

Bank boardrooms 'must become more challenging'

Walker review strengthens non-executive director roles
Karen Higginbottom

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The boards of banks and financial institutions should strengthen the roles of non-executive directors (Neds) and give them new responsibilities to monitor risk and remuneration, according to the Walker review, released today.

The recommendations are contained in the final report of the Walker review, which was commissioned last February to examine corporate governance in the UK banking industry.

The review also advised that Neds spend more time carrying out their roles - although it did not specify a number of days per year - and said there should be an induction process for all Neds as well as regular training.

The report's author Sir David Walker said: "The fundamental change needed is to make the boardroom a more challenging environment than it has often been in the past. This requires non-executives able to devote sufficient time to the role in order to assess risk and ask tough questions about strategy."

Ali Gill, CEO of Crelos change management consultancy, which contributed to the Walker review, commented that being a Ned was not a rite of passage.

"Neds and chairmen have a phenomenal task to supervise vast multinationals. The problem is that many chairmen and Neds are appointed on the basis of what they have achieved. While this is relevant, there needs to be much more scrutiny about their potential to succeed in the field of corporate governance."

On pay, the Walker review recommended extending the role of the remuneration committee to cover firm-wide remuneration policy as well as giving the committee direct responsibility for the pay of all high earners.

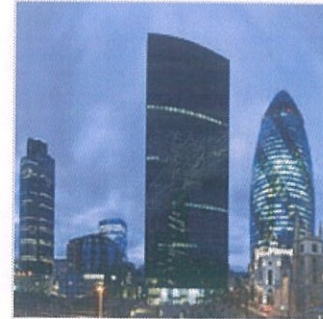
In addition, the report recommended greater pay transparency in the big banks by requiring public disclosure of the number of employees earning more than £1 million, broken down by bands of pay. The individuals would not be named, however.

The review proposed that most of the recommendations be enforced through inclusion in the combined code of corporate governance, operating on a "comply or explain" basis. The Financial Reporting Council will decide exactly how this is done. Recommendations on pay disclosure should be enforced through legislation in the forthcoming financial services bill, the review stated.

The CIPD welcomed the report's findings but warned against an over-focus on pay and bonuses.

Charles Cotton, CIPD adviser, reward and employment conditions, said: "We are concerned that the focus on reward practices should not be allowed to hide the need for a far wider focus on the other risks that exist around how people are managed."

"Risk committees need to review whether company culture, performance management and appraisal, talent management, leadership and organisational development are also sources of potential organisational hazard."



The Walker review made recommendations about the role of non-executive directors