

Financial Conduct Authority

Review of Board Effectiveness

In June 2015, the Board of the FCA commissioned Boardroom Review Limited to undertake a review of its effectiveness. The review was conducted between June and October 2015 and the outcome considered by the Board at its meetings in October and December 2015.

In its response¹ to the report of the Treasury Committee into the Press Briefing of the FCA's Business Plan for 2014/15, the FCA undertook to publish the results of this effectiveness review (the 2015 Review) and the report produced by Boardroom Review is published today in accordance with this undertaking.

The 2015 Review highlighted many strengths of the Board and contained a number of recommendations to enhance its effectiveness. The Board accepts all the recommendations and where necessary is taking steps to implement them. Of the recommendations, six will require new arrangements to be established, 24 will entail a refinement to existing arrangements, 11 are already in progress and one will be considered further once the new Board members currently being recruited have taken up their positions.

In 2014, the Board commissioned Independent Audit Limited to undertake a review of its effectiveness (the 2014 Review). The Board has now decided, in the interest of completeness and transparency, also to publish the 2014 Review today.

The Board intends to commission further external reviews of its effectiveness on a biennial (every two years) basis.

¹ ["Press Briefing of the FCA's Business Plan for 2014/15: FCA Response to the Committee's Thirteenth Report of Session 2014-15"](#) Published 12 October 2015

Boardroom Review Limited

Financial Conduct Authority (FCA) 2015

Board Effectiveness : An Independent Evaluation

DISCUSSION DOCUMENT¹

OCTOBER 2015

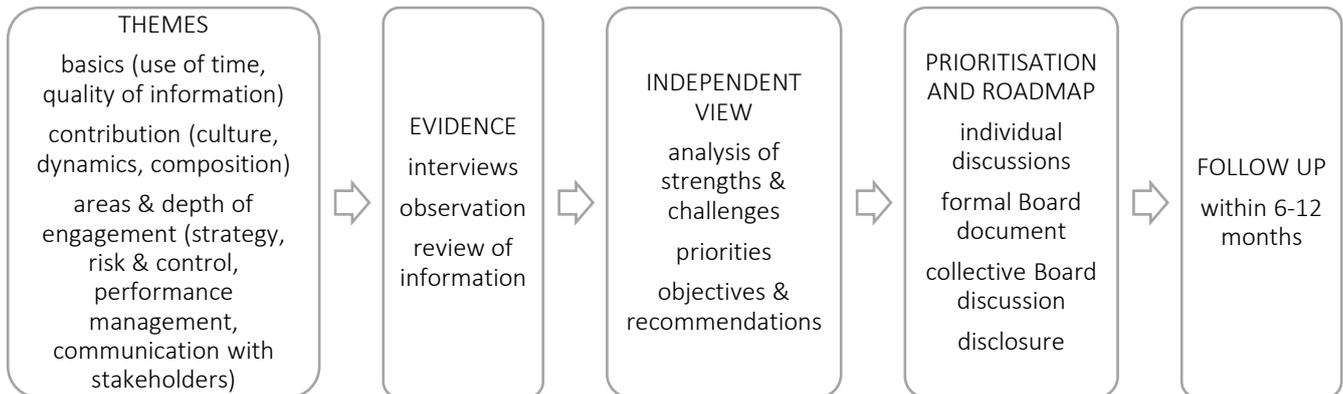
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1. APPROACH

This external evaluation, which was commissioned in June 2015, and conducted between June and October, offers an independent view of the Board's effectiveness, and provides a roadmap for its development. It encourages the Board to optimise its contribution to the success of the organisation, and add value beyond the legal requirements, by building on existing strengths, agreeing the challenges ahead, and preparing for the future².

The methodology, illustrated below, has been designed to provoke an exchange of ideas and opinions between the reviewer and the directors during the evaluation, and a constructive dialogue which the Board can continue following its conclusion³.



Whilst recognising the importance of a customised approach, and the particular circumstances at the FCA, the evaluation draws on examples of thought leadership, best practice, and lessons learned from an international portfolio of work over ten years.

DISCUSSION DOCUMENT

This discussion document is intended to provoke dialogue between the reviewer and the directors, and contains analysis, personal opinion, and recommendations. The document is limited in its coverage; it does not include individual feedback, or direct comparisons with Boardroom Review's portfolio, which will be discussed in person.

