

Corporate Governance

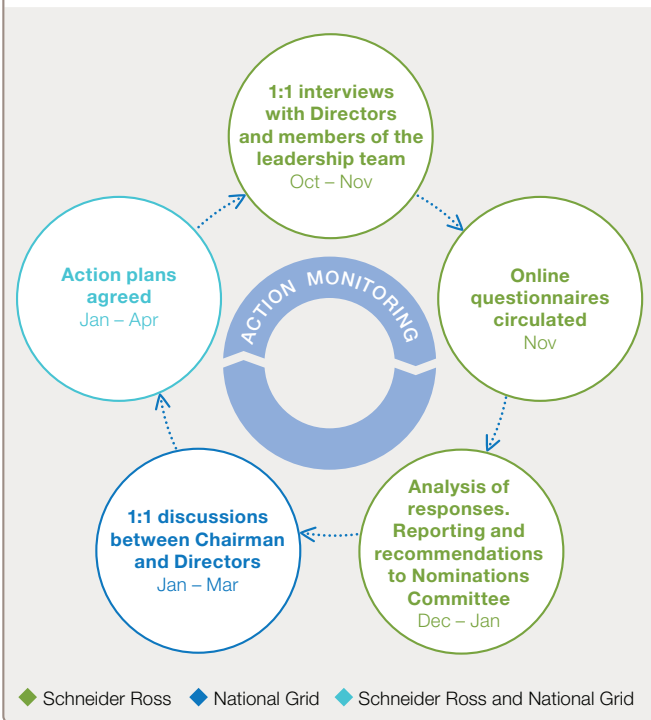
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Board evaluation and effectiveness

The Board agreed this year it would be beneficial and timely, given the changes in Board composition, to undertake an external evaluation of Board and committee performance to provide fresh insight and objectivity to the process. Schneider Ross was appointed to conduct an evaluation of the Board and its committees, having previously provided inclusive leadership training to the Company in 2009. The Board agreed this previous relationship would not impact in any way the independence of the review.

The Board recognises the value of inclusive leadership and a diverse Board. In considering the review process this year, it noted the anticipated benefits to be gained by undertaking an external review from an inclusion & diversity perspective.

Board and committee evaluation process



Schneider Ross held confidential one-to-one interviews with 24 people comprising Directors and members of the leadership team. Mark Williamson and Jonathan Dawson did not participate due to the timing of their appointments. The focus for these discussions was on the behavioural aspects of Board effectiveness such as:

- how the Board works together as a unit;
- the quality of inputs, discussions and decision-making;
- the leadership demonstrated both individually and collectively; and
- specific themes, for example differences in perspectives between male and female Board members and more recently appointed Non-executive Directors were asked about their integration and induction to the Board.

Questionnaires were designed to gather views and feedback on the overall effectiveness, performance and processes of the Board and each of the committees including the Executive Committee. Additionally this year, regular attendees of the Board and committee meetings were surveyed to gain a different perspective and a more holistic picture of performance.

In total 47 people, including regular attendees and two external advisors, were invited to complete questionnaires anonymously online.

Schneider Ross presented the key conclusions of the evaluation at a meeting of the Nominations Committee with the Executive Directors present. Findings, which were debated openly, had been grouped into three themes:

- Mechanics: for example the role, composition and processes of the Board and its committees.
- Dynamics: such as teamwork, quality of discussions, debate and decision-making.
- Specifics: including leadership, succession planning, risk appetite and reporting, and inclusion & diversity.

As a result of their evaluation, Schneider Ross commented:

“With the Board in the later stages of its transition, the boardroom dynamic continues to evolve. We have made a set of recommendations which, taken together, we believe should drive progress towards a truly high performing, inclusive Board – where constructive challenge from a diverse group of Non-executive Directors makes its full contribution to excellent decision-making.”

Each committee chairman was requested to prepare an action plan for their respective committee for presentation to the April Board meeting. Noting the suggestions, the Board agreed areas of improvement and actions for further enhancements. Progress against all action plans will be monitored throughout the year; see table opposite for examples.

In addition to the review by Schneider Ross and on receipt of its findings, Sir Peter met with each Board member to discuss their individual performance, with the exception of Ken Harvey and George Rose as they will not be standing for re-election at this year's AGM.

Progress against the examples from the combined action plan reported last year, which includes items identified from the performance evaluation process together with Sir Peter's complementary review, is set out opposite.

