

# ROLES AND RESPONSIBILITIES OF THE CHAIR, CEO, NED, SID AND DESIGNATED NED

## INTRODUCTION

The UK Corporate Governance Code expects certain roles of the Board to be clearly set out, regularly reviewed, agreed by Board and made publicly available. This document sets out the key aspects of the role of the Chair, CEO, NED, SID and Designated NED for employee engagement.

## 1. ROLE OF CHAIR

1.1. The Chair leads the Board and is responsible for its overall effectiveness in directing the Company. The Chair is not responsible for executive matters regarding the Company's business. Other than the Chief Executive and the Company Secretary, no executive reports to him other than through the Board.

1.2. The Chair is responsible for:

### 1.2.1. Key responsibilities:

- a) Facilitating constructive Board relations and the effective contribution of all NEDs, ensuring that directors receive accurate, timely and clear information. Setting expectations for the style and tone of Board discussions;
- b) Ensuring that the Board as a whole is enabled to play a full and constructive part in the development and determination of the Company's strategy and overall commercial objectives;
- c) Ensuring that the development of the Company's business and the protection of the reputation of the Company receives sufficient attention from the Board; and
- d) Maintaining a productive working relationship with the Chief Executive.

### 1.2.2. Meetings:

- a) Ensuring that the Board's agenda takes full account of the important issues facing the Company and the concerns of all Board members. The Chair's role includes setting a Board agenda primarily focused on:
  - strategy;
  - performance;
  - value creation;
  - culture;
  - stakeholders and accountability.

- b) Ensuring that members of the Board receive accurate, timely and clear information on the Company's performance; the issues, challenges and opportunities facing the Company; and in relation to matters which are reserved to it for decision;
- c) Ensuring sufficient time for Board meetings as may be required to ensure that sufficient time and consideration is given to complex, contentious or sensitive issues;
- d) Ensuring that the Board determines the nature, and extent, of the significant risks the Company is willing to take to achieve its strategic objectives; and
- e) Holding meetings with the NEDs if needed without the executives present in order to facilitate a full and frank airing of views.

#### **1.2.3. Induction, development and performance evaluation:**

- a) Ensuring that new directors participate in a full, formal and tailored induction programme, facilitated by the Company Secretary;
- b) Taking the lead in identifying and seeking to meet the development needs both of individual directors and of the Board as a whole, supported by the Company Secretary as needed; and
- c) Ensuring that the performance of the Board as a whole, each of its Committees, and each individual Director as regards their Board and/or Committee role(s), is formally and rigorously evaluated at least once a year.

#### **1.2.4. Relations with shareholders:**

- a) Seeking regular engagement with major shareholders in order to understand their views on governance and performance against the strategy; and
- b) Ensuring that all members of the Board develop an understanding of the views of the major investors in the Company and that there is an open dialogue with shareholders.

#### **1.2.5. Annual General Meeting:**

- a) Arranging for the Chairs of the Board's Committees to be available to answer questions at the Annual General Meeting and for all directors to attend.

#### **1.2.6. Other responsibilities:**

In addition, the Chair should:

- a) Demonstrate ethical leadership;

- b) Promote the highest standards of integrity, probity and corporate governance throughout the Company and at Board level;
- c) Ensure, with the advice of the Company Secretary, that the Board's approved procedures, including the Matters Reserved to the Board for its decision and each Committee's Terms of Reference, are appropriate and are complied with;
- d) Ensure that succession planning and the composition of the Board are regularly reviewed;
- e) Propose, in conjunction with the Nomination Committee, the membership of the Board's Committees and their Chairs; and
- f) Ensure that the Board determines the nature, and extent, of the significant risks the Company is willing to take to achieve its strategic objectives.

## 2. ROLE OF CHIEF EXECUTIVE

The Chief Executive reports to the Chair and to the Board directly. The Chief Executive is responsible for all executive leadership team (ELT) matters affecting the Company. All members of the ELT report, either directly or indirectly, to the Chief Executive.

