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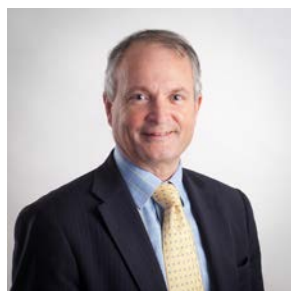
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The INED Evolution

by Giles Clark, Director, Deutsche Bank Channel Islands

“No sensible decision can be made any longer without taking into account not only the world as it is, but the world as it will be.” (Isaac Asimov)



There's the old perception that earning the title of Independent Non-Executive Director (INED) is a nice quirk of retirement from the financial or legal sector, where you can turn up to a few meetings and offer your two pennies worth, then go home with a pay-slip.

in carrying out international business, the role of the modern INED for Channel Islands firms, however, is becoming both more important and more demanding.

The duties of all directors are the same but the role and requirements will differ depending on the nature and size of the company and its activities. What is right for one company may not be right for another; judgement plays a huge part.

Sophisticated

The ability of INEDs to be knowledgeable and aware of the increasingly diverse and sophisticated risks involved in doing business, particularly financial services, has become absolutely critical.

Driven by a desire to be able to demonstrate equivalent board governance standards to those required in the UK, at Deutsche Bank in Jersey and Guernsey we have gone through a significant INED recruitment program in recent years, and now have eight INEDs sitting on board entities across our Channel Islands businesses. This program has been crucial in ensuring that all the Bank's entities are covered sufficiently to demonstrate the highest levels

of corporate governance. Although sitting on different boards we arrange for all our INEDs to meet together and also meet our senior management at group level outside the Channel Islands.

In common with other firms operating in the financial services space in the Channel Islands, the Bank increasingly needs to be able to demonstrate expert oversight in the area of cross-border business, complex laws and regulation and technological advancements, and the guidance and counsel of a strong INED team can be hugely valuable in achieving this.

In addition, where previously we saw self-regulation in the industry, there is now much more of a focus on regulation in response to stricter requirements put in place by governments, whilst there is a clear trend too for regulators to encourage banks and other finance firms to appoint INEDs.

Just as the experience of businesses is changing where INEDs are concerned, so too is the experience of and work done by the INEDs themselves. Alongside supporting boards with governance issues, the modern INED will also be expected to challenge ideas and offer objective criticism, offering an independent judgement on issues of strategy, performance and risk.

All this means that INEDs can have a duty to multiple stakeholders and can be expected to commit much more time on a regular basis to their work, attending and preparing for board meetings, and engaging with staff, clients and regulators.

Diversity

This breadth of responsibility means that diversity within a business' INED group is absolutely vital, something that Deutsche Bank has learned through its own experiences. For instance, we see value in having multiple INEDs with diverse skill sets working together on an entity, so that their skills complement each other. In this way, extensive business experience can be paired with legal, accountancy or other expertise.

This approach can also help with succession planning, where one INED might act as Chairman with the support of the second, but with the second looking to eventually take over as Chairman in due course.

In the Channel Islands, it can prove quite a challenge to find the perfect candidate to fit the skillset needed for a modern INED, simply due to a concentrated population and lack of a truly broad range of external skills.

Those thinking of becoming an INED need to think seriously about their diversity of technical skills, as well as their ability to be a good listener, demonstrate independence to challenge established views, be a good mentor and show strong leadership.

Another contribution that can be made by careful selection of INEDs is to increase diversity in an industry where most internal candidates tend to conform to certain stereotypes. By drawing from a broad and varied base we have maintained a focus on diversity on boards

Further, whilst INEDs do not act in an executive capacity, they can still be held accountable for business decisions they endorse. For that reason, it is the responsibility of the firm employing the INED to offer sufficient training to recognize this and it is important that firms are proactive in ensuring INEDS are up to speed with the regulatory landscape.

For example, Deutsche Bank's INEDs receive regular external specialist risk, regulation and legal training. In addition, when they begin working with the Bank, INEDs are inducted in the UK and Channel Islands where they meet key stakeholders and are given a comprehensive insight into the business, including the HR, risk and compliance functions. This is a continuing process; INEDs will also be involved in contributing to annual board self assessments.

The future of the INED is an interesting one and firms in the Channel Islands, which are often globally-focused and immersed in complex international law and regulation, need to take their INED recruitment very seriously. Demonstrating good governance in the modern climate is key, and the diverse skillset of a strong group of INEDs can play a vital part in ensuring a business is strongly positioned both to meet its obligations and plan effectively in a rapidly changing, complex environment.

Ends.