

**REPLY BY THE PRESIDENT OF
THE STATES' TRADING SUPERVISORY BOARD
TO QUESTIONS ASKED PURSUANT TO RULE 14 OF THE
RULES OF PROCEDURE BY DEPUTY MARK HELYAR**

Question 1

Kindly particularise the fees and any other expenses, benefits or benefits in kind paid to non-executive directors (or in the case of non-corporate entities, fees for acting as a member of the governing board) of each entity for which the STSB is / was responsible for supervision during the calendar year 2021 and 2022, preferably in the following format (including non-voting members of STSB). Please include a separate table for 2022 if figures are available.

NAME	Entity	Annual fee	Expenses/ benefits/ benefits in kind	Date of appointment	Number of annual meetings	Number of meetings attended

Answer

The information is provided as requested in the tables on pages 3-12. The corporate governance arrangements for the different entities are outlined below, to provide context to these tables and to the subsequent questions.

The STSB

The States' Trading Supervisory Board (STSB) is a committee of the States of Guernsey and does not have any non-voting members (as suggested in the question). It has a constitution of five full voting members - three serving States Members and two who are not politicians, all appointed by the States. They all have extensive business experience, including at senior board level with some of the Channel Islands largest operating companies, across various industries.

The remuneration of the three politicians is that of an ordinary People's Deputy. The STSB President receives no uplift, unlike the Presidents of the Principal Committees, the Scrutiny Management Committee, the States' Assembly & Constitution Committee, and the members of the Policy & Resources Committee. The remuneration of the two full voting non-States members is set in accordance with the rules¹ for non-States members pay and was £8,661 in 2021 and £8,897 in 2022. They receive no further payment for any roles they carry out within the STSB, including involvement in any STSB sub-committees, working parties, and project boards.

The States-owned incorporated companies

Aurigny, Guernsey Electricity (GEL), Guernsey Post (GPL), and Jamesco 750 (Jamesco) each have their own Board of Directors, with full fiduciary responsibility for that business. STSB's role is as active shareholder, providing oversight through formal and regular meeting and reporting arrangements. It focuses on reviewing and approving each company's strategic plans, engaging with

¹ Rules for Payments to States members, Non-States Members, and Former States Members.

them on financial matters, and holding them to account in terms of performance against those plans and their shareholder objectives.

The fees paid to non-executive directors are determined by the STSB and are subject to a periodic uplift in line with any agreed increase for States of Guernsey established staff (if any). For 2021 and 2022 (no uplift) the fees were:-

- **Non-executive chairman:** Aurigny, GEL & GPL - £15,217; Jamesco - £4,926²
- **Non-executive director:** Aurigny, GEL & GPL - £11,709; Jamesco - £3,705²

The States-owned unincorporated trading operations

For Guernsey Dairy, Guernsey Ports, Guernsey Waste, Guernsey Water, States Works, and the CI Lottery, the STSB's role is to ensure their efficient management and operation. The STSB has a sub-committee for each (in accordance with Rule 54(3) of the Rules of Procedure), tasked with ensuring the efficient and effective management, operation and maintenance of their activities and ensuring these align with the wider States' strategy and policy framework. Each sub-committee has two STSB members – one of whom is chair – and we have recruited experienced business leaders, acting in a voluntary and advisory capacity, to bring additional commercial and private sector expertise and perspective. They give their time freely, including participation in various sub-groups, project board and working parties. Senior executives from the incorporated companies (and in one instance from another States Committee) also serve on the sub-committees, again in a non-voting capacity.

² The fees paid to the Non-Executive Directors of Jamesco 750 are reduced to a level commensurate with the narrower focus of their activities and, accordingly, the lower time commitments involved.

