

Sir David Walker  
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Sent by email to: [feedback@walkerreview.org](mailto:feedback@walkerreview.org)

Dear Sir David

### **Review of Corporate Governance of UK Banking Industry and financial services**

I am a Chartered Accountant and member of the public and whilst I do not work directly in the financial services industry, I do have significant experience and understanding of corporate governance.

My feedback is particularly focused on chapter 4 of the consultation document "Functioning of the board and evaluation of performance" and of Recommendation 6 in the executive summary where "NEDs should be ready, able and encouraged to challenge and test proposals on strategy put forward by the executive".

I very much support your objectives here and in particular around the appropriate culture and behaviour of members of the board, including that of the Chairman, CEO and Finance Director. However I feel that the consultation documents skirt around what can often be described as bullying behaviour by charismatic leaders and directors.

From what I have read about the banking collapses, boardroom bullying has been indicated as an important factor in the lack of effective challenge by both executive and non-executive directors over key elements of strategy and taking on risk, yet it is rarely discussed or highlighted in the context of corporate governance. The problem I see is that regulators, shareholders, directors and others don't really want to admit that it is a real problem and even when they do it is a difficult one to deal with.

Whilst there have been a number of research projects into the cost of bullying in the UK (which tend to range between £3bn and £5bn), these use the basis of the impact on staff turnover and on days sick. However in my view the impact of bullying on decision making and risk taking is far more significant, although this has not to my knowledge been effectively researched. If the dominant behaviours of CEOs or other members of the board have been key factors in the lack of effective challenge to the bank's strategies, and hence have allowed high risk or poor strategies to be pursued, then one can see how the impact of bullying can have major costs which far outstrip that measured using the more staff focussed approaches.

It is therefore my response and feedback to the consultation that recommendations and codes of conduct for the banking sector (and indeed more widely) should both

recognise bullying and its impact on corporate governance and should set out some measures to address it. It should be recognised that bullying is far more widespread than is often made out to be and that it affects the boardrooms of many organisations including that of financial institutions.

Some specific points for consideration are:

- That bullying behaviour should be seen as one of the top risks of an organisation and that it should be monitored and treated as such including by any risk committee.
- The organisations should set out a clear definition of bullying in an anti-bullying policy and examples of what is acceptable and not acceptable for members of the board. There will need to be safeguards in place for people to report bullying without feeling that there may be potential repercussions on themselves
- As part of evaluation of board performance an independent assessment should be done of the compliance of each board member with the policy and their views of compliance of others. This could also be part of proper 360<sup>0</sup> feedback for every board member (including NEDs).
- For organisations to publish their anti-bullying policy (at least on their websites) as well as the summaries of the 360<sup>0</sup> feedback of board members. They could also publish figures of bullying complaints made against directors (whether formally investigated or not) by (and categorised by) fellow directors, staff, shareholders and other major stakeholders.
- To support directors as part of their own development to both identify and deal with bullying issues and how to ensure that appropriate challenges of organisational strategy, decisions and risks are made where they may otherwise feel that challenges would not be welcomed or seen as unconstructive criticism.
- A periodic review of major board decisions including whether there was effective debate, understanding and challenge and whether boardroom behaviour by dominant individuals may have affected that decision.

In summary I believe that bullying can override almost all other issues in terms of having effective governance in practice and now seems to me a great opportunity to really understand the impact of bullying on corporate governance, risk, and organisational performance and hence to recommend appropriate changes.

I hope you will find my comments constructive and I would be happy to discuss any of them in more detail.

Yours sincerely

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