

Resilience First Webinar Summary

'Operational Resilience Guide for Non-executive Directors'

In partnership with Pool Re

Chair:

Simon Collins, Chairman, Resilience First.

Speakers:

Ed Butler CBE DSO, Chief Resilience Officer, Pool Re.

Sir Ian Andrews CBE TD, Vice-Chair of the National Preparedness Commission and former Non-executive Director of NHS Digital.

Jack Armstrong, Director of Operational Resilience, EY.

Karen Gutierrez, Senior Adviser, Operational Risk and Resilience, PRA.

Initial Comments:

- There has been a paradigm shift in how risk management and resilience are considered. There is now a sharp focus on how to maintain legitimate longevity of businesses.
- Non-executive Directors (NEDs) can sometimes struggle to grapple with the concept of resilience.
- The question of appropriate 'altitude' when managing organisational disruptions is important. Finding the right balance between oversight and ground-level detail is a tricky task but one that must be achieved in ensuring effective governance.

The role of a NED today:

- The obligation on NEDs to ensure effective governance of their organisation has never been more vital than it is today; nor has it ever been more onerous.
- In addition to the obvious obligation to oversee financial probity, and to safeguard the integrity and reputation of the organisation, the NED should provide the executive with a source of guidance, support and, when appropriate, constructive challenge. This could also require focussing attention on topics which either the board may find inconvenient or uncomfortable.
- NEDs now have a role to play in 'stewardship', focussing on the medium- to long-term sustainability of the enterprise and its impact on society, and the community it serves. Effective governance in this context embraces aspects of business ethics, performance, legitimacy and, above all, resilience.
- As investor and consumer attention is closely paid to issues of Environmental, Social and Governance (ESG), NEDs should also steer their organisations ambitions in this direction.
- NEDs should feel confident and comfortable in asking the right questions of their organisations.
- Maintaining a risk register is not enough to ensure the resilience of an organisation, it must be scrutinised and tested.

What to look for in a NED:

- Resilience as we know it today is quite new. Therefore, when appointing a NED there are a few key areas of complementary skill or expertise that organisations should look for:
 - Operational experience – A NED who has managed and been responsible for a service will have practised many functions of resilience, perhaps without knowing it.
 - Risk-management experience – There is a strong relationship between risk management and resilience. Having a NED with this skill set will strengthen the organisation's governance.

- Technology experience – Although deep technical expertise is not essential, a core understanding of how technology contributes to organisational outcomes is good to have.
- Understanding the ecosystem – Someone with systems understanding who can help identify where the organisation sits within its networks will help assess resilience.
- Cyber-security knowledge – Someone who can understand the operating environment and its interaction with technology will be able to challenge organisational preparedness.
- Future tech state – Someone who is aware of where new technologies are going and where future vulnerabilities exist will be able to scrutinise the uptake of new technologies.
- It is unlikely to get all of these skills in one person but a diversity of skills set at the board level is key.

What should a good NED do and how can they be supported:

- A good NED has integrity, experience and personality to offer boards which are central to operational success.
- Management experience is not the same as governance experience: NEDs should be supported with governance training in their roles.
- NEDs must work with their organisations to increase operational resilience. Financial resilience does not stop other disruptions from occurring, operational resilience needs to be on a par.
- A NED needs to be supported to challenge organisational management.
- Traditionally, a board's focus tends to be financial resilience. Covid-19 has reinforced the need to focus on operational resilience. NEDs need to embed that shift into the day-to-day functioning of the organisation and throughout the management structure.
- NEDs should assume that disruptions will occur and work with their organisations to focus on the delivery of outcomes under shock and stress.
- NEDs need to encourage stress testing under plausible scenarios, determining the organisation's ability to stay within tolerance thresholds.
- NEDs need to ensure appropriate reporting and accountability exists throughout the firm, from top to bottom.

Considerations:

- NEDs should require that communication is done at the right level. How one conveys information is important. NEDs should challenge the experts to explain issues and impacts in plain English. If people who are involved do not understand the problems, the end users will struggle even further.
- Disruptions tend not to affect resilience functions; often they impact the end user and maintaining accountability of service should be a top priority.