The Chief Executive is responsible for:

### 2.1 Key responsibilities

- a) Leading the executive management of the Company's business, consistent with the strategy and commercial objectives agreed by the Board.
- b) Leading the ELT in effecting the Board's, and where applicable its Committees', decisions.
- c) Maintaining a productive working relationship with the Chair.
- d) Ensuring that the Chair is alerted to forthcoming complex, contentious or sensitive issues affecting the Company of which they might otherwise not be aware.
- e) Developing and proposing the Company's strategy and for delivering the strategy as agreed by the Board.
- f) In delivering the Company's strategic and commercial objectives the Chief Executive is responsible for the maintenance and protection of the reputation of the Company.

### 2.2 Meetings

- a) Maintaining a dialogue with the Chair on the important and strategic issues facing the Company, and proposing Board agendas which reflect these.
- b) Welcoming with the Chair constructive challenge from NEDs as an essential aspect of good governance, and encouraging NEDs to test proposals in the light of their wider experience outside of the Company.

- c) Ensuring that the ELT gives appropriate priority to Board reporting in an accurate, timely and clear nature.

### **2.3 Directors and senior management**

- a) Commenting on induction programmes for new directors and ensuring that appropriate management time is made available for the process.
- b) Ensuring that the development needs of the executive directors and other senior management reporting to them are identified and endeavoured to be met.
- c) Providing information and advice on succession planning, to the Chair, the Nomination Committee, and (as applicable) members of the Board.
- d) Ensuring that Management Development Reviews regarding their executive and management duties are carried out at least annually in respect of all the executive directors and to the senior management reporting to them. Providing input to the wider Board evaluation process.
- e) Ensure the Board knows the views of the senior management on business issues in order to improve the standard of discussion in the boardroom and, prior to a final decision on an issue, explain in a balanced way any divergence of view.

### **2.4 Relations with shareholders**

Leading the communication programme with the Company's shareholders.

### **2.5 Other responsibilities**

- a) Leading the vision and purpose of the organisation.
- b) Promoting, and conducting the affairs of the Company with the highest standards of integrity, probity and corporate governance. This includes communicating with the workforce the expectations in respect of the Company's culture and purpose, and for ensuring that operational policies and practices drive appropriate behaviour.
- c) Ensuring, in consultation with the Chair and the Company Secretary as appropriate, that the executive team comply with the Board's approved procedures, including Matters Reserved to the Board for its decision and each Committee's Terms of Reference.
- d) Providing input to the Chair and Company Secretary on appropriate changes to the Matters Reserved to the Board and Committee Terms of Reference.

## **3. ROLE OF NON-EXECUTIVE DIRECTORS (NEDs)**

The main roles and responsibilities of a NED under the Governance Code are set out below.

### **3.1. Leadership**

NEDs should constructively challenge and help develop proposals on strategy including:

- a) Scrutinising the performance of management in meeting agreed goals and objectives;
- b) Monitoring the reporting of performance;
- c) Satisfying themselves on the integrity of financial information;
- d) Ensuring financial controls and systems of risk management are robust and defensible;
- e) Determining appropriate levels of remuneration of executive directors and exercising oversight of the ELT remuneration; and
- f) Playing a primary role in appointing and where necessary, removing executive directors and on succession planning.

3.1.2. Organised by the Chair, NEDs should have meetings without the executives present if needed in order to facilitate a full and frank airing of views. NEDs should meet without the Chair present at least annually (and on other occasions deemed appropriate) to appraise the Chair's performance.

3.1.3. NEDs should ensure that any concerns about the running of the Company or course of proposed action are recorded in the Company's Board minutes and, if necessary following resignation, should provide a written statement to the Chair for circulation to the Board.

### 3.2. **Effectiveness**

To ensure that NEDs perform their role effectively:

- a) NEDs should allocate sufficient time to the Company to discharge their responsibilities effectively and undertake that they will have sufficient time to meet what is expected of them;
- b) NEDs should disclose other significant commitments to the Board before appointment (with a broad indication of the time involved) and should inform the Board of any subsequent changes;
- c) All directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge;
- d) There should be an annual evaluation of all directors, including NEDs; and
- e) NEDs, led by the Senior Independent Director (SID), should be responsible for performance evaluation of the Chair, taking into account the views of executive directors.

