

Executive summary



This paper is based on a series of roundtables we held with FTSE 350 company secretaries between February and March 2017. We discussed first hand with them whether and how their boards are responding to the accelerated pace of change in the world and business environment, driven by technology, globalisation and public opinion. Our discussions spanned four themes:

1. Impact of disruption on business models
2. Challenging traditional governance processes and structures
3. Licence to operate amidst growing inequality
4. Accountability in the shareholding chain

We gained fresh perspectives and ideas from the roundtables which boards can use to start exploring whether their governance processes and structures ought to evolve to respond to these new challenges.

Getting practical: questions for boards to consider

To help provoke debate and discussion in board rooms on the four themes, we have posed key questions for boards to consider. These are captured here as a useful aid to facilitate discussions with your own board.

The remainder of the report captures the key discussion points from our roundtables, and a number of case studies showcasing examples either used by attendees or that we have become aware of from our wider work.

1. Impact of disruption on business models

- ▶ As part of their risk assessment process, has the board explicitly considered the threats to the company's business model from disruption?
- ▶ Is the board proactively encouraging a culture of innovation?

4. Accountability in the shareholding chain

- ▶ How can AGMs be structured in a way to get the most effective input from shareholders? Or should AGMs be removed entirely?
- ▶ Is the board utilising technology to encourage more real-time engagement with shareholders?
- ▶ How can the board engage with investors to prevent their over-reliance on proxy agencies and to encourage greater participation in voting?

2. Challenging traditional governance processes and structures

- ▶ Has the board assessed actual time being spent by Non-Executive Directors (NEDs) and whether it is sustainable for individual NEDs? If time commitment is increasing, how is that balanced with NED remuneration and independence?
- ▶ Are existing board and committee structures appropriate to facilitate challenge, debate and new thinking in light of the rapid pace of change?
- ▶ How frequently does the board challenge and reconsider strategy and the agility of the business model to deliver the strategy? Should this be done more frequently?
- ▶ Does the board have the right skills to identify threats and opportunities from disruption, and if not, where is this expertise being sought? If the board needs new skills, what is the plan for acquiring them?
- ▶ What criteria are used by the board to identify potential NEDs? Do the criteria foster diversity in experience and knowledge at board level? How is the board satisfied that they will not rule out individuals who have the necessary skills but may, for example, be lacking board or UK PLC experience?
- ▶ Does board succession planning need to evolve in order to adapt to new challenges quickly? For example, enabling NEDs to be brought on board in a shorter time or setting shorter periods of tenure for some board members to keep skills fresh?
- ▶ How is the company attracting talent and retaining knowledge in a world where the workforce is more transient/mobile?
- ▶ With the proliferation of data, how has the board reviewed and challenged the information provided to it by management on key matters? Has the board proactively driven the information and data it receives (rather than being a passive recipient) to aid decision-making?
- ▶ Has the board tapped into the 'richness' of data to help them to identify risks and opportunities facing the company more effectively? If so how? What more can be done?

3. Licence to operate amidst growing inequality

- ▶ Has the board debated the root causes from the recent populist backlash caused primarily by social dis-enfranchisement and its impact (if any) on how the company operates?
- ▶ Has the board recently discussed whether and how it is meeting the s172 duty adequately and what more can be done at a board level to discharge this duty?
- ▶ Has the company clearly communicated its stakeholder engagement activities, the feedback heard and the actions taken/promised as a result of the activities in a fair and balanced manner? What could the company do differently?
- ▶ Has the board assessed the effectiveness of the external communication methods being used to engage with wider stakeholders? Should the board consider using different channels (e.g., social media, live reporting, informal site visits) to improve engagement?
- ▶ What is the role of business in educating the public and improving their understanding of what business does and how it benefits society?