Aurigny Air Services

2021

Name	Annual Fee	Expenses/ Benefits ³	Appointed	Annual number of meetings - Attended/Held ⁴					
				Board	QS	AC	NC	RC	SRB ⁵
Kevin George	£15,217	£4,813.40	05.08.2020	9 / 9	4 / 4	1 / 1	1 / 1	0 / 0	-
John Le Poidevin	£11,709	£0	01.01.2017	9 / 9	-	1 / 1	1 / 1	0 / 0	-
Meriel Lenfestey	£11,709	£0	14.01.2016	9 / 9	-	0 / 1	1 / 1	0 / 0	-
Chris Holliday	£11,709	£0	12.09.2016	9 / 9	-	1 / 1	1 / 1	0 / 0	4 / 4

2022

Kevin George	£15,217	£8,524.37	05.08.2020	5 / 5	4 / 4	1 / 1	2 / 2	1 / 1	-
John Le Poidevin	£11,709	£0	01.01.2017	5 / 5	-	1 / 1	2 / 2	1 / 1	-
Meriel Lenfestey	£11,709	£0	14.01.2016	5 / 5	-	1 / 1	2 / 2	1 / 1	-
Chris Holliday ⁶	£8,121	£0	12.09.2016	4 / 4	-	1 / 1	1 / 1	1 / 1	3 / 3
Mick Conlon	£1,951	£0	01.11.2022	1 / 1	-	0 / 0	1 / 1	0 / 0	0 / 0 ⁷

Key:- **QS** – Quarterly shareholder; **AC** - Audit Committee; **NC** - Nominations Committee; **RC** - Remuneration Committee; **SRB** - Safety Review Board

³ Expenses paid in respect of Board/Sub-Committee meeting attendance include travel, accommodation, subsistence and telephone calls. No Benefits in Kind were payable.

⁴ When non-executive directors were appointed to/retired from the Board or sub-committee(s) in 2021 or 2022, the number of meetings attended/held refers only to meetings they were eligible to attend.

⁵ The Safety Review Board (SRB) is an executive/operational function emanating from aviation regulation. The SRB meets quarterly and is attended by a designated Non-Executive Director (Mr Holliday prior to his retirement, now Mr Conlon).

⁶ Mr Holliday retired from the Aurigny Board and its Sub-Committees in September 2022.

⁷ For the last SRB of 2022, given the transition of both non-executive director and the company's Safety Manager, no non-executive director was requested to attend.

Guernsey Electricity Limited

2021

Name	Annual Fee	Expenses / Benefits ³	Appointed	Annual number of meetings - Attended/Held ⁴				
				Board	QS	ARC	RNC	LPC
Ian Hardman	£15,217	£0	29.09.2011	6 / 6	4 / 4	-	6 / 6	5 / 5
Peter Shaefer	£11,709	£361	26.09.2018	6 / 6	-	4 / 4	-	-
Rick Denton	£11,709	£0	26.09.2018	5 / 6	-	4 / 4	-	-
Gillian Browning	£11,709	£0	26.09.2018	4 / 6	-	-	4 / 6	-
Ian Chapman ⁸	£11,709	£594	15.09.2020	5 / 6	-	-	5 / 5	-
Tania Songini ⁹	£11,709	£561	15.09.2020	6 / 6	-	2 / 2	-	-
Joanne Peacegood	£7,218	£0	21.05.2021	3 / 4	-	2 / 2	-	-

2022

Ian Hardman ¹⁰	£6,629	£0	29.09.2011	3 / 3	2 / 2	-	2 / 2	3 / 3
Peter Shaefer ¹¹	£13,689	£2,650	26.09.2018	5 / 6	2 / 2	3 / 3	2 / 2	2 / 3
Rick Denton	£11,709	£0	26.09.2018	5 / 6	-	5 / 5	-	-
Gillian Browning	£11,709	£0	26.09.2018	4 / 6	-	-	4 / 4	-
Ian Chapman ⁸	£11,709	£666	15.09.2020	5 / 6	-	1 / 1	3 / 3	-
Tania Songini ⁹	£11,709	£1,807	15.09.2020	6 / 6	-	4 / 4	1 / 1	-
Joanne Peacegood	£11,709	£0	21.05.2021	5 / 6	-	3 / 5	-	-

Key:- QS – Quarterly shareholder; **ARC** - Audit & Risk Committee; **RNC** - Remuneration & Nominations Committee; **LPC** - Land & Property Committee

⁸ Mr Chapman was appointed to the RNC on 2 March 2021. In July 2022 he joined the ARC and was replaced on the RNC by Ms Songini.