SUMMARY

The FCA Board is new, and its composition is changing. There are many strengths; Board processes, such as the rhythm of the meetings across the year, are efficient, and the information is high quality. The Chairman is establishing a collaborative and open culture, directors are engaged and committed, and the Board is adding value. The Board is focused on many of the right issues, including policy and strategy, risk and control, and people.

However, there are a number of challenges, against which recommendations have been made to increase the Board's effectiveness, and improve the quality of its debate and decision making, in preparation for the future. These include the management of stakeholders, Board composition planning, maintaining the effectiveness of internal audit, the focus on resource allocation, attention to corporate culture, executive development and succession, the balance and prioritisation of the Board and Committee agendas, and the inclusion of NED/CEO sessions.

I would like to thank all the directors and their colleagues, who gave their time generously to this evaluation. Dr Tracy Long, Boardroom Review Limited

² The review is a snapshot in time, and does not attempt to explain historical context.

³ All participants are referred to as directors in this discussion document to protect anonymity.

STRENGTHS, CHALLENGES, OBJECTIVES AND RECOMMENDATIONS

BOARD CONTRIBUTION

QUALITY OF CHAIRMANSHIP

STRENGTHS The Chairman is described by all directors as inclusive, efficient, and committed. He is commended for his ability to summarise complex issues and decisions, to listen to the views of others without colouring the tone, to drive decision making, to form relationships with executives and NEDs, and to set the Boardroom tone. During July's Board meeting he led many of the discussions with questions and comments, and asked specifically for NED input on relevant topics; this is important given their number and complexity. He is supportive of the executives and NEDs, quick to praise high quality work, and to thank individuals for their commitment.

CHALLENGE : STAKEHOLDER MANAGEMENT

Like most regulators, the FCA has a complex and demanding stakeholder landscape, which requires careful interpretation and management; the landscape is populated with powerful personalities and strong opinions, and is subject to conflicting and changing agendas (noted by all directors). It is also the subject of intense public scrutiny and media comment.

Although constituted as an independent regulator, and following the UK's Corporate Governance Code in many respects, Board powers are limited, and its remit is defined by Government; this has a significant impact on the role and influence of the Board. External interventions, which can put pressure on the Chairman, and/or bypass the Chairman and the Board entirely, can have dramatic effects on the organisation. All directors are aware that the political landscape is particularly difficult to manage. Recent interventions by HM Treasury and other bodies have raised questions from directors regarding the Board's independence.

The Chairman's role, alongside the CEO and with the assistance of the SID, is to interpret and manage this landscape effectively, by balancing internal and external demands, gathering intelligence, and building confidence within the Board, ExCo and stakeholders. However, this role is demanding, and difficult to execute.

BOARD OBJECTIVE The Chairman's role is externally facing, described in the Handbook⁴ as national and international representation, accountability and communication, and profile raising. His management of the key stakeholder relationships, and his ability to gather intelligence and balance agendas, is critical. This demands significant time, experience, and protocol, in order to build trust and understanding internally and externally, create an environment conducive for success, and avoid unnecessary surprises.

RECOMMENDATIONS

- The Board needs to discuss and map its stakeholder priorities, and agree an engagement plan for the Chairman and CEO.
- The SID can play a vital role in supporting and advising the Chairman in the management of these relationships through:
 - Relevant stakeholder experience and knowledge.
 - Development of the formal annual (rather than twice a year) evaluation process for the Chairman by the SID, with themes for the discussion agreed by the Board.

⁴ Corporate Governance of the Financial Conduct Authority 2013 (Handbook)

- Board succession is a key role for any Board, and although the candidacy (and timing) is not within the Board's remit or control, the processes can be refined and improved over time (see Board Composition).
 - The spec for the Chairman should be designed and refined over time to incorporate relevant knowledge, experience and credibility with stakeholders. A conversation between the SID and the NEDs individually and collectively to agree and refine the Chairman's scope/spec for the future, and map skills, competencies and behaviours (both Company and role specific), would be helpful.
 - Ideally the brief for the next SID should include, inter alia, experience and seniority in this or a similar landscape (politics, Government, Treasury).
- The Chairman and the Board need a clear and aligned view on the interpretation of the role and independence of the Board, which can then be translated for stakeholders, in order to increase understanding.
- The Chairman already spends significant time with stakeholders; his feedback to the NED-only session and/or the Board at the beginning of the meeting will lead to an improved Board knowledge and confidence.

