



A Guide to Understanding the Fundamental Concepts of Governance for Scrum Alliance, Inc.

INTRODUCTION

This document describes the requirements and expectations of the Board of Directors of Scrum Alliance, made up of members appointed by the Board itself and members elected by the membership at large. Responsibilities and expectations apply equally to all Directors. In addition, this document includes a description of responsibilities unique to the Board and the Chief Executive Officer (“CEO”), as well as a visual representation of the areas of overlap. **If, at any time, this guide conflicts with the Bylaws, the Bylaws shall prevail. Capitalized terms used but not defined herein shall have the meaning given to them in the Bylaws.**

Scrum Alliance is a nonprofit professional membership and certification organization in the Agile community dedicated to transforming the world of work. Our vision is to guide and inspire individuals, leaders, and organizations with practices, principles, and values that create workplaces that are joyful, prosperous, and sustainable.

ROLE OF THE BOARD





As Scrum Alliance's ultimate decision making body, the Board of Directors has an oversight role (overseeing management on behalf of stakeholders), an advisory role (advising management) and setting the long term strategic direction (which leads us toward our vision). This role and responsibilities, which are detailed later in this document, are fulfilled with limited involvement in every-day operations of Scrum Alliance. NACD's (National Association of Corporate Directors) founding president, John Nash, coined the term "nose in, fingers out" (NIFO) to capture this important distinction between observation and advice, versus action. By contrast, members of management are full-time company employees whose main responsibility is to operate the company.

BOARD COMPOSITION AND TERMS

The Board is made up of a minimum of 9 members. Of these:

- At least five are appointed by the Board (referred to as "Board Elected Directors," or "BED").
- Three are elected by the membership of the organization (referred to as "SCM Directors" — SCM standing for "Scrum Certified Members").
- One is the CEO.

All Directors are voting members of the Board, including the CEO. Each Director must report to the Audit and Finance Committee any material conflict of interest. In accordance with Article 8 of the Bylaws, the Board has the authority and responsibility to determine whether a conflict of interest exists with respect to any Director.

A quorum of the Board consists of a majority of Directors then in office. Except as otherwise provided in the Bylaws, in the Articles of Incorporation, or by law, no business shall be considered by the Board at any meeting at which a quorum is not present.

The Term of each Director begins on January 1 following the date on which the incoming Director is elected. No Director shall serve for more than two consecutive three-year terms, though individuals may be again appointed as a Director after a break in service of at least one year. Board terms are staggered to provide continuity. The Board shall have the authority to take whatever action is necessary to implement and preserve the system of staggered terms, including, but not limited to, the authority to set the initial term of any Director to one, two, or three years.



The officers, including the CEO, shall be elected by the Board. The Chair and Vice-Chair must be current Directors (new directors not eligible). The Secretary, Treasurer, Assistant Secretary, Assistant Treasurer, and individuals filling such other offices as the Board may from time to time create are not required to be Directors (new directors eligible).

DIRECTOR INDEPENDENCE

In accordance with the Bylaws, a majority of the Directors of the Board and all of its Committees must be Independent Directors (as that term is defined in the Bylaws). An Independent Director shall be a Director who:

- Has been determined to be independent by the Nominating Committee in accordance with the Bylaws; and
- Does not satisfy any of the situations described in Section 3.16(A) through Section 3.16(I).

CONFLICT OF INTEREST

Scrum Alliance remains committed to the highest levels of ethics and integrity in Board governance. Each Board member is required to read and acknowledge understanding by signing the Scrum Alliance Conflict of Interest Policy.

Any Director, officer, or member of a committee with Board-delegated powers who has a direct or indirect Financial Interest or has an Immediate Family Member or Affiliate who has a direct or indirect Financial Interest is required to disclose the appropriate information to the Audit and Finance Committee, and the Board has the authority to determine whether a conflict exists.

TIME COMMITMENT

(a) Minimum Commitment

The Board is expected to meet at least four times annually and as many additional times as necessary to effectively carry out the Board's duties.

