1. Introduction
The characteristics of a solid board are:

- a strong Chair that manages the CEO and runs the board meetings effectively and efficiently;
- efficient board processes and robust corporate governance;
- representation of all shareholder interests with integrity;
- the appropriate balance of skills and knowledge; and
- focus on strategy development and implementation.
Highly Effective Boards have the characteristics of a solid board plus:

- culture of continuous improvement in all areas of board performance;
- robust challenge of management assumptions;
- ongoing re-evaluation of strategy in a constantly changing environment;
- strong and continual focus on management’s implementation of strategic initiatives, challenging where necessary; and
- succession plan for the chair, committee chairs, directors and key executives.
The Independent Board Governance and Performance Review (IBGRP) process included:

- one-on-one interviews with select directors;
- report to the Board on strengths, areas for improvement and recommendations on how to address those areas for improvement; and
- report to shareholders on the results of the review.
Methodology

The IBGPR examined and evaluated the following areas:

- governance;
- board process;
- board dynamics;
- BARCC and RNC performance;
- strategy creation and implementation; and
- succession planning
Introduction

• Beginning in 2010 the BSP Board has commissioned Strategic Momentum Group (SMG) to provide the BSP Board with an annual Independent Board Governance & Performance Review (IBGPR).

• The objectives of the IBGPRs are:
  – for the Board to adopt a culture of continuous improvement;
  – have an independent assessment of the gaps between the performance of the BSP Board and best practice; and
  – have an independent expert provide recommendations on how to bridge the gaps
Update Since 2016 AGM

• Westpac South Pacific Island Business acquisition substantially completed
• Investigation of other growth opportunities;
• Excellent 2015 financial result and;
• Impending implementation of new Prudential Standard BPS 300.
Show Year-by-Year progress in the areas of board governance and performance

- Excellent = Best Practice
  - Anything less than excellent, I’ll discuss what’s needed to become best practice
Board Process

Board Pack
2010 Unsatisfactory
2014 Excellent
2015 Excellent
2016 Excellent

Why:
– excellent CEO Report;
– more focus on strategy

Continues to be a strength of the Board
Board Process (cont.)

Board and Committee Minutes
2010 Unsatisfactory
2014 Good
2015 Good
2016 Good

– Why
  – Accuracy
  – committee minutes are distributed on time
– Needed to become excellent -
  – draft board minutes distributed to the directors within 3 business days
Board Process (cont.)

Board Meetings
2010 Average
2014 Good
2015 Very Good
2016 Very Good

– Why
  – much more focus on strategy

– Needed to become excellent
  – more director participation in board discussions
2010 Good
2014 Very Good
2015 Excellent
2016 Excellent

– Why
  – respectful; professional; good collaboration; manages conflict
– Next Step to keep Excellent rating
  – induction of new directors
  – understanding of director’s cognitive strengths and blind spots more director participation in board discussions
2010 Satisfactory
2013 Satisfactory
2015 Very Good
2016 Excellent

– Why
  – increase focus on non-financial risks;
  – internal auditor reports to the committee chair
2011 Unsatisfactory
2013 Unsatisfactory
2015 Good
2016 Good

– Needed to become Excellent
  – succession plan for directors/Chair/committee chairs
  – pro-active in filling key vacancies
Relationship with the Executive

2010 Average
2014 Excellent
2015 Excellent
2016 Excellent

– Why
  – mutual respect
  – free flow of information
  – transparency

continues to be a strength of the board
Director Skills

2010 Below Average
2014 Good
2015 Good
2016 Good

– Needed to become excellent -
  – internal director mentoring program
  – specialised technical workshops
  – complete the A.I.C.D. International Directors Course
Strategy

2010 Below Average
2014 Good
2015 Very Good
2016 Excellent

– Why
  – Board focus on strategy has improved significantly
  – strategy workshop with executives annually
  – robust oversight of strategy implementation

This critical area has become a strength of the board
Governance

2010 Below Average
2014 Good
2015 Very Good
2016 Good

– Why?
  – CEO has a clear and transparent Succession Plan for key executives;
  – board has adopted the new Prudential Standards;
  – BPS300 on Corporate Governance.
– Needed to become excellent
  – succession plan for directors/chair/committee chairs
Summary

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5. Conclusions