BOARD CULTURE

STRENGTHS The Board environment, which is new, is described as open, purposeful and committed; ExCo has a positive view of the Board, and NEDs are uninhibited and forthright in their debate. There is a shared purpose, a good balance of constructive challenge and support, and high levels of mutual respect. The Board's reaction to external interventions such as the Davis Inquiry, and more recently the demand for CEO succession, have positively developed the team dynamics and collegiality (noted by all directors). July's Board meeting illustrated the courage and capability to raise high quality questions, and pursue lines of enquiry.

CHALLENGE : BOARD COMPOSITION PLANNING

The Board is new. All directors noted that its composition represents a relevant, broad and diverse range of skills and perspectives, with a mix of longer serving and new directors, diversity of thoughts, and a staggered tenure plan. During July's Board meeting, NEDs drew on relevant portfolio experience in order to contextualise issues.

HOWEVER The Board's composition is changing fast. Over the next year three NEDs will retire from the Board (all with senior roles, and with deep consumer experience). In addition, there will be a new CEO, alongside newly appointed executives. With regard to its composition and leadership, the Board has no powers. There is no NomCo, and the Board is required to make representations to HM Treasury and the Secretary of State on its balance and composition in order to ensure adequate succession, and to plan succession for executive Board members and senior staff.

Given the nature and frequency of external interventions, and the importance of the role of the Board, it is critical that good governance and best practice is embedded into composition planning. With regard to skills and experience, directors identified the need for, inter alia, deep Board and operating experience, political awareness, consumer markets, banking, and SME, during the review.

In addition, there are governance requirements, such as the experience necessary to be the SID, Chair of the AuditCo, External Risk & Strategy Committee (RiskCo), and RemCo, and the need to operate with stakeholder legitimacy and credibility. Interestingly political awareness/experience, and specific qualities related to the role of the SID, are not included in the current NED recruitment spec.

Currently the skills matrix has limited use, and is focused on sector/divisional competencies. It does not identify, inter alia, the need for Board/ExCo experience, strategy, organisational change, stakeholder engagement, or technology, and there is no reference to required behaviours or culture.

BOARD OBJECTIVE The Board should be as influential as possible in the debate with HMT and BIS about its own composition and tenure, to ensure that the composition of the Board is aligned with the future of the organisation, and that it is fit for purpose, can add value, and can constructively challenge.

RECOMMENDATIONS

- The Board should form a NomCo, to be chaired by the Board chair, and to include all the NEDs (even though the composition of the Board is not within their gift).
- The Board/NomCo should dedicate time to reviewing and refining the skills matrix and refreshment plan, in order to align its composition with the future of the organisation, and ensure that there is enough domain expertise. The matrix should highlight the need for diversity of thought and experience within the skillset, the appropriate mix of generalists and specialists, and the desired behaviours.
- The Board/NomCo should decide not just what NEDs bring, but also how they bring it (behaviour and culture); this is particularly important when planning the future composition of the Board post 2016 retirements, and the value in the contribution and challenge that the current Committee Chairs are bringing.
- The role of the SID should be defined, and reviewed over time.
- Internal consultation between NEDs, ExCo and HR, and external consultation with executive search consultants (preferably on a strategic rather than transactional basis), should be incorporated.
- Evaluation processes should be developed further to improve the Board's contribution (it is noted that they are already in place). A formal evaluation process for the Chairman (conducted by the SID) and for the NEDs (conducted by the Chairman), with agreed themes, will shape the impact that directors can make. It will also inform and guide the Board's refreshment and succession planning, and legitimise its consultation with stakeholders.

BOARD AREAS AND DEPTH OF ENGAGEMENT STRATEGY, RISK AND CONTROL

ENGAGEMENT WITH STRATEGY

STRENGTHS Inter alia, the role of the Board is described as making decisions which affect future operations⁵. The strategic framework is set by statute; the statutory objectives are clearly established, interpreted by the Board, and executed by ExCo. There is consistent messaging, and shared views within the Board about interpretation, and identification of future challenges (noted by all directors).