⁹ Ms Songini was appointed to the ARC on 12 April 2021. In July 2022 she joined the RNC and was replaced on the ARC by Mr Chapman.

¹⁰ Mr Hardman retired from the GEL Board and its Sub-Committees on 9 June 2022.

¹¹ Mr Shaefer was appointed GEL Board Chairman in June 2022. In line with good corporate governance practice he resigned from the ARC, and joined the RNC and L&PC.

Guernsey Post

2021

Name	Annual Fee	Expenses/ Benefits ³	Appointed	Annual number of meetings - Attended/Held ⁴			
				Board	QS	ARC	RNC
Simon Milsted ¹²	£11,107	£0	26.07.2011	7 / 7	3 / 3	-	-
Richard Digard ¹³	£12,586	£0	29.03.2017	8 / 8	1 / 1	1 / 1	-
Peter Shaefer	£11,709	£649	28.11.2018	8 / 8	-	2 / 2	-
Mark Dunster	£11,709	£0	28.11.2018	8 / 8	-	-	2 / 2
Paula Williams	£10,682	£0	02.02.2021	8 / 8	-	-	2 / 2
Rick Denton	£504	£0	16.12.2021	0 / 0	-	-	-

2022

Richard Digard	£15,217	£0	29.03.2017	8 / 8	4 / 4	-	-
Peter Shaefer	£11,709	£1,405	28.11.2018	8 / 8	-	2 / 2	-
Mark Dunster	£11,709	£0	28.11.2018	6 / 8	-	-	3 / 3
Paula Williams	£11,709	£0	02.02.2021	8 / 8	-	-	3 / 3
Rick Denton	£11,709	£0	16.12.2021	8 / 8	-	2 / 2	-

Key:- QS – Quarterly shareholder; **ARC** - Audit & Risk Committee; **RNC** - Remuneration & Nominations Committee

¹² Simon Milsted retired from the GPL Board and its Sub-Committees in September 2021.

¹³ Richard Digard was appointed as Chairman of the GPL Board in October 2021. His remuneration was uplifted accordingly from this time, and in line with good corporate governance practice he resigned from the ARC.

Jamesco 750 ¹⁴

2021

Name	Annual Fee	Expenses/ Benefits ³	Appointed	Annual number of meetings - Attended/Held ⁴	
				Board	Shareholder
Jeff Vidamour	£4,926	£17.14	26.03.2009	4 / 4	1 / 1
Andrew Way	£3,705	£0	26.03.2009	4 / 4	-
Simon Holden	£3,705	£0	01.04.2016	3 / 4	-
Peter Gill	£3,705	£0	01.04.2016	2 / 4	-

2022

Jeff Vidamour	£4,926	£242.70	26.03.2009	4 / 4	2 / 2
Andrew Way	£3,705	£0	26.03.2009	4 / 4	-
Simon Holden	£3,705	£0	01.04.2016	4 / 4	-
Peter Gill	£3,705	£0	01.04.2016	3 / 4	-
Charles Smith	£1,235	£0	01.09.2022	2 / 2	-

¹⁴ JamesCo750 is undertaking a considerable project to upgrade the ballast water system on its vessels. Uniquely the company has no staff therefore has commissioned one board member, in their professional capacity, to manage this specific project, for which they have been remunerated.

Guernsey Dairy Management Board (Sub-Committee)

2021

Name	Annual Fee	Expenses/ Benefits	Appointed	Annual number of meetings - Attended/Held ⁴				
				DMB	FGPB ¹⁵	MPNT	MSG	FOTWP
Deputy Roffey	£0	£0	29.10.2020	6 / 6	-	-	-	-
Stuart Falla	£0	£0	01.01.2019	6 / 6	9 / 9	2 / 2	-	-
Sarah MacKnight	£0	£0	03.10.2019	6 / 6	7 / 9	-	4 / 4	-
Stephen Langlois	£0	£0	21.11.2017	6 / 6	-	-	-	3 / 3
Dave Cowley ¹⁶	£390	£0	01.01.2021	5 / 6	-	-	-	3 / 3

