropriate, the assumptions are not reasonable or the strategic plan is imperfect, the institution may encounter failure, for example in the case of inadequately granting credits. Therefore, an institution should have an appropriate strategic planning process and implementation that includes the following:

- Support and participation of management[2] and staff from various units/departments;
- Adequate information in forming assumptions;
- Consistent business plan and overall objectives;
- Feasible strategic goals, and
- Assessing actual performance against the strategic plan

3.1.3. Management should fully participate and carefully decide on the basis of information that business and strategic plans are feasible and appropriate. Management should ensure good communication and cooperation between all employees and departments involved in the strategic planning process.

3.1.4. Supporting data used in forming assumptions must be reliable and sufficient in order to support an analysis and form reasonable assumptions. It can be data from assessments of economic factors, the position of the institution compared to its competitors, the current competitive environment and future market trends, and customers' needs.

3.1.5. The goal(s) of the business plan should be consistent with the strategic plan and overall objectives of the institution. Formulation of the business plan should also be consistent with allocation of budget and funding sources. For example, when a strategic plan sets to have retail credit growth of 20 percent, the institution may specify a business plan to extend its customer base to a new group of customers, as well as promoting the sale of a new product or using a different pricing strategy to attract customers from competitors. Criteria detailing clear operating time frames for each procedure, and criteria to assess actual performance against the business plan

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[2] Includes persons with special rights and responsibilities

should be established to help evaluate its success. When actual performance deviates from the expected (or planned), the business plan should be adjusted to be consistent with the changing environment or circumstances. For example, if the institution aims to be the leader in the retail credit market, the plan should specify the evaluation method, the market share, number of customers, number of credit applications, survey of customer satisfaction, etc.

3.1.6. The institution should set goals, such as the quality of credits, or debtors, in the credit portfolio, that are consistent with its capacity, potential, current market share, and competitive environment. A strategic plan that sets a goal too broad or has no clear direction can make it difficult to develop a business plan and adequately assess operating performance. For example, it is not enough to determine that an institution's goal in a strategic plan is only to increase income from the previous year, without clearly specifying the marketing goal by type of business.

3.1.7. An institution should periodically evaluate actual performance against the strategic plan in order to monitor and adjust its business plans appropriately and consistently with changes. The evaluation should be measurable, and with adequate frequency. For example, an institution can assess the success of e-banking services by comparing their weekly or monthly targets to the number of users, daily transactions, speed of each transaction, number of errors, etc.

3.2. Business Planning Process and Budget

3.2.1. Directors are responsible for formulating the institution's overall business plan and budget, while each department's duty is to establish a monthly, quarterly or yearly business plan and budget consistent with the overall business plan and budget. The business plan and budget can be accomplished by a top down approach or bottom up approach or a mix of the two.

- The top down approach is a planning process where Directors delegate and allocate appropriate operating targets to each department. The advantage of this approach is that it is convenient in planning and controlling the budget. However, the disadvantage is the overall business plan may not be realistic or consistent with the potential of each department, or it may just be too difficult to implement.
- The bottom up approach is a planning process where business plans and budgets from each department are put together to become the institution's overall business plan. The advantage is each department sets its own target and allocates its own resources with an aim to achieving the strategic plan. The disadvantage is that it is more difficult to apply than the top down approach because there may be shortages of resources in each unit and the business plans and budgets of each department may not be consistent both at the overall and departmental level.

3.2.2. In determining the appropriateness of the strategic planning process, the Board and Directors must review the business plan together with the budget. This will help their understanding of how the plans and budget address future business and other important issues, such as capital adequacy, liquidity, sources and uses of funds, the level and quality of earnings, and management efficiency. The following issues must be considered when assessing the appropriateness of the business plan and budget:

- The Board and Directors should use the budget to forecast and control the institution's overall operation, and assess management efficiency in decision making, planning, and implementing by comparing the budget with actual performance over 4 or 5 years. Obviously, comparing the actual performance with long term projections will differ from comparing actual performance with short term projections, because of the changing environment, i.e. market interest rates, competition, economic factors and other environmental factors. Long term projections should therefore be reviewed at least annually in order to adjust the plan to any changes. The Board and Directors should review the short term projection at least monthly or quarterly. Moreover, management should prepare projections under different assumptions, using different levels of unusual circumstances that are in line with their analysis of economic trends and business experience.
- The business plans and budgets of each department should be consistent with the institution's overall strategic plan and budget. When inconsistency is detected, each unit/department should clarify to Directors the problem and/or difficulty in implementing the plan, as well as alternative measures to meet the plan's expectations.
- Assumptions used in formulating the business plan and budget must be based on reliable, sufficient and updated data, and be consistent with the data used in the strategic planning process. Examples of unreasonable assumptions are a rapid improvement in credit quantity while the economy is in recession; or an improvement in credit quantity while the rate of credit losses or provisioning requirements remain unchanged; or rapid deposit growth while the institution faces more and more intense competition.
- Management should place as much importance on, and allocate sufficient funds for, supporting functions as they do for core functions. The Board and management should continually upgrade the institution's risk management system, information technology system, and regulatory and management reporting capacity.
- The Board should set an employee compensation policy that is appropriate and consistent with attaining actual performance with the established business plan and budget.

