

Case Study 1

- Member NEDs and iNEDs travel considerable distances to attend the Board, therefore AuditCo and RiskCo are held the day before the Board meeting
- There are obvious tensions amongst the Board because when the iNEDs challenge the Exec are either defensive or dismissive
- The Member NEDs contribute relatively little during meetings
- The Board approves recommendations from AuditCo and RiskCo meetings held the previous day without any further debate or discussion

What are the issues you would expect the Board to consider, and how might they resolve them?

What could be the source of the tension between iNEDs and Execs?

Quality of challenge/iNED expertise, not enough support alongside the challenge, Execs feel like they being questioned on every detail, personality mismatch, lack of mutual respect etc.

Why are Member NEDs not contributing?

Lack of understanding of the issues, lack of engagement, conversations move too fast/make assumptions of level of knowledge, don't feel accountable, don't want to get involved in the existing conflict between iNEDs and Execs, insufficient time to read papers (other responsibilities, papers regularly delayed or too complex).

How much should the Board debate issues that have previously been discussed at RiskCo/AuditCo the previous day?

Partly depends on whether there is common membership, but even if identical then good practice is to use some of the Board meeting to reflect on recommendations from sub-Committees from a more strategic perspective as opposed to the nuts and bolts detail.

Is there a better way to schedule sub-Committees?

It might not be practical but there are benefits to allowing a 2-4 wk gap prior to the Board for reflection, could the meetings be held in a different location on occasion to help the length travel?

How might these issues be resolved:

- More opportunities to meet informally eg over dinner
- Use Board Evaluation as an opportunity for an independent voice to feed back the issues/ identify solutions
- More specific training for member NEDs
- Improve quality/timeliness of reporting
- Team building awayday
- 'Back to the floor' visits to better understand business
- Board level CPD programme
- Change sub-Committee schedule

Case Study 2

- The Chairperson is a very strong character and likes to dominate Board meetings e.g. by giving their opinion first
- At Board meetings the iNEDs (including the Chairperson) are eager to ensure that executives are held to account on every issue
- The Chairperson is sponsoring the upcoming external Board Evaluation review
- A new Board member needs to be appointed in the next 6 months to replace one of the iNEDs

What are the issues you would expect the Board to consider, and how might they resolve them?

The Chairperson

What feedback has the Chair received to date?

Is it their underlying personality/ego or some other root cause eg lack of respect for other opinions, frustration with quality of exec etc?

Are they the right person for the job?

There is a risk that the scope of the Evaluation or the results won't get to the root cause of any lack of effectiveness where Chair is the sponsor

What is the impact on Board effectiveness of holding executives to account on every detail?

Execs are on their toes at all times, feel micromanaged/ distrusted on operational matters, unempowered, demotivated etc

How might these issues be resolved:

- Formal (and honest!) appraisals conducted for all Board members incl by SID of Chair (gathering views from around the Boardroom)
- SID sponsors the external evaluation
- Coaching (team or individual)
- Look to recruit a new iNED who can act as a good counterbalance to Chair/ improve Board dynamics

Important to learn any lessons when recruiting for Board positions to avoid a reoccurrence eg assess strengths and weaknesses from existing Board to identify gaps, look to a broader more diverse pool of candidates, assess cultural fit, meet other Board members prior to appointment etc.

Case Study 3

- The Operations Director receives a letter from an ex-employee, threatening to expose unfair treatment of claims
- The Director asks the Head of Claims to investigate
- She reports back two days later to confirm there are no grounds to the complaint and that she has fed back to the ex-employee.
- The Operations Director includes the issue as a resolved complain for the next Board meeting.

What are the issues you would expect the Board to consider, and how might they resolve them?

Is this really a complaint, or should it be treated as a whistleblowing?

If the issue is treated as a whistleblower:

- Does the society have a whistleblower procedure?
- Does that require the appointment of a Board member to investigate?
- How might the whistleblower be protected/have their identity protected?
- Refer to the recent fine of the CEO of Barclays for not treating a whistleblower properly.
- Contrast to approach from the Financial Ombudsman in wake of C4 Dispatches programme.

What form of investigation would you expect?

How might the Board expect to get involved?



Case Study 4

- THE HR Manager has completed the AFM governance survey, including the section on the gender pay gap.
- Your society's mean gender pay gap is 35%, and in her report to the Board, the HR Manager contrasts that to AFM data showing an average for the sector of 42%.
- The CEO recommends that the gap is measured annually, to ensure the society continues to outperform.

What are the issues you would expect the Board to consider, and how might they resolve them?



This is the first time companies are reporting on the gender pay gap, and financial services firms have the biggest pay gap.

What further information might the Board want to make an informed decision:

- Distribution of male/ female staff across different pay grades
- Are pay bands narrow or wide?
- What proportion of senior roles are occupied by female employees?
- Do succession plans indicate a pipeline of female candidates for future higher paid roles?
- How consistent is it with the Board Diversity Policy (mandated by PRA for insurers from 9 Apr 18 although may not cover NDF firms)?
- Does it pose any other wider diversity questions e.g. Ethnicity?

Should the Society set internal targets rather than rely on a wider benchmark?

What is the society doing to retain staff and to prepare them for future promotions?