2022

Deputy Roffey	£0	£0	29.10.2020	7 / 7	-	-	-	-
Stuart Falla	£0	£0	01.01.2019	6 / 7	3 / 4	3 / 3	-	-
Sarah MacKnight	£0	£0	03.10.2019	5 / 7	3 / 4	-	2 / 2	-
Stephen Langlois	£0	£0	21.11.2017	7 / 7	-	-	-	2 / 4
Dave Cowley ¹⁶	£480	£0	01.01.2021	6 / 7	-	-	-	4 / 4

Key:- **DMB** - Dairy Management Board; **FGPB** - Future Guernsey Dairy Project Board; **MPNT** - Milk Price Negotiation Team;

MSG - Marketing Sub-Group; **FOTWP** - Farm Output Target Working Group.

¹⁵ The Future Guernsey Dairy Project Board is supported by a Guernsey Farmers Association (GFA) representative who did not receive any remuneration/expenses in 2021 or 2022.

¹⁶ The composition of the Dairy Management Board is set out in Billet d'État XIII dated 5 April 2007 and amended in Billet d'État XX dated 15 August 2014. This provides that the membership must include a GFA representative. Mr Cowley is the current representative and receives a meeting attendance allowance equivalent to the half-day allowance paid to members of States Tribunals etc. The current rate (as of 1 May 2022) is £84 per half-day.

Guernsey Ports Sub-Committee

2021

Name	Annual Fee	Expenses / Benefits	Appointed	Annual number of meetings - Attended/Held ⁴			
				Sub-Committee	PMPB ¹⁷	GASPB	FHPB ¹⁷
Deputy Roffey	£0	£0	29.10.2020	8 / 9	-	-	-
Stuart Falla	£0	£0	04.05.2017	9 / 9	2 / 2	-	8 / 8
Simon Holden	£0	£0	25.07.2019	8 / 9	1 / 2	-	-
Boley Smillie	£0	£0	04.05.2017	8 / 9	-	7 / 10	-

2022

Deputy Roffey	£0	£0	29.10.2020	10 / 10	-	-	-
Stuart Falla	£0	£0	04.05.2017	10 / 10	17 / 18	-	-
Simon Holden	£0	£0	25.07.2019	6 / 10	13 / 18	-	-
Boley Smillie	£0	£0	04.05.2017	10 / 10	-	1 / 3	-

Key:- **PMPB** – Pool Marina Project Board; **GASPB** – Guernsey Airport Security Project Board; **FHPB** - Future Harbour Development Project Board

¹⁷ The Pool Marina and the Future Harbour Development Project Boards are also supported by additional independent advisers who receive no remuneration for their contributions.

Guernsey Waste Sub-Committee

2021

Name	Annual Fee	Expenses/ Benefits in kind	Appointed	Annual number of meetings - Attended/Held ⁴		
				Sub-Committee	B&I	E&P
Deputy Parkinson	£0	£0	29.10.2020	4 / 5	-	-
John Hollis ¹⁸	£0	£0	29.10.2020	3 / 4	-	-
Simon Thornton	£0	£0	16.10.2021	1 / 1	-	-
Peter Watson	£0	£0	11.10.2019	4 / 5	5 / 5	-
Matthew Jones	£0	£0	01.01.2019	3 / 5	-	11 / 13

2022

Deputy Parkinson	£0	£0	29.10.2020	7 / 7	-	-
Simon Thornton	£0	£0	16.10.2020	7 / 7	-	-
Peter Watson	£0	£0	11.10.2019	5 / 7	2 / 2	-
Matthew Jones	£0	£0	01.01.2019	4 / 7	-	0 / 0

Key:- **B&I** - Benchmarking & Innovation Group; **E&P** - Efficiency & Pricing Team

¹⁸ Mr Hollis retired from the STSB including the Guernsey Waste Sub-Committee on 15 October 2021.