### 3.3. **Relations with stakeholders**

- a) NEDs should take opportunities such as attendance at general and other meetings, to understand the concerns of shareholders.

- b) NEDs and the Chair should consider ways of reaching out to increase their visibility with the workforce and gain insights into the culture and concerns at different levels of the business. This is likely to involve spending more time in the business.
- c) NEDs should have a good understanding of the business and its relationships with significant stakeholders. Accordingly, it is advisable for them to take opportunities to meet shareholders, key customers and members of the workforce from all levels of the organisation.

#### 4. ROLE OF THE SENIOR INDEPENDENT DIRECTOR (SID)

4.1. The UK Corporate Governance Code recommends that boards should appoint one of the independent NEDs to the SID. Extensive guidance on the responsibilities of the SID is now provided in the 2018 Code and in the formal guidance to the Code, an extract of which is provided below.

Code Provision *	
12	The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary.
14	The responsibilities of the chair, chief executive, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. The annual report should set out the number of meetings of the board and its committees, and the individual attendance by directors.
Guidance Paragraph **	
35	The chair has an important role in fostering constructive relations with major shareholders and in conveying their views to the board as a whole. When called upon, the senior independent director should seek to meet a sufficient range of major shareholders in order to develop a balanced understanding of their views. Non-executive directors should take opportunities such as attendance at general and other meetings, to understand the concerns of shareholders.
66	The senior independent director should act as a sounding board for the chair, providing them with support in the delivery of their objectives and leading the evaluation of the chair on behalf of the other directors. The senior independent director might also take responsibility for an orderly succession process for the chair, working closely with the nomination committee. It is a good idea for the senior independent director to serve on committees of the board to improve their knowledge of company governance.
67	The senior independent director should also be available to shareholders if they have concerns that contact through the normal channels of chair, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate.
68	When the board or company is undergoing a period of stress, the senior independent director's role becomes critically important. They are expected to work with the chair and other directors, and / or shareholders, to resolve significant issues. Boards should ensure they have a clear understanding of when the senior independent director might intervene in order to maintain board and company stability. Examples might include where:



	<ul style="list-style-type: none"> <li>• there is a dispute between the chair and chief executive;</li> <li>• shareholders or non-executive directors have expressed;</li> <li>• concerns that are not being addressed by the chair or chief executive;</li> <li>• the strategy is not supported by the entire board;</li> <li>• the relationship between the chair and chief executive is particularly close;</li> <li>• decisions are being made without the approval of the full board;</li> <li>• succession planning is being ignored.</li> </ul> <p>These issues should be considered when defining the role of the senior independent director.</p>
<p><b>107</b></p>	<p>Like induction and board development, evaluation should be bespoke in its formulation and delivery. The chair has overall responsibility for the process, and should select an effective approach, involving the senior independent director as appropriate. The senior independent director should lead the process that evaluates the performance of the chair and, in certain circumstances, may lead the entire evaluation process.</p>

\* Code Provisions operate on a ‘comply or explain’ basis.

\*\* The FRC’s formal guidance to the Code does not form part of the Code but reflects good practice.

**5. ROLE OF THE DESIGNATED NON-EXECUTIVE DIRECTOR (DNED)**

5.1. The 2018 Code recommends that boards should select one or more methods of engagement with the workforce. As part of the workforce engagement process, the Board has approved the appointment of a DNED.

5.2. The DNED will hold Employee Forums or other methods of engagement with the workforce. The number of workforce engagements each year will be agreed with the Board.

5.3. The DNED will be expected to:

- a) bring the views and experiences of the workforce into the boardroom;
- b) work with the Board, as a whole, and particularly the executive directors, to take appropriate steps to evaluate the impacts of Board proposals and developments on the workforce, particularly on steps which may be needed to mitigate any adverse impact;
- c) challenge the executive directors as needed as to the way in which workforce engagement is undertaken and steps to be taken to address workforce concerns arising out of business-as-usual activities; and
- d) feedback to the Employee Forums etc on steps taken to address their concerns or explain why particular steps have not been taken.