Number of hours for Directors: 280–300 hours per year
Number of additional hours for Board Chair: 200 hours per year

(b) Committee Work

Each Committee is governed by a Committee Charter that dictates the number of required meetings per year.

Number of hours for Committee Chair: 100 hours per year



I. **Board Committees**

The Board maintains committees to provide necessary governance, as listed below. Needs and composition of both the Board and Committees for the upcoming year are discussed during the last Board meeting of the current year to ensure that important needs of the organization and Board will be met.

Chairs govern the activities of their respective committees, which consist of the following:

- Executive Committee
- Human Resources and Compensation Committee
- Nominating Committee
- Audit and Finance Committee

(c) Professional Development / Mandatory Trainings

Directors are required to complete training as approved by the Board. Mandatory courses are offered through the National Association of Corporate Directors ("NACD") and as many additional courses as deemed necessary by the Board. NACD membership is covered by SAI.

Number of hours for training: 20 hours per year

COMPENSATION AND REIMBURSEMENT

Directors may be compensated for their services so long as such compensation is reasonable.

Directors will be reimbursed for expenses related to Board Meeting travel and for any expenses related to any Scrum Alliance-sponsored event (Global and Regional Gatherings, Coaching Retreats, and other similar events), provided that all expenses are recorded and submitted per the Director Expense Policy.

EVALUATION OF THE BOARD

All current and potential board members are evaluated based on a matrix of competencies. The assessed competencies include:

- Accounting & Financial
- Agile Transformation & Change



- Management Experience
- Enterprise Leadership
- Board Governance/Compliance
- Human Resources and Compensation
- International Work Experience
- Business Knowledge
- Legal & Risk
- Strategic Planning
- Technology & Digitization Experience
- Board Work Experience
- Commitment (ie Time)
- Membership Community Experience

BOARD & CEO RESPONSIBILITIES AND AUTHORITIES

Responsibilities of the Board of Directors

The Board is responsible for the stewardship of the Corporation, which includes providing effective, independent leadership, supervising the management team of the Corporation (the **"Management"**), and overseeing the Corporation's business and affairs. In furtherance of this role, the Board will:

1. Develop and set the strategic direction of the Corporation.
2. Act in the best interests of the Corporation and the Corporation's Members and other stakeholders.
3. Adopt a strategic planning process and, at least annually, approve a strategic plan for the Corporation, taking into account the opportunities and risks of the Corporation's business and affairs (the **"Strategic Plan"**).
4. At least annually, approve an annual operating plan for the Corporation, including business plans, operational requirements, organizational structure, staffing, and budgets that support the Strategic Plan (the **"Annual Operating Plan"**).



5. Monitor the Corporation's performance in light of the approved Strategic Plan and the Annual Operating Plan.
6. Establish the values, vision, mission, Strategic Plan, and Annual Operating Plan of the Corporation in conjunction with the CEO.
7. Receive input from each Committee regarding each Committee's responsibilities and powers and modifications to the same.
8. Consider and, in the Board's discretion, approve (as appropriate) any matters recommended by a Committee and receive reports of any Committee pursuant to the various charters governing each Committee, including but not limited to the following matters:
 - a) Selecting, hiring, and terminating the CEO, as appropriate.
 - b) Approving the corporate objectives of the CEO and assessing CEO performance relative to those objectives.
 - c) Implementing a succession plan.
 - d) Evaluating potential deviations from the Code of Conduct and Code of Ethics (as such terms are defined in the Bylaws).
 - e) Responding to potential conflict of interests.
 - f) Approving the compensation of Management and compensation programs for the Corporation's employees.
 - g) Ensuring that the Corporation's governance practices and policies are appropriately disclosed to the Corporation's Members and other stakeholders.
 - h) Approving changes to (i) any governance-related document, including this Charter, the Code of Conduct, the Code of Ethics, and the Corporation's policies on Director attendance; (ii) any Charter; (iii) any Position Description; and (iv) the composition of the Board or any Committee.
 - i) Appointing Directors who possess the appropriate competencies and skills to the following Committees: the Audit and Finance Committee (the "**Audit Committee**"), the Executive Committee, the Compensation and Human Resources Committee, and the Nominating Committee (the "**Nominating Committee**"), each of which shall be comprised of a majority of Independent Directors.
 - j) Annually, appointing an Independent Director as the Chair of the Board.