Board engagement with strategy is suitably high level, given its remit. There is meaningful involvement resulting from discussions about alternatives and choices, which are presented by ExCo throughout the year, and at the awayday, and the NEDs receive high quality information on product, and increasingly, sector (through Common Views).

Strategic engagement is facilitated by an open Board and ExCo culture, led by the Chairman and CEO. There is meaningful and diverse NED involvement and contribution to complex topics such as regulatory style and social policy (illustrated during July's meetings).

The diverse composition of the Board (including both generalists and specialists), the pre-briefings, and the Panels (Consumer, Practitioner, Smaller Business and Markets Practitioner), help to provide regular sources of information.

The Board has held two annual awaydays. Directors note their value in addressing both internal and external landscapes, allowing time for deep dives into specialist areas, and interacting with ExCo and below in order to build knowledge and relationships. The Board also spends time discussing international benchmarks and reputation.

⁵ Corporate Governance of the Financial Conduct Authority 2013 (Handbook)

ENGAGEMENT WITH RISK AND CONTROL

STRENGTHS There are strengths in the risk and control framework, with established Committees, good exposure to key executives, regular risk reviews, and committed Committee Chairs. There are visible risk mechanisms; proper attention is paid to the three lines of defence, and external reviews on the quality of process and reporting are commissioned. There is a high quality of debate within the committees, and a positive relationship with the external auditors.

The AuditCo Chair is described as committed and engaged, with appropriate attention to detail, and good feedback to the Board. The Chairman attends every meeting, and the AuditCo and RiskCo Chairs attend both committees. The RiskCo is an important Committee within the risk and control framework, with a forward looking agenda, high quality information on projects and panels, and a series of deep dives with members of ExCo. There is a unified view between the Board and ExCo on the approach to managing risk; a common language is being developed, with attention to communication, and a newly appointed CRO to strengthen the team.

CHALLENGE : MAINTAINING THE EFFECTIVENESS OF INTERNAL AUDIT

Thus far, the quality of internal audit has been commended by the Board and the AuditCo, respected for its planning cycle and its leadership, and described as thoughtful, robust and independent.

HOWEVER The Board has agreed to publish the reports externally, which may impact this line of defence⁶. Internal audit treads a delicate balance between the need for executive trust, transparency and cooperation, the ability to provide assurance by remaining independent, objective and constructively critical, and the legitimacy to facilitate change and provide advice.

Public exposure of past and present internal audit reports, the lack of confidentiality, and the fear of retribution, may compromise Internal Audit's ability to maintain this balance (see Corporate Culture), inhibiting the quality of assurance it has provided in the past, and demanding increased time from the AuditCo (demonstrated during the September meeting).

BOARD OBJECTIVE The effectiveness of Internal Audit is dependent on the trust, respect and confidence of all its internal stakeholders, including staff, ExCo, AuditCo, and the Board. The Board will need to mitigate possible negative effects and unintended consequences of the recent change to its modus operandi.

RECOMMENDATIONS As a priority, the Board and AuditCo should discuss and agree how to maintain the current effectiveness of Internal Audit as a line of defence, taking into account:

- The impact of external reporting on organisational culture and the management of risk, with particular regard to the transparency and early escalation of issues, and the ability to admit mistakes.
- The Internal Audit team's use of time; this may become increasingly inefficient, given the focus on reporting rather than on collaborative improvement (noted in September's meeting).
- The use of AuditCo time on the review of individual reports, which may reduce its ability to focus on priorities.
- The ability to recruit into the Internal audit team.
- The skill and experience base of Internal Audit with regard to reporting⁷.
- The balance of the co-sourced arrangement (currently a combination of an internal team and an external provider).
- The need for clear internal protocols between the Internal Audit team and the organisation, which mirrors the principles and responsibilities of an external auditor or outsourced provider.

⁶ The principle of confidentiality is outlined in the Chartered Institute of Internal Auditors' Code of Ethics⁵, which states, "internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so".