Director election and re-election

At a private meeting of the Non-executive Directors, Ken Harvey, as Senior Independent Director, led a review of Sir Peter's performance. In their deliberations the Non-executive Directors, with input from the Executive Directors, assessed his ability to fulfil his role as Chairman. They concluded that Sir Peter's performance and contribution are strong and that he demonstrates effective leadership. Ken also met privately with Schneider Ross to discuss feedback on the Chairman obtained from their review, which Ken then discussed with Sir Peter.

Following recommendations from the Nominations Committee, the Board considers all Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties. There have been no significant changes to Sir Peter's commitments during the year and the arrangements he has in place to fulfil his role given he is also chairman of another FTSE 100 company are considered effective. Therefore, in accordance with the Code, all Directors, with the exception of Ken Harvey and George Rose, will seek election or re-election as set out in the Notice of the 2013 AGM.

Area	Actions for 2013/14
Mechanics	<p>Chief Executive to meet with Executive Directors immediately after each Board meeting to discuss how the Board operated as a team and contributions from Directors, and reflect on any learning. Feedback from these meetings to be shared as appropriate with the Chairman. Responsibility: Chief Executive</p> <p>Review and build on the one page executive summary for non standard papers introduced in July 2012 and consider its effectiveness in providing the Board with key information and clarity around requested contribution or action. Responsibility: Chairman and Chief Executive</p> <p>All committees, except the Nominations Committee and Executive Committee, to get together immediately before or after their meetings to discuss papers, presenters' contribution and any matters they wish to consider without management present. Responsibility: Committee chairmen</p> <p>Thinking styles of candidates to the Board and Executive Committee to be taken into consideration once skill set and experience confirmed. Responsibility: Nominations Committee</p>
Dynamics	<p>Schedule a development session for the Board which may include thinking styles, inclusive leadership and exploring positive challenge through questioning techniques. Responsibility: Chairman and Group General Counsel & Company Secretary</p> <p>Review the following month's agenda and communicate to the Executive Directors the areas that presenters are to focus on. Responsibility: Chairman and Chief Executive</p>
Specifics	<p>Facilitate increased interaction between Non-executive Directors and high potential employees during site visits and presentations at Board meetings. Responsibility: Executive Directors</p> <p>Appoint a taskforce to review gender diversity and employee turnover. Responsibility: Chief Executive</p> <p>Implement an inclusion & diversity scorecard and review progress with the Board. Responsibility: Executive Committee</p>

Area	Actions from 2012/13	Commentary
Board and committee performance evaluation		
Membership and attendees	<p>During this period of Board transition, membership of all committees is to be reviewed to ensure appropriate alignment of skills and knowledge. Responsibility: Nominations Committee</p>	As the Board transitions, committee composition has been reviewed to ensure the right balance of skills and experience is maintained taking into account the role and responsibilities of the committee and the existing membership.
Training and development	<p>Training and development is key for all members of the Board. Formal training plans will be agreed between each Director and the Chairman. Responsibility: Board members</p>	A record of training and development activities undertaken by Directors has been maintained throughout the year; for example external briefings and seminars, which have been complemented by technical and market updates to Board and committee meetings.
Role and structure	<p>To review the terms of reference and remit of the Risk & Responsibility Committee, including the advice sought from external advisors. Responsibility: Chairman, Chief Executive and Company Secretary & General Counsel</p>	The new SEH Committee focusing on safety, environment and health issues only, was formed at the end of July 2012 in place of the broader Risk & Responsibility Committee. The new committee considered its external advisors. The additional areas previously reviewed by the Risk & Responsibility Committee were reallocated between the Board, Audit Committee and Executive Committee.
Complementary review		
Role and structure	<p>Enable the Board and its committees to focus appropriately on addressing the key challenges and opportunities.</p>	Together with the formation of the new SEH Committee, agendas were updated having reviewed the frequency with which items should be considered during the year.
Non-executive Directors	<p>Facilitate an appropriate level of input and constructive challenge from the Non-executive Directors.</p>	To facilitate preparations for and input to meetings, a secure online document library has been introduced providing access to Board and committee papers and reference materials.
Role and structure	<p>Establish more clarity about the levels of assurance the Board needs in areas outside the remit of the Audit Committee.</p>	A project is ongoing to review key data provided to external parties and the associated assurance processes.
Non-executive Directors	<p>Increase Non-executive Director engagement with the operations.</p>	Following positive feedback, the programme of Non-executive Director visits to Company sites in the UK and US will be continued.
Role and structure	<p>Increase the effectiveness of scrutiny of operations and business processes.</p>	The SEH Committee provides more focused scrutiny of operations and business processes in relation to safety, environment and health.