- k) Appointing the Chair and, unless the Committee is authorized to appoint the Vice-Chairs, the Vice-Chair of each Committee.
 - l) Monitoring the integrity of the CEO and Management and ensuring that they create a culture of exemplary business practices throughout the Corporation.
 - m) Annually determining whether (i) the individual Audit Committee members possess or are seeking to develop financial literacy or expertise; and (ii) the Audit Committee has made all appropriate disclosures to the Board and any regulatory or governmental authority.
 - n) Reviewing the circumstances of any Director's material change in employment or health status and taking appropriate action related to such change.
 - o) Ensuring that policies and procedures are in place to: (i) identify the Corporation's principal financial and nonfinancial risks and opportunities, address acceptable risks to the Corporation, and ensure that appropriate systems and internal controls are in place to manage the risks; (ii) maintain the integrity of the Corporation's internal control over financial and nonfinancial reporting; and (iii) maintain appropriate auditing and accounting principles and practices.
9. Consider and, in the Board's discretion, approve any matters proposed by Management.
10. Foster ethical and responsible decision making by Management.
11. Establish ethical guidelines for the Corporation, the Board, and Management.
12. Establish policies and procedures that provide for the Corporation's compliance with applicable law, including timely disclosure of relevant information and regulatory reporting.
13. Communicate with, and make appropriate disclosures to, regulatory and governmental authorities, the Members, and other stakeholders of the Corporation, with respect to material public announcements and news releases.



14. Adopt measures for receiving feedback from Members and other stakeholders of the Corporation.
15. Adopt, review, and make changes to an external communications policy for the Corporation, as the Board deems advisable.
16. Determine the appropriate delegation of authority to the CEO and Management.
17. Delegate to any Committee any appropriate powers of the Board.
18. Create any additional Committee and appoint Directors thereto or disband any standing Committee, as the Board in its discretion deems necessary or desirable.
19. Participate in, receive, and consider the annual evaluation of the performance of the Board by the Nominating Committee and the recommendations from the Nominating Committee on the results of such annual performance evaluation.
20. At each regularly scheduled meeting of the Board, receive a report from the CEO on matters currently relevant to the Corporation.
21. Consider and act upon requests for financial commitments beyond those that fall within the authority delegated to the CEO and other Management.
22. Oversee the development and implementation of the Director orientation and Director education programs with guidance from the Nominating Committee.
23. Meet at the following intervals and in the following manners:
 - a) At least four (4) times annually and as many additional times as necessary to effectively carry out the Board's duties.
 - b) At each regularly scheduled meeting of the Board, meet in separate, non-Management, executive sessions.
 - c) As necessary or appropriate, meet in separate, non-Management, closed sessions with any internal personnel or outside advisors.
 - d) If there is a matter that needs to be discussed among the Independent Directors, those Directors shall meet in a



separate, non-Management, executive session to discuss such matters.

24. Unless specifically delegated to a Committee in that Committee's charter, retain, oversee, compensate, and terminate, as necessary, independent advisors to assist the Board in its responsibilities.
25. Establish classes of membership and the characteristics of such classes of membership in accordance with the Corporation's policy.

Responsibilities of the CEO

The CEO takes a leadership and oversight role for the management of the Corporation (the "**Management**") and works to foster ethical and responsible decision making by the Management, and help the Corporation develop best-in-class corporate governance practices in accordance with the policies of the Corporation.

The CEO of the Corporation will:

1. Provide leadership and vision to manage the Corporation in the best interests of the organization, including its Members and other stakeholders.
2. Provide leadership in setting and achieving the values, vision, mission, Strategic Plan, and Annual Operating Plan of the Corporation, in conjunction with the Board of Directors or the Corporation (the "**Board**").
3. Take all reasonable efforts to achieve the Strategic Plan of the Corporation and operate in a reliable, safe, ethical, and socially responsible manner.
4. Be a community leader, and ensure that the Corporation makes and keeps appropriate commitments to the well-being and improvement of the communities in which it operates.
5. Serve as the external spokesperson and principal liaison for the Corporation, including communicating the Corporation's values, vision, and mission to and effectively managing relations with the Corporation's



suppliers, customers, communities in which the Corporation operates, the media, and other external stakeholders.

