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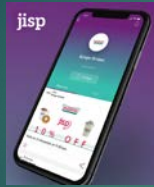
Quoted companies

Private Equity Owned

Privately Owned

Government Statutory

The Industrial Development Advisory Board 3 terms



Legal Risk of Board Member & Business Judgement Role

Corporate Governance framework differs by jurisdiction & ownership structure

Taiwan vs US vs UK

Law, Code of practice (FRC), Market guidance

Unitary Board in Taiwan & UK

Separation of roles of Chairman & CEO

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Legal Risk of Board Member & Business Judgement Role

- 1 Strategy
- 2 People, Leadership & Succession Planning
- 3 Financial Statement Accuracy
- 4 Stakeholder Engagement

Culture of the Business underpins all of these

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Legal Risk of Board Member & Business Judgement Role

Culture & Transparency
Dynamics of Executive & Board
Focus on Customers and Colleagues
Succession Planning
Visibility of Executive Leadership Pipeline
Measurement visible on Culture, Colleagues, Customers

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Legal Risk of Board Member & Business Judgement Role

Regulatory risk & Certainty
Business Cycles- By Geography/Economy & Sector
Understanding the Business by Geography & Sector
Operational Insight
Downside Risk
Scenario Planning
Management Information & Board Papers

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Major cases of financial statement fraud

Tesco plc

London UK 2014

£250m accounting problem
Lost 50% market value in 1 year
"Find me £30m"
2 staff members resigned over "dishonest accounting"
3 Executives on trial over accounting scandal
£214 m in fines and compensation



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Major cases of financial statement fraud

Carillion plc

London UK 2018

"largest ever trading liquidation in UK"
"recklessness, hubris & greed" of Directors
Investigations into insider trading, financial misstatement, auditors, directors
and UK government out-sourcing contracts



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Major cases of financial statement fraud

Danske Bank

Copenhagen Denmark 2018

"Is Money Laundering scandal at Danske Bank the largest in history?"

Estonia source of suspicious transactions

Transnational - linked to 32 currencies

"London's role under spotlight"



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How to Prevent Financial Statement Fraud

Culture & Values

Open and Transparent Culture

Cultures are embedded & difficult to change

Recruit & Retain for Attitude & Values not just Skills

Not a Democracy but Empowering people works

Reward mechanisms reinforce the culture & values

Include Reward for Behaviours e.g. Coaching, Teamwork

Meritocracy for Succession, Behaviour & Performance

Visibility of Staff Turnover & Staff Exit Interviews

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How to Prevent Financial Statement Fraud

Diversity

Diverse Teams including the Executive Leadership & the Board

Diversity matters – Lower Risk of Failure & Better Performance

Corporate Failure more likely with lack of Diversity

Evidence shows Diverse Leadership Delivers Higher Performance

Token one or two does not solve the lack of leadership diversity

Chairman, CEO, CFO are the Power Leadership Roles

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Board Effectiveness Resources

Internal Board Reviews

External formal Board Reviews including Observation of a Board Meeting and Individual Confidential Interviews

Good Quality Board Papers with Executive Summaries

Board Training and "Teach ins" by subject matter experts

Build Trust through Opportunities for Informal Dialogue

Board Meetings held at business sites beyond HQ

Opportunities for connection at all levels of Operations

Impromptu site visits and conversations with staff and customers

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