



The CFO on the Board

KPMG Board Leadership Centre



Fundamental to the UK corporate governance framework is the unitary board model – a board comprised of both executive and non-executive directors with ostensibly the same duties and responsibilities.

Indeed, the general duties of directors, as set out in the Companies Act 2006, do not distinguish between those directors with executive roles and those who serve as non-executive directors.

Regulators and governance professionals have, since Sir Adrian Cadbury's seminal report in 1982, produced pages of guidance on the role, competencies and expectations placed on non-executive directors but very little has been written about the role of the CEO, CFO and other executives around the boardroom table.

Even the 2018 UK Corporate Governance Code (the Code) only makes a handful of references to executive directors (other than in the context of executive pay), most of which define the role only as an apparently lesser one to that of the non-executive director, e.g.

- Non-executive directors have a prime role in appointing and removing the executive directors;
- The chair should hold meetings with non-executive directors without the executive directors present; and
- Only non-executive directors are allowed to sit on the audit and remuneration committees.

Simply reading the Code one might conclude that the CFO and other executive directors are simply on the board to be supervised rather than make a positive contribution – which would be a gross misrepresentation of their true role and value.

CFO board members have exactly the same duties as other members of a unitary board – duties that extend across the whole business not just the specific specialisms associated with the CFO role.

But, unlike their non-executive director colleagues, CFOs have a particular set of skills. Skills acquired through their day to day involvement in the business. Skills that make them critical to effective board decision making. So the CFO needs to fulfil two roles: the executive role and the fellow board member role.

The board will look to the CFO, in their executive capacity, to share specific insights into areas that they are uniquely experienced in:

- the company's short and long term financial security – and how significant and complex aspects such as pension liabilities play into this
- the business drivers behind the performance
- the forecasting and earnings guidance – considering the impact of the changing business environment and how this aligns to the proposed strategic direction
- the suitability of financial controls
- the future proofing of the finance function as traditional finance tasks will give way to data analytics, cloud technologies and automation
- the relevant technical accounting; financial reporting; tax planning and compliance; and treasury issues

But the board will also be looking to the CFO for an informed and independent contribution as a fellow board member – not as a member of the CEO's team, but as a genuine peer – on all the key issues on the board agenda, whether that be the game-changing implications of technology and digital innovation, scrutiny of corporate culture and leadership, growing demands for companies to address environmental and social issues, or investor expectations for greater board engagement and diversity and long-term corporate performance.

Clarity of communication is key to the success of this dual role. The ability to clearly articulate the information the board needs from the CFO as an executive, and then to seamlessly switch to the inquisitive, challenging and insightful approach to topics outside of the direct remit of finance, is essential for those looking to bring their best to the complex requirements of the role.

Ten issues on the 2019 board agenda

- 1. Boardroom composition:** Align the talent in the boardroom with the company's future strategy.
- 2. Strategy, risk and disruption:** Connect digital disruption with risk management and the strategy.
- 3. Long-term value creation:** Understand the views of key stakeholders and focus on long-term value creation
- 4. Talent management and inclusion:** Talent development is a priority.
- 5. Corporate culture:** Assess, monitor, and reinforce culture as a strategic asset and critical risk.
- 6. Cyber security:** Reframe boardroom discussions about cyber and data privacy as risk management issues.
- 7. Crisis management:** Reassess the company's crisis prevention and readiness.
- 8. Geopolitics:** Understand and mitigate the geopolitical risk exposures.
- 9. Shareholder engagement:** Institutional investors increasingly hold boards accountable for performance and governance standards.
- 10. Regulation:** Greater regulation is an on-going trend.

Source: [On the 2019 Board Agenda](#)

Five tips for making good use of board time

- 1. Plan carefully,** even aggressively, in securing the time required to focus on the most important issues, for example, by giving priority and quality time to strategic discussions and fitting the routine issues around them rather than the other way round.
- 2. Manage expectations,** for example, it may not be possible or wise to complete a major strategic discussion in one day. It may need to be supported by site visits, specialised briefings and/or in-depth work on historic and future performance before all these strands can be brought together to make strategic decisions.
- 3. Use opportunities for free-flowing conversation,** for example, at dinners the night before the Board meeting. These can also be valuable for leveraging the diverse talents of the non-executive directors by getting them to talk about their skills and experience.
- 4. Think carefully** about what the board needs to hear and don't assume that the 40-slide presentation is always the best approach. Instead, make strategic use of pre-reads and concentrate on facilitating a meaningful discussion.
- 5. Use technology effectively** as an enabler to bring people together and keep communications flowing. Telephone and video conferences make it possible to organise meetings without expecting everybody to be in the same place.

Source: The role of the CFO on the modern board, CIMA

The KPMG Board Leadership Centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. Membership offers you a place within a community of board-level peers with access to topical and relevant seminars, invaluable resources and thought leadership, as well as lively and engaging networking opportunities. We equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

Learn more at www.kpmg.com/uk/blc.

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