⁷ Internal auditors are trained to report within the governance structure; the role includes evaluating and improving governance, risk management and control processes, and advising, coaching and facilitating, without undermining the responsibility of management. External auditors have a different skill and experience base. They have the professional skills and rigour developed for external scrutiny, and they are independent, reporting outside of the governance structure to external stakeholders, with no responsibility for internal improvements.

CHALLENGE : THE REMIT OF RISKCO

BOARD OBJECTIVE The breadth and depth of the FCA's changing remit has led to a risk-based approach (see Allocation of Resource), which demands constant review. The RiskCo Chair retires from the Board in 2015, with internal succession. This presents an opportunity for the Board to review the RiskCo and AuditCo forward agendas, and their areas of focus, in order to improve its processes and oversight.

RECOMMENDATIONS

- The appetite for risk⁸, defined by one director as 'the process of prioritisation', has not yet been finalised (noted by all directors, and discussed in July's Board and September's AuditCo). In addition to the technical definition, either the AuditCo or RiskCo's attention should be focused on the appetite for, and management of, organisational risk (see Corporate Culture). The development of a common language when describing this is helpful.
- The risk register is evolving. In order to increase its value, the Committee should review its length, its priorities (for example, political change is not on the list), and the timing of its review by the Board as well the Committee. In order to be meaningful for NEDs, the register should have no more than the top ten organisational risks.
- External advice in specialist areas and increasingly important areas of risk, such as digital (including cyber), consumer behaviour, geo-politics, and international regulation, should be agreed by the Board and included as deep dives in the Board's induction programme throughout the year.
- It may also be necessary to prioritise deep dives into those areas of risk currently covered by Internal Audit, in order to mitigate the effect of weaker challenge and/or limited collaboration with the third line of defence.
- RiskCo has an important agenda; there should be an open door policy for all NEDs, and visibility of the forward agenda.

CHALLENGE : THE ALLOCATION OF RESOURCE

The role of the Board is described as setting the strategic aims, and ensuring that the necessary financial and human resources are in place to meet the statutory objectives. However, as the remit changes⁹, the Board's definition of success changes with it (noted by all directors). This influences the options for interpretation and execution, which have a significant impact on proportionality and the allocation of limited resource. Directors are aware of the importance of resource allocation. Success is difficult to measure (noted by all directors).

BOARD OBJECTIVE The Board should have a shared view on the allocation of resource needed to interpret and deliver the statutory objectives.

RECOMMENDATIONS

- Engagement with these complex topics demands significant time. Currently options for the allocation of resource are debated mainly within ExCo (it is noted that this debate is prioritised in the Board awaydays).
- The Board and ExCo may want an additional dedicated strategic awayday following the appointment of the new CEO and before November 2016.
- There are a number of topics to be discussed in parallel; these include, inter alia, the Board's approach to proportionality, the role of the organisation in social policy and justice, and its investment in operations, including IT and access to data.
- It is important that the Board decides how and when to measure success, particularly with regard to organisational strengths and challenges, matched against priorities.

⁸ The amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives. Chartered Institute of Internal Auditors 2015

⁹ For example, consumer credit.

PEOPLE

STRENGTHS The role of the Board includes the review of management performance¹⁰. The Board is engaged with people; there is good exposure to ExCo at the Board and its Committees, through presentations and projects, clear objectives and tasks for ExCo, and development plans.

All directors are aware that a successful transformation from the FSA to the FCA is dependent on a tangible change of organisational culture. The previous regime is described as silo-orientated and defensive, and unlike the PRA, the FCA did not have the advantage of changing its location. There has been an effort to reconstruct the culture through teamwork (including the development of house views) and improved levels of openness. The current culture is described as professional, purposeful and increasingly collegiate. There is a mix of existing and newly appointed executives, described as engaged and with a good understanding of values, and staff survey results are improving.

The approach to remuneration is described as straightforward and disciplined, and aligned with stakeholder interests (noted by all directors); executive attitudes, and the organisational culture, is pragmatic, and there is consistent messaging. The RemCo is well chaired, with attention to evidence gathering and benchmarking, high quality HR (noted by all directors), and third party advice.

CHALLENGE : ALIGNMENT BETWEEN CULTURE AND STRATEGY

Directors acknowledge that recent interventions (Davis, TSC, HM Treasury), and levels of public scrutiny and criticism have impacted negatively on culture and morale, influencing executive cautiousness, levels of defensiveness, and the willingness to escalate issues and learn from mistakes, as well as, potentially, attracting and retaining talent. During September's AuditCo, one director noted that the biggest risk for the Board is the current level of organisational change.

BOARD OBJECTIVE The effectiveness of the Board, and the success of the organisation, is dependent on the alignment between organisational culture and strategy. The Board should ensure that there is an open and transparent culture, which encourages leadership and communication, and has clear boundaries with regard to accountability and responsibility.

RECOMMENDATIONS

- It takes time for an organisation and its leaders to align themselves in a clear direction and work together effectively. The strategy will need to be translated into specific capabilities and behaviours in order to deliver the right results. Directors should discuss the values, behaviours, principles, and team dynamics, and their translation, at the Board, and within CEO/NED and NED-only meetings.
- CEO leadership is important; the Board should understand how the new CEO intends to model new behaviours, communicate corporate values and attitudes, and develop the culture (particularly within a team composed of both permanent and temporary or acting members). This should be built into the CEO brief and recruitment process.
- Effective management of stakeholder relationships and reputation has a key role to play in providing a constructive and motivating environment (see Stakeholder Management).
- On-boarding for ExCo as well as NEDs is essential in order to align ExCo/NED expectations and modus operandi. This will create a shared view regarding the role of the Board and the Committees, the need for openness and transparency with regard to information and communication, and the necessary resilience to external scrutiny and pressure.

CHALLENGE : EXCO DEVELOPMENT AND SUCCESSION

Following recent events, there is now an acting CEO, a new ExCo team in place, and an ongoing CEO succession process. This combination presents risks (noted by all directors), exacerbated by high levels of delegated judgements to the ExCo and below ExCo.

¹⁰Corporate Governance of the Financial Conduct Authority 2013 (Handbook)

Historically, the Board has not had good visibility of HR or executive development planning; ExCo succession is not on its agenda, and feedback from RemCo is limited. Furthermore, although there has been a CEO evaluation process in place, the CEO's objectives exclude fundamental criteria, such as the relationship with the Chairman and the Board, or the effectiveness of shaping reputation and relationships with stakeholders, and managing public scrutiny.

BOARD OBJECTIVE The Board should be focused on leadership, and ensure that talent is fit for purpose.

RECOMMENDATIONS

- In the Board's annual reviews of the talent pipeline and diversity, succession and development plans, it would be helpful to review the key (internal and external) competencies needed, with increased visibility of HR, and higher quality information. This is important given the NED dependence on individual executive competencies and organisational abilities.
- The Chairman and CEO should ensure good visibility of key leaders by the Board and Committees through presentations, projects and off-sites, including dinners and awaydays.
- The CEO appraisal process by the Chairman is critical. Over the next year it should be used to create a shared view on CEO/organisational performance, to align views on the CEO's leadership, effectiveness and personal development needs, and to provide honest and open feedback.
 - It would be helpful for the Board to agree the key themes for the appraisal and refine the objectives.
 - The SID should become part of the feedback process in order to broaden perspective, and all Board members should be aware of the outcomes.
- RemCo feedback to the Board on the philosophy and approach to remuneration and leadership development should increase.
- It would be helpful for the RemCo Chair to engage directly with external stakeholders with regard to remuneration and leadership development (see Stakeholder Management).
- Exit interviews with retiring ExCo members by the Chairman will provide useful evidence with regard to the importance of remuneration and leadership development over other motivators.

GOVERNANCE

FORWARD AGENDA AND INFORMATION

STRENGTHS Both the organisation and the Board are relatively new, and the rhythm of meetings across the year is important. Currently there is a healthy mix of formal and informal time, including Board and Committee meetings, pre-Board briefings (commended by all directors for their breadth and depth), occasional NED-only meetings, and dinners with external speakers (also valued by directors for building relationships and sharing perspectives). Directors are active outside of the formal meeting cycle, facilitated by an efficient secretariat, and an open culture within ExCo.

The Board's forward agenda, which is partly dictated by statute and focused on policy, is designed by the Chairman, CEO and Company Secretary, with NED input. Board meetings are viewed as well structured, with a healthy split between executive presentation and Board debate (illustrated during the July Board meeting). Complex topics benefit from several iterations at the Board. Timings are thoughtful and accurate; the Chairman is noted for his time management, and there is good exposure to executives (illustrated throughout the July and September meetings).

Directors are well briefed. Agendas are timed, and papers, which are considered comprehensive and high quality by all directors, are summarised, and can be taken as read during meetings. There is a transparent information flow between executives and NEDs, and directors receive relevant briefings and answers to questions between meetings, and ExCo minutes.

CHALLENGE : PRIORITISATION AND BALANCE

Board agendas are crowded, and occasionally lack prioritisation and balance. Currently;

- NEDs are not sufficiently involved with the forward planning or the identification of priorities.
- Several critical issues concerning the effectiveness of the organisation were raised during the review, including IT.
- Board presentations are not always well signposted with regard to what is wanted from the Board (illustrated during the July meeting).

BOARD OBJECTIVE Although much of the Board's agenda is dictated by statutory objectives, the Chairman can optimise the Board's contribution by balancing strategic, operational and governance items, and prioritising critical issues.

RECOMMENDATIONS

- The Chairman should ask the NEDs to engage with the forward planning of the Board and Committee agendas, in order to prioritise critical issues, and ensure appropriate flexibility.
- Organisational matters, such as resource allocation, including inter alia, people, finance, and technology, should be explicitly incorporated into the Board's forward agenda.
- Board papers should always indicate clearly what contribution the executives expect from the NEDs, including specific questions/issues to consider or debate, or decisions to be made.
- It would also be valuable to incorporate external presentations and third party advice on the landscape at the awayday.

CHALLENGE : CEO/NED AND NED-ONLY SESSIONS

Although the Board meets formally and informally, there is very little time scheduled between the CEO and the NEDs, and the NEDs alone.

BOARD OBJECTIVE Certain issues, such as corporate culture, people (leadership and succession), and stakeholder management (see below), should also be discussed in smaller, less formal, groups. These discussions are particularly important for the Board during the period of CEO transition and succession.

RECOMMENDATIONS

- The Board's forward agenda should include CEO/NED-only sessions (without members of ExCo), and NED-only sessions (with and without the Chairman). CEO/NED sessions before every Board meeting, and Chairman/NED only sessions after every Board meeting (with feedback from the Chairman to the CEO following the session) will encourage directors to voice concerns, and create alignment; this is particularly important during the CEO transition.
- It would be helpful to review the balance of formal and informal time in order to increase familiarity, strengthen relationships, and create a team. For example, CEO/NED, and NED-only, dinners present ideal opportunities to discuss, inter alia, CEO transition and succession, and provide an opportunity for the CEO to talk about challenges in a forthright way, and build relationships with the NEDs.
- Individual directors should be encouraged to give feedback and/or context to the Board or to the NED-only session on any internal and external meetings which relate to the Board's agenda.
- Increased one-on-one communication by the Chairman to the NEDs between meetings will also help with the flow of information.

CHALLENGE : AUDITCO SUCCESSION AND RECOMMENDATION

The AuditCo Chair retires from the Board in 2016. The Board, together with its stakeholders, will need to agree a proper succession process (see Board Composition), and discuss the brief in advance. Currently the role is combined with the role of SID. These roles demand very different skill-sets and time commitments, and the briefs should be prepared separately; future candidates may or may not be qualified for both roles.

CHALLENGE : CROSS COMMITTEE MEMBERSHIP

BOARD OBJECTIVE Cross Committee membership should ensure good visibility and cross referencing across the governance structure, and increase the quality of debate and decision making. An evenly distributed Committee membership is important and beneficial, particularly given that one NED is a PRA representative and has no Committee memberships.

RECOMMENDATIONS

- Attention should be paid to the cross membership between RemCo and AuditCo; currently there is only one member (the retiring Chair of RemCo).
- Attention should also be paid to the cross membership of AuditCo and RiskCo. Currently the two retiring Chairs are the cross members, neither of whom have the reflective time to listen and observe in both Committees.

END¹¹

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