6. Provide leadership to Management in support of the Corporation's commitment to corporate social responsibility and ethical and responsible decision making.
7. Set the ethical tone for the Corporation and its Management, including overseeing the administration and implementation of, and compliance with, the Corporation's policies and procedures; creating a culture of integrity among the CEO and the Management; and taking reasonable steps to keep the Board informed with regard to the same.
8. Take all reasonable steps to comply with the Code of Ethics and Code of Conduct (as those terms are defined in the Bylaws).
9. Communicate regularly with the Chair of the Board (the "**Chair**") and other Directors to ensure that (i) all matters that require the Board's attention are promptly brought before the Board, and (ii) the Directors are provided with information necessary to fulfill their responsibilities and statutory obligations.
10. Assist the Nominating Committee (the "**Nominating Committee**") and Corporate Secretary or Secretary's designee (the "**Secretary**") in developing an orientation program for new Directors and a continuing education program for incumbent Directors.
11. With the Treasurer ("**Treasurer**"), develop proper systems to identify and manage principal financial and nonfinancial risks, including policies and procedures related to internal controls over financial reporting, and ensure that such risks are acceptable to the Corporation and are within the guidelines established by the Executive Committee, the Audit and Finance Committee, the Compensation and Human Resources Committee (the "**Comp Committee**"), the Nominating Committee, any other Committee, and the Board.
12. Ensure, with the Treasurer, the accuracy, completeness, integrity, and appropriate disclosure of the Corporation's financial statements and other financial and nonfinancial information through appropriate policies and procedures.



13. Take the lead in ensuring that the Corporation has complied with all regulatory requirements for the Corporation's financial and nonfinancial information, reporting, disclosure requirements, and internal controls over reporting and principal risks.
14. With the Audit Committee, the Treasurer, and other members of Management, as needed, ensure appropriate, accurate, and timely disclosure of material information to regulators and appropriate stakeholders.
15. Ensure (i) the development of a Strategic Plan for the Corporation to fulfill its mission and vision; (ii) the development of an Annual Operating Plan, including business plans, operational requirements, organizational structure, staffing, and budgets that support the Strategic Plan; and (iii) the recommendation of each of the same to the Board for review, and, in the Board's discretion, approval.
16. Ensure the implementation of the Strategic Plan and Annual Operating Plan; report to the Board in a timely manner on progress of, and deviations from, the Strategic Plan and Annual Operating Plan or any parameters established by the Board; and direct and monitor the activities and resources of the Corporation, consistent with the strategic direction, financial limits, and operating objectives approved by the Board.
17. Provide general supervision and management of the day-to-day affairs of the Corporation within the guidelines established by the Board and the Board's expectations of Management, consistent with decisions requiring prior approval of the Board under the Bylaws or the policies and procedures of the Corporation; and ensure that appropriate policies and procedures of the Corporation are developed, maintained, and disclosed.
18. With the Comp Committee and the Board, ensure that the Corporation has an effective Management team, that the Board has regular exposure to Management team members, and that there exists an effective plan of succession and development for the CEO and Management.
19. Recommend appointments to Management, monitor performance of Management, and provide feedback and training as appropriate.
20. With the Comp Committee and the Board, participate in developing annual CEO personal and corporate goals and objectives aligned with the



Corporation's values, vision, mission, Strategic Plan, and Annual Operating Plan, as well as indicators to measure the CEO performance; and present them to the Board for review and, in the Board's discretion, approval.

21. Ensure that an annual evaluation of CEO performance is conducted by the Comp Committee and the Board.

Once or more annually, as the Executive Committee decides, this Position Description will be fully evaluated and updates recommended to the Board for consideration, and the CEO will participate with the Nominating Committee and the Secretary in such tasks.