4. Strategic Risk Monitoring and Reporting

4.1. Management Information System

4.1.1. The Board and Directors should monitor and report on strategic risk regularly to ensure that the level of risk is acceptable for the institution.

They should receive relevant reports that are accurate and timely, and can be appropriately used in the decision making process.

4.1.2. An effective management information system (MIS) supports the implementation of the strategic plan, through the following:
- Provides, collects, and processes data;
- Reduces operating cost;
- Enhances communication among staff; and
- Generally, supports the strategic goals and direction of the financial institution.

4.1.3. MIS should enable the:
- Identification and measurement of the institution's strategic risk on a daily basis and in strictly determined time periods,
- Generation of data in order to design reports for the needs of the Board, Directors, and all individuals and units involved in the strategic risk management process.
- Generation of data needed to develop a strategic plan, such as the quality of assets, profitability projections, the financial impact of new products, etc.

4.1.4. The effectiveness of risk monitoring depends on the ability to identify and measure all risks, and must be supported by appropriate, accurate and timely MIS or models to help with analysis and decision making. Therefore, management must develop and upgrade its information system to identify and measure risks in an accurate and timely manner, and be consistent with the complexity and diversity of the institution. For example, large institutions with many complex transactions should have a reporting system and risk monitoring system that can measure the overall risk level. In addition, the information technology of large institutions should be able to collect internal data such as financial data and accounting data; and external data such as information on economic conditions, the competition, technology and regulatory requirements.

4.1.5. MIS should ensure timely and continuous monitoring and control of strategic risk, as well as reporting to responsible bodies on the implementation of the strategic risk management process. Accordingly, MIS should provide proper information and data on the institution's business activities, on the basis of which management bodies and the staff involved in strategic risk management can adopt adequate and timely decisions related to the implementation of the strategic and business plans.

4.1.6. Effective MIS must be adequately supportive of objectives, goals, and provisions of the services provided by the institution, be able to timely report in a desirable format, and appropriately specify information access levels (either through an automated system or processing system by staff, or both).

It is very important to appropriately define internal controls to ensure that data is accurate and to prevent errors in retrieving data from many work systems.

4.1.7. The institution must place importance on developing and regularly reviewing MIS, as well as setting a comprehensive policy, an efficient operating framework, and effective procedures. This includes development, maintenance, security, repair or upgrade of the system to maintain high standards. MIS should comprise the five following characteristics:

- Timeliness – institutions should have a reporting system that can provide and distribute timely data to users. The system should be able to efficiently collect data, summarize results, and correct errors promptly.
- Accuracy – internal controls should be in place that check input and output data to ensure an accurate data processing process. Proper internal controls, and inspections and assessments by internal and external auditors must be established.
- Consistency – data collection and processing should be consistent and uniform for comparing performance between business lines, and analyzing data and trends, keeping in mind that reporting procedures and data collection may change over time. The institution should establish written processes and procedures to allow for system changes and should effectively communicate such to all appropriate employees.
- Completeness – reports should be complete, comprehensive and contain pertinent information to allow staff to effectively make decisions or solve problems.
- Relevance – information submitted to the Board and management should be relevant and appropriate, and must always obtain the data necessary for decision making and monitoring.

4.2. Monitoring Reports

4.2.1. To assess the adequacy and appropriateness of risk monitoring and reports, as well the information system of the institution, each business unit must consider the following factors:

- Data and procedures should be appropriate, documented, and regularly tested for consistency;
- Performance reports and communications within an organization should be consistent with the quantity and complexity of transactions;
- Reports are generated in an accurate and timely manner, with sufficient information for assessing trends and the level of risk.

5. Strategic Risk Control

5.1. New Product Review

5.1.1. The Board and Directors must monitor market changes and advancements in technology, to determine new services or products that maintain the institution's competitiveness and allow timely responses to customers' need. Offering new services or products, however, may increase the risk to the

institution if proper considerations are not taken. Therefore, the Board and Directors must carefully formulate a strategic plan for all new products. They should minimize any problems or errors, and closely review the process for introduction of new products or services before initiating.

