



**American
Red Cross**

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Red Cross Board Votes to Transform Governance

Organization Will Seek an Amendment to Congressional Charter, Last Modified in 1947

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WASHINGTON, Monday, October 30, 2006 — The American Red Cross Board of Governors unanimously approved a series of recommendations for transformational changes in an effort to modernize its 60-year-old governance structure, and to enhance the Board's ability to support the critical mission of the Red Cross in the 21st Century.

Earlier this year, the Board charged its Governance Committee to conduct a thorough self-examination and comprehensive review of its governance practices. Calling upon some of the country's most prominent governance authorities, the Committee actively sought outside expertise and independent advice to assist in its analysis and examination of best-in-class governance for both nonprofit and for-profit corporations.

This six-month long governance review involved more than 100 interviews of non-profit sector governance leaders, scholars, government officials, past and present Red Cross board members and officers, management, volunteer chapter leaders, donors and others who have observed and worked with the Red Cross.

While some of the proposed changes can be implemented administratively through management, the Red Cross looks forward to working with members of Congress and the White House in the coming weeks to enact the following changes to its Congressional Charter:

- To focus the Board's role on governance and strategic oversight, explicitly delegating to management the responsibilities for day-to-day operations.
- To reduce its size by more than half to between 12 and 20 members by March 31, 2012, given its revised function.
- To create a single category of Governors, eliminating the distinction between how members are selected.
- To transition seven of the Presidentially-appointed Governors into a newly created Cabinet Council that will be advisory in function.

Additionally, the Board charged management with improving and expanding awareness of the organization's "whistleblower" process among Red Cross employees and volunteers.

"On behalf of the entire Board of Governors, we are deeply grateful for the outstanding support of our Independent Governance Advisory Panel. Under the able leadership of the Panel's chair, Karen Hastie-Williams, this panel generously donated their time to assist the American Red Cross with this collaborative and transformational undertaking. This panel represents substantial governance expertise in both the for-profit and nonprofit sectors," said Bonnie McElveen-Hunter, Chairman, American Red

Cross. The Board was also aided by independent counsel Gibson, Dunn & Crutcher LLP.

"We are also thankful to the members of both the House and Senate for encouraging and supporting our efforts, especially Chairman Grassley for his thoughtful suggestions and numerous contributions to this process," continued McElveen-Hunter.

On Thursday, November 2, the American Red Cross will post on its Website the report of the Board of Governors entitled, "American Red Cross Governance for the 21st Century." For more information, please visit www.redcross.org, or contact Carrie Martin at (202) 303-4459, martinc@usa.redcross.org.

Members of the Independent Governance Advisory Panel include the following individuals:

Karen Hastie Williams, Panel Chairman, retired partner in the Washington, D.C., law firm of Crowell & Moring LLP and member of the boards of the NAACP Legal Defense and Education Fund, Amherst College and the Federal National Mortgage Association Foundation.

Peter Clapman, CEO of Governance for Owners USA, Inc., the former Senior Vice President and Chief Counsel for Corporate Governance at TIAA-CREF and the Executive Director of the Pace Law School Directors Institute.

Charles Elson, Edgar S. Woolard, Jr., Chair in Corporate Governance and Director of the John L. Weinberg Center for Corporate Governance at the University of Delaware.

Margaret M. Foran, Senior Vice President-Corporate Governance, Associate General Counsel and Corporate Secretary of Pfizer Inc.

Jay W. Lorsch, the Louis E. Kirstein Professor of Human Relations at the Harvard Business School and Faculty Chairman of the Harvard Business School's Global Corporate Governance Initiative.

Patricia McGuire, President of Trinity University in Washington, D.C.

Paul Neuhauser, Professor Emeritus at The University of Iowa College of Law, where he teaches in the area of corporate law.

The American Red Cross has helped people mobilize to help their neighbors for 125 years. Last year, victims of a record 72,883 disasters, most of them fires, turned to the nearly 1 million volunteers and 35,000 employees of the Red Cross for help and hope. Through more than 800 locally supported chapters, more than 15 million people each year gain the skills they need to prepare for and respond to emergencies in their homes, communities and world. Almost 4 million people give blood—the gift of life—through the Red Cross, making it the largest supplier of blood and blood products in the United States. The Red Cross helps thousands of U.S. service members separated from their families by military duty stay connected. As part of the International Red Cross and Red Crescent Movement, a global network of more than 180 national societies, the Red Cross helps restore hope and dignity to the world's most vulnerable people. An average of 91 cents of every dollar the Red Cross spends is invested in humanitarian services and programs. The Red Cross is not a government agency; it relies on donations of time, money, and blood to do its work.

- End -

TRANSFORMING RED CROSS GOVERNANCE

Summary of Red Cross Board Actions

Focused Board Role: The Board of Governors will focus solely on governance and strategic oversight of the Red Cross.

Reduced Board Size: The size of the Board will be reduced substantially—from 50 members to a minimum of 12 members and a maximum of 20 members. Legislation will be sought to implement the reduction in size as soon as possible but no later than 2012.

Simplified Board Structure: The Board will have one category of members, to be selected through an improved nominating process and approved by the full Board of Governors and all elected by delegates to the Red Cross annual meeting. The Chairman will continue to be appointed by the President.

Advisory councils to Sustain Critical Relationships with Government and Chartered Units: A "Cabinet Council" composed of senior governmental officials appointed by the President will provide the Board of Governors with critical governmental input and support. A "National Leadership Council" will channel important input from the field to management.

Clarified responsibilities of Chairman and Chief Executive Officer: Consistent with best

governance practices, the respective responsibilities of the Chairman and Chief Executive Officer will be clarified. The Chairman will no longer be the principal officer of the corporation.

Streamlined Board Committee Structure: Several committees will be eliminated and Board committee structure will be revised to improve efficiency and effectiveness.

- The Executive Committee will have a reduced role in light of the smaller Board size.
- A re-constituted Governance and Board Development Committee will handle Board nominations in addition to other governance matters.
- The former Biomedical Services Committee will focus on oversight of management's regulatory compliance as the "Quality and Regulatory Compliance Committee."

Improved Compliance:

- Whistleblower processes will be publicized more widely among Red Cross employees, volunteers and others, and will be audited periodically. The appointment of an ombudsman will be considered.
- The General Counsel will be designated as the chief compliance officer.
- The Chief Audit Executive will report to the Audit Committee and administratively to the CEO. Recruitment of a chief audit executive, responsible for internal audit functions, will be pursued vigorously.