- 5.4. Through workforce engagement, the DNED shall identify any areas of concern in the workforce and discuss these with the Board.
- 5.5. The Board should take into account general guidance on workforce engagement, which is contained in the 2018 Code and in the formal guidance to the Code, an extract of which is provided below.

Code Reference	
<b>Principle E *</b>	The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.
<b>Provision 5 **</b>	<p>The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making. The board should keep engagement mechanisms under review so that they remain effective. For engagement with the workforce, one or a combination of the following methods should be used:</p> <ul style="list-style-type: none"> <li>• a director appointed from the workforce;</li> <li>• a formal workforce advisory panel;</li> <li>• a designated non-executive director.</li> </ul> <p>If the board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that they are effective.</p>
<b>Provision 6 **</b>	There should be a means for the workforce to raise concerns in confidence and – if they wish – anonymously. The board should routinely review this and the reports arising from its operation. It should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.
Guidance Paragraph ***	
<b>23</b>	Monitoring culture will involve regular analysis and interpretation of evidence and information gathered from a range of sources. Drawing insight from multiple quantitative and qualitative sources helps guard against forming views based on incomplete or limited information. The workforce will be a vital source of insight into the culture of the company.
<b>34</b>	An effective board will appreciate the importance of dialogue with shareholders, the workforce and other key stakeholders, be proactive in ensuring that such dialogue takes place and that the feedback is taken into account in the board's decision-making. How the board approaches this will provide useful insight into the company's culture.
<b>41</b>	An effective board understands that a company has to engage with its workforce and build and maintain relationships with suppliers, customers and others in order to be successful over the long-term. It will be able to explain how those relationships contribute to that success and help deliver the company's purpose. The company's approach to stakeholder engagement will be an important topic in the induction programme for new directors.
<b>42</b>	Dialogue with stakeholders can help boards to understand significant changes in the landscape, predict future developments and trends, and re-align strategy. Boards will find it useful to start by identifying and prioritising those key stakeholders who are important in the context of their business. This is likely to include the workforce, customers and suppliers. It may also include other stakeholders who are specific to the company's circumstances, such

	as regulators, government, bondholders, banks and other creditors, trade unions and community groups.
<b>50</b>	Communication between the workforce and the company is often referred to as the 'employee voice'. Communication and engagement will involve those with formal contracts of employment (permanent, fixed-term and zero-hours) and other members of the workforce who are affected by the decisions of the board. For example, companies should consider including individuals engaged under contracts of service, agency workers, and remote workers, regardless of their geographical location. Companies should be able to explain who they have included and why. Different sections of the workforce may have different interests and priorities and a combination of engagement methods may be necessary to ensure that a wide selection of views can be gathered.
<b>51</b>	Engagement through a range of formal and informal channels helps the workforce to share ideas and concerns with senior management and the board. It provides useful feedback about business practices from those delivering them, and can help empower colleagues.
<b>52</b>	With the aim of strengthening the 'employee voice' in the boardroom, the Code asks boards to establish a method for gathering the views of the workforce.
<b>55</b>	Boards may feel it would be most effective to adopt a combination of methods or multiple channels for engagement at different levels and may want to develop other ways of engaging if they believe these would be effective. Provided the board's approach delivers meaningful, regular dialogue with the workforce and is explained effectively; the Code provision will be met.
<b>56</b>	Non-executive directors and, in particular, the chair should consider ways of reaching out to increase their visibility with the workforce and gain insights into the culture and concerns at different levels of the business. This is likely to involve spending more time in the business.
<b>58</b>	Companies need to create an environment in which the workforce feels it is safe to raise concerns. Common fears include being negatively labelled, sidelined for promotion or bonuses, and even loss of employment. Leaders need to ensure there are no negative repercussions as a result of doing so.

\* The FRC expects that any Principle in the Code will be applied by a company, i.e. it is not subject to the 'comply or explain' regime.

\*\* Code Provisions operate on a 'comply or explain' basis.

\*\*\* The FRC's formal guidance to the Code does not form part of the Code but reflects good practice.

**Approved by the Board of Softcat plc on 14 May 2019**

**Luke Thomas**  
**Company Secretary**