5.2. Management Succession Plan and Training

5.2.1. In order to effectively fulfill strategic and business plans, an institution should set the following measures:

- Review the performance of Directors and other managers against stated goals at least annually – the review should determine if performance is satisfactory and management is capable of achieving stated goals. The review should consist of both qualitative and quantitative factors, measured against the business plan and budget, share price to book value, market share, competitiveness, and risk level.
- Establish a policy or plan for management succession - the policy or plan should be reviewed at least annually, be consistent with the organizational structure and job descriptions, and cover the necessary training and minimum qualifications for each position, career path, etc.
- Review employment contracts - in the case where there are outside professional managers, consultants, or experts hired to perform special tasks, the appropriateness of employment contracts should be reviewed taking note of the clarity of roles, responsibilities, and performance evaluation and compensation criteria. In this respect, the Board and management should retain the right and authority to make important decisions, as well as evaluate the performance of such persons.
- Monitor and control performance of outsourcing vendors to prevent exploitation of the organization. For example, outsourcing contracts should clearly specify scope, duties and responsibilities; establish a formal rule to cover minimum and acceptable work standards, clear time frames, and a process to evaluate performance against expectations. Such contracts should be reviewed by the legal department in order to determine that the institution has the right to cancel the contract in case of non-compliance with the agreed goals.
- Set compensation guidelines and methods for management - the compensation of management should be appropriate to the financial standing of the institution.
- Set a training plan – the institution should adequately budget for training and retain capable individuals who have the proper knowledge and understanding of personnel administration techniques. These individuals should be responsible for managing training programs and be proficient in arranging training sessions conducted by internal or external speakers, and/or a training institute. Training is an important factor in enabling the institution to develop a qualified staff, which in turn, facilitates successful realization of strategic goals. Training is also a major avenue for communicating the institution's business plans and strategic goals.

6. Supervisory Approach in Assessing Strategic Risk

6.1. Supervisors determine the adequacy and effectiveness of an institution's strategic risk management process and the level of strategic risk exposure. Supervisors, by using qualitative and quantitative evaluation factors, review the work of the institution's strategic management system and determine the direction of institution's strategic risk. Supervisors begin their analysis by identifying the institution's identified sources of strategic risk exposure, areas of potential or high strategic risk exposure, and relevant areas not recently reviewed.

6.2. Supervisors assess the overall strategic and business plans to determine that:

- The overall strategic and business plans are consistent with the main objectives of the organization;
- The business plans, action plans and budgets are consistent with the strategic plan and cover every level of business activity, and that management allocates adequate resources to each department;
- The overall strategic and business plans are clear with regard to goals—both qualitative and quantitative—and the implementation period.

6.3. When reviewing an institution's strategic risk management system, supervisors also consider the following:

- Whether the Board has clearly identified the units or persons responsible for formulating and overseeing the implementation of the strategic plan;
- Whether the strategic plan is formally adopted by the Board and appropriately communicated to shareholders;
- Whether the formulation and implementation of the strategic plan follows specified procedures and timeframes;
- Whether key opportunities and threats to, and the strength and weakness of, the institution are considered in formulating the strategic plan; and whether there is appropriate analysis and market research of changes in current economic conditions and trends;
- Whether there is regular communication throughout the institution during and after the formulation of the strategic plan;
- Whether management is successful in implementing a strategic risk management system;
- Whether an adequate management information system exists throughout the process of strategic risk monitoring and control;
- Whether the organizational structure, personnel, and key business departments support or impede the successful completion of the strategic plan; and
- Whether procedures for introducing new products to the market, management succession planning and the institution's business continuity planning are reasonable.

Appendix A: Examples of Reports for Monitoring Strategic Risk

Information and reports that the Board and/or Directors should receive and review may vary among institutions. Complex institutions require a more comprehensive reporting system to cover important issue. Regardless of size and complexity, useful information and reports for monitoring the accomplishment of strategic plans are as follows:

- Operating performance compared to strategic goals, including a summary narrative of past and current performance; and recommendations as to whether or not to continue with the original plan. Additionally, the report should provide a detailed explanation of reasons for any deviation from strategic goals.
- Comparative balance sheet and profit/loss statement on a monthly, quarterly, and year-on-year basis; including explanations of the reasons for significant variances from growth and income/expense projections.
- Monthly statements of changes in capital funds and reserves, including explanations for significant variances from projections.
- Reports on economic, competition and technological changes that may affect implementation of the institution’s strategic plan and/or disrupt business activities;
- Reports on the introduction of new products or services; assessing their effects on risk exposures.
- Information on the business plans and budgets of each department, as well as detailed explanations for deviations from the institution’s strategic goals, established business practices and procedures.
- Summary reports on risk positions including current and expected risk exposures; and adherence to risk management guidelines.
- Audit reports that specify recommendations to prevent deficiencies. The review of audit reports and any actions taken should be reflected in the minutes of Board or delegated committees’ meetings, and Directors’ meetings.