Notes:

- NEDs should be aware of the government's commitment to a comprehensive National Resilience Strategy through the [Integrated Review](#); the call for evidence for which is about to be issued from the CCS. There is also the opportunity to flag the potential of a future College for National Security and Resilience as a way of demonstrating that 'we are all in this together'. It may be also an opportunity to train NEDs in operational resilience.
- The [NCSC Board Toolkit](#) for cyber security includes helpful guidance for the non-expert.

A video recording can be found [here](#). Karen Gutierrez's contribution is not shown as it was given under the Chatham House rule.

Speakers' Biographies:

Simon Collins is the co-founder of Gold Collins, a crisis advisory business, and has a variety of chair, board and advisory roles with UK and international organisations. He was Chairman and Senior Partner of KPMG LLP until 2017, following roles leading the Transactions and Corporate Finance businesses. Prior to that he was an investment banker with SG Warburg and NatWest Markets. He qualified as a Chartered Accountant with Price Waterhouse in 1986. Simon is a non-executive director of the Royal Air Force, Chairman of the University of Manchester's Global Leadership Board, Chairman of the Catalyst Board for Cancer Research UK and Chairman of Resilience First. He is married to Simone and they have two adult children and live in North London.

Sir Ian Andrews CBE TD is a former Second Permanent Secretary of the UK Ministry of Defence who retired after 34 years in the civil service in 2009, and continues to pursue a wide range of security interests. From 2009-2013, he was Non-Executive Chairman of the UK Serious Organised Crime Agency (SOCA) – now part of the National Crime Agency. From 2013 until 2018 he was a Non-Executive Director of NHS Digital (the former Health and Social Care Information Centre for England) where he took a particular interest in Information Assurance and Cyber Security. For much of the last 20 years he has been closely involved in the leadership of transformational change in large and complex organisations in the national security space. Appointments have included as a Managing Director of a major Ministry of Defence Trading Fund (the Defence Evaluation and Research Agency) and Chief Executive of the then Defence Estates Agency. As the 2nd PUS, he was a member of all three single Service Management Boards, as well as the Defence Board. He is a senior adviser to the Transparency International Defence and Security Programme and recent years have seen him providing support to Defence Engagement, particularly in Latin America, and contributing to various public sector and academic leadership and governance initiatives.

Ed Butler CBE DSO is Chief Resilience Officer at Pool Re, the government-backed terrorism reinsurance scheme as well a Senior Independent Advisor to the Board of EDF Energy Generation, the operating company for UK's nuclear industry. He is also a Senior Advisor at S-RM, a Business Intelligence and Risk Consulting company. He has extensive experience spanning some 35 years of international relations, counter terrorism, intelligence, security and risk management much of which was gained during 24 years on front line service with the British Army. He was privileged to command 22 SAS over 9/11 and was Commander of British Forces Afghanistan in 2006, before retiring as a Brigadier General in 2008. He has an Honour's Degree in Politics and International Relations from Exeter University and an MA in Military Technology and Defence Studies from Cranfield University.

Jack Armstrong is a Director at EY, specialising in Operational Resilience in the financial sector. Jack has 15 years' experience as a consultant across various sectors and also previously used to lead the Bank of England's Operational Resilience Strategy team.

Karen Gutierrez has 30 years of experience in the financial services industry. Karen started her career in the Life and Pensions Industry. Managing new product programmes to deliver new products to market. Working across business functions including; Marketing, Investment, Business, Operations and IT converting concepts into tangible live products. Karen then, for several years, moved into consultancy and advisory work and joined KPMG, branching out into the Banking side. Karen specialised in mergers and acquisitions, business performance improvement, outsourcing and cost transformation. All of which allowed her to deepen her knowledge and experience of firms' business, IT and operating models. Karen moved in to regulation, initially as part of the FSA, later subsumed into the Bank of England. Karen is a Senior Advisor within the Operational Resilience Division, developing the micro prudential supervisory approach for operational resilience. Karen has specialised in firms' business operating models, focusing on three aspects: business model development, business operating model optimisation and operational resilience considering firms risk exposures and their mitigation strategies.