Guernsey Water Sub-Committee

2021

Name	Annual Fee	Expenses/ Benefits in kind	Appointed	Annual number of meetings - Attended/Held ⁴
Deputy Parkinson	£0	£0	29.10.2020	6 / 7
John Hollis ¹⁹	£0	£0	04.05.2017	5 / 5
Simon Thornton	£0	£0	16.10.2021	2 / 2
Michael Lawther	£0	£0	25.07.2019	5 / 7
Alan Bates	£0	£0	04.05.2017	6 / 7

2022

Deputy Parkinson	£0	£0	29.10.2020	7 / 7
Simon Thornton	£0	£0	16.10.2021	7 / 7
Michael Lawther	£0	£0	25.07.2019	7 / 7
Alan Bates	£0	£0	04.05.2017	4 / 7

¹⁹ Mr Hollis retired from the STSB including the Guernsey Water Sub-Committee on 15 October 2021.

States Works Sub-Committee

2021

Name	Annual Fee	Expenses/ Benefits in kind	Appointed	Annual number of meetings - Attended/Held ⁴
Deputy Moakes	£0	£0	29.10.2020	6 / 6
John Hollis ²⁰	£0	£0	04.05.2017	5 / 5
Simon Thornton	£0	£0	16.10.2021	0 / 1
Matthew Polli	£0	£0	25.07.2019	6 / 6

2022

Deputy Moakes	£0	£0	29.10.2020	6 / 6
Simon Thornton	£0	£0	16.10.2021	5 / 6
Matthew Polli	£0	£0	25.07.2019	5 / 6
Nico Bezuidenhout	£0	£0	24.02.2022	4 / 5

²⁰ Mr Hollis retired from the STSB including the States Works Sub-Committee on 15 October 2021.

Channel Islands Lottery (Guernsey) Sub-Committee

2021

Name	Annual Fee	Expenses/ Benefits in kind	Appointed	Annual number of meetings - Attended/Held ⁴
Deputy Parkinson	£0	£0	29.10.2020	4 / 4
Deputy Moakes	£0	£0	29.10.2020	4 / 4

2022

Deputy Parkinson	£0	£0	29.10.2020	5 / 5
Deputy Moakes	£0	£0	29.10.2020	3 / 5

Question 2

Would the STSB, as shareholder representative, please provide a justification for the numbers of individual non-executive directors/board members on each entity above, particularly in light of the many layers of costly governance above them and the absence of moral hazard associated with such positions (unlike the private/regulated sector)?

Answer

The premise of the question demonstrates two fundamental misconceptions:- that there are “many layers of costly governance”, and an “absence of moral hazard associated with such positions (unlike the private/regulated sector)”. These assertions reflect a lack of understanding of both the governance arrangements within the STSB and, particularly in the case of the incorporated entities, the responsibilities of the respective Boards and/or sub-committees. I will address these points first before discussing the compositions of these Boards.

Each of the incorporated companies has its own Board of Directors, which is responsible for its governance. The STSB acts as shareholder representative, on behalf of the States of Guernsey. There are not “many layers” of governance – just a Board and a shareholder.

The sub-committees that oversee the unincorporated entities have clearly defined decision-making functions, but only members of the STSB have voting rights and the STSB remains responsible at all times for the actions of its sub-committees. Again, there are not “many layers” of governance.

As far as “costly governance” is concerned, the benchmarks provided in the answer to Question 3 illustrate how the non-executive director fees for the States-owned trading companies compare favourably against equivalent companies in Jersey. The sub-committees for the unincorporated trading operations benefit from the pro bono involvement of experienced business advisers. Total non-executive directors fees/expenses across the whole STSB in 2022 totalled £221,990, which equates to 0.1% of our entire operating cost base.

It is not entirely clear what is meant by “absence of moral hazard”, but I presume it is implying the non-executive directors of the States-owned trading companies are free to take risks without regard to the potential consequences. That suggestion is both surprising and disappointing, and does not in any way reflect reality.

Their Boards of Directors have **full** fiduciary responsibility, and operate in highly regulated environments - be that financial regulation, health & safety regulation, environmental regulation, employment regulation, energy regulation, