

PRAESTA



## Practitioner's View - Governance Challenges Steven Parker (Praesta Partners LLP)

AFM NED Conference - 19 June 2019



## AGENDA

- ❑ About the Presenter
- ❑ Back to Basics
- ❑ Wider UK Governance Landscape
- ❑ Top Challenges – AFM NEDs
- ❑ Board Reviews and Lessons

## About the Presenter

- ❑ Long financial services career – global / regional roles, including Executive Committee. Currently fintech CEO.
  
- ❑ Board roles, including:
  - NED – JSC Citibank Ukraine Supervisory Board
  - Deputy Chair (previously Chair) – The Audience Agency
  
- ❑ Fellow / Chartered Director, Institute of Directors, UK.
  
- ❑ Praesta Partners LLP:
  - Board reviews and facilitation
  - Leadership team assessment
  - Executive leadership coaching

# Back to Basics

## *Companies Act 2006, Section 172: Duty to promote the success of the company*

*(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to —*

- a) the likely consequences of any decision in the long term,*
- b) the interests of the company's employees,*
- c) the need to foster the company's business relationships with suppliers, customers and others,*
- d) the impact of the company's operations on the community and the environment,*
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and*
- f) the need to act fairly as between members of the company.*

# Wider UK Governance Landscape (1/2)

## □ Macro-trends:

- Public view - business 'lost touch' with society
- 'Nowhere to hide' – social media
- Higher customer expectations
- Need to represent and collaborate with communities we serve
- Disruptive change
- Major societal challenges - business needs to 'do its part'

## Wider UK Governance Landscape (2/2)

### □ 'Activist' government:

- 2017 - Corporate Governance Review – leading to Wates Principles
- 2018 - 'Gender Pay Gap' reporting
- 2018 - new FRC Code (effective January 2019) – more prescriptive. Includes Conservative manifesto commitments on work-force representation
- 2018 – Wates Principles (effective 2019 reporting year)
- 2019 - Kingman Review – FRC to be replaced by Audit, Reporting and Governance Authority (ARGA)

# Top Challenges – AFM NEDs (1/2)

- ❑ Governance:
  - Need to take it seriously
  - Executive vs. non-executive; balance of challenge and support
  - Continuous learning
  
- ❑ Principles - the ‘how’ not just what (tick-box); proportionality
  
- ❑ Purpose – mutuality – what it means for your organisation? how implement?
  
- ❑ Board composition – rotation; diversity of background / thinking; representative of customers and stakeholders

## Top Challenges – AFM NEDs (1/2)

- ❑ Opportunities and risks - ability to take longer term view; capability to manage new risks e.g. cyber?
- ❑ Remuneration – performance pay may not be relevant; be aware of comparison to work-force, industry context ... and don't forget gender pay gap!
- ❑ Stakeholders – current focus on members; importance of work-force; comprehensive view needed



# Board Reviews

- ❑ Continuous learning – best practice: internal review annually; externally facilitated, every 3 years.
  
- ❑ Forward looking - developmental, **not** an audit; individuals as well as Board.
  
- ❑ Key ingredients:
  - Culture, values and governance processes
  - Board composition, skills, behaviours
  - Dynamic: Chair/CEO; Executive/Non-Executive
  - Balance of content/discussion
  
- ❑ Agree and take forward key actions and development plans

## Board Reviews – Some Lessons

- ❑ Since 2018, overwhelming governance and risk focus (retrospective).
- ❑ Re-balancing to forward-looking e.g. culture, strategy and human resources.
- ❑ Need clearer perspectives on impacts on wider society.
- ❑ Not just dialogue – building **conversations** (different formats).
- ❑ Succession planning and mix of skills/background.

“Does the Board (and its Committees) do the right work, on the right agenda, using the right information; with the right people, operating the right culture?”

**APPENDICES:**

# Praesta Board Practice – Board Review Process

Proposal  
(today)

Terms of  
Reference

Review of  
Board Materials

Board &  
Committee  
Meetings

- Based on Proposal and discussion with Chair, Co. Secretary

- Content / structure / flow
- Cttee. membership
- Board / Cttee. Minutes
- Other governance papers

- Chair role; how NEDs act; role of Executive; agenda balance and discussion, culture, risk processes, skills etc.

**+ 2/3 weeks**

**+ 4/5 weeks**

**+ 8/10 weeks**

**+ 12 weeks**

Board  
Questionnaires

Board  
Interviews

Draft Report

Final Report

- Templates adjusted to company focus areas
- Sent out through Survey Monkey

- Interview Chair and Board / Committees
- Round-table with Executives
- Standard plus focus questions

- Draft of main themes discussed with Chair
- Amendments need common agreement

- Final version – circulated with Board papers
- Board item – 90 mins
- Chair introduces; questions, discussion
- Key output – Board Development Plan

# Praesta Board Practice Team



**Janet Rubin**



**Steven Parker**



**Steve Wigzell**

Profiles available at <https://www.praesta.co.uk/our-coaches-2>

# Praesta Board Practice Insights

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