

## Supplementary information

### **Question 1 - The role of the Chairman**

The Chairman should also:

- manage the business of the board, ensuring that decisions are taken properly;
- ensure that the board is made up of the best possible people for the current and future needs of the company;
- maintain board harmony and relationships, resolving differences or power games where necessary;
- ensure that board committees are running properly;
- critically appraise the CEO and all the other board members (executive and non-executive) and make changes where appropriate;
- ensure that all corporate governance matters are fully addressed;
- ensure that the board agrees all the company's strategic objectives and policies for the longer-term development of the company, and that these strategies are being implemented by the CEO and the executive team;
- ensure that the board regularly monitors performance as well as overall progress towards the achievement of strategies;
- ensure that all directors receive the information that is required for the proper performance of their duties and based on adequate information; and
- support the CEO on external affairs issues.

It is helpful if the Chairman and the CEO should have a good working relationship.

### **Question 9 – Knowledge, skills and attributes of non-executive directors**

At the most basic level, the skills revolve around listening, questioning and coaching (particularly where a non-executive director acts as a mentor to an executive director). Depending on how the board operates, some of the non-executive directors on a board may need to have specialist skills (e.g. financial management, accounting, law, IT) and have sufficient management experience to be able to ask challenging/tough questions of management and be able to fully comprehend the replies, even when technical in nature.

Key skills for non-executive directors also include an ability to:

- see the company from the shareholders' point of view;
- view the company in perspective rather than get involved too much in the detail;
- learn quickly, analyse and simplify the complicated, seeing through issues to the key risks;
- negotiate, communicate and persuade, standing up to the executive directors and, if appropriate, resigning;
- communicate clearly what is expected and what feedback is required;
- be a competent decision-maker balancing short and long term decisions; and
- know when to participate, influence or intervene and subsequently when to act and move quickly and decisively.

### **Question 10 -Personal qualities and attributes of a non-executive director**

Personal qualities and key attributes for a non-executive director include:

- independence of mind;
- the ability to command respect;
- toughness, when required;
- honesty and integrity;
- curiosity and a willingness to challenge results even they appear to be very successful;
- persistence, resilience and courage of convictions; and
- intelligence and wisdom.

### **Question 11 - Examples where non-executive directors have contributed**

It is not easy to identify specific examples where non-executive directors have contributed, as most of their work goes on behind close doors. We suggest that a few general examples may include:

- reviewing and changing the strategy and direction of the company;
- questioning and then approving major investment plans, acquisitions, disposals, joint ventures, supply arrangements including significant outsourcing arrangements;
- making the board focus on the long-term sustainable development of the company rather than short-term issues;
- resolving differences between directors and seeing that decisions are reached promptly;
- making changes to the executive and senior management team;
- adopting sound accounting policies and refusing to adopt aggressive accounting policies;
- making changes to information published by the company, such as to ensure a ‘true and fair’ view of the financial statements or that enhanced information is clearly provided in the annual report;
- reviewing key company policies and ensuring adherence thereto, such as its Code of Ethics;
- improving corporate governance and compliance with the Combined Code;
- questioning management’s adherence with the recommendations of the Turnbull report on internal control, and the board’s statement thereon;
- asking tough questions about the performance of the company against pre-determined parameters;
- keeping the CEO’s attention focussed on running and developing the core business rather than chasing acquisitions;
- insisting that the company may only with the full approval of the board make use of derivatives, complex financial instruments or potential off-balance sheet vehicles;
- insisting and ensuring that all directors receive the information that is required for the proper performance of their duties;
- monitoring progress towards the timely and effective achievement and implementation of the objectives, policies and strategies agreed by the board and ensuring that appropriate decisions are taken promptly by or on behalf of the board; and
- supporting the recommendations of the remuneration committee that may be at variance with the wishes of an executive director.