



# **Risk Governance – the role of the INED**

# Irish Boards – The Way We Were

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- Senior Management ran the company
- Sometimes the MD almost on his own
- The Appointed Actuary did the numbers
- The Board got together three or four times a year to be well dined and wined and told what a wonderful job management were doing
- Non exec directors were appointed through a “golden circle” of somewhat incestuous relationships between companies
- “I won’t give you a hard time if you don’t give me a hard time”

# CBI Corporate Governance Code 2010 - Structure



- 6.3 All institutions shall have robust governance arrangements which. . . identify, manage, monitor and report the risks to which it is or might be exposed . . . and promote sound and effective risk management
- 7.2 The majority of the board shall be independent non-executive directors
- 7.6 Each member of the board shall have sufficient time to devote to the role of director
- 10.3 The independent non-executive directors shall have a knowledge and understanding of the business
- 10.4 The independent non-executive directors shall comprise individuals with relevant skills, experience and knowledge (such as accounting, auditing and risk management knowledge)

# CBI Corporate Governance Code 2010 - Risk

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- 14.1 The board is required to ... establish a documented risk appetite for the institution
- 14.3 The board shall ensure that the risk management framework and internal controls reflect the risk appetite
- 14.7 The board shall ensure that the institution's remuneration practices do not promote excessive risk taking
- 18.1 Subject to paragraph 18.2 below, the board shall establish, at a minimum, both an audit committee and risk committee
- 21.2 An Audit Committee shall be composed of non-executive directors, the majority of directors being independent
- 21.3 The Chairman of the Audit Committee shall be an independent non-executive director



# Risk Committee

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- 22.1 The board shall establish a Risk Committee (RC)... with responsibility for oversight and advice to the board on the current risk exposures of the entity and future risk strategy
- 22.2 The RC should contain suitable mix of EDs and INEDs
- 22.3 The role of the RC shall be to advise the board on risk appetite and tolerance for future strategy, taking account of the board's overall risk appetite ... The RC shall oversee the risk management function
- 22.4 The RC shall ensure the development and on-going maintenance of an effective risk management system
- 22.5 The Risk Committee shall advise the board on the effectiveness of strategies and policies with respect to maintaining ... both internal capital and own funds adequate to cover the risks of the institution

# The INED Role

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- To act in the best interests of the Company as a whole (not only for shareholders but considering all stakeholders)
- To attend all Board and Board Committee meetings
- To read Board papers in advance of the meeting
- To agree an appropriate strategy for the Company
- To robustly challenge management on the implementation of that strategy
- “To bring an independent viewpoint to the deliberations of the board that is objective and independent of the activities of the management”
- To chair Audit Committee and maybe Risk Committee
- To be a sounding board for the Company’s employees

# The Institute of Directors in Ireland

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- The representative body for senior, strategic business professionals in Ireland
- The purpose of the IOD is to promote best practice in Irish boardrooms
- Runs many training opportunities, especially Chartered Director
- Arranges sessions on corporate governance, strategy setting, role of Chairman, dealing with external auditors etc
- Promotes networking opportunities within its membership
- Lobbies Government on business issues and best practice, especially in relation to State and semi-state sector

# Chartered Director

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- This is the primary qualification for Company directors and equivalent in Ireland
- Consists of three parts, Certificate in Company Direction, Diploma in Company Direction and Professional Review.
- Certificate is a multiple choice exam based on six modules, strategy, law, finance, marketing, HR and leading change
- Diploma is a written exam based on two hypothetical but realistic scenarios with questions asked on structure, strategy, financial development etc.
- Candidates then produce a Portfolio of experience as a director
- Candidates are interviewed by two other CDir's to determine whether they have the required experience for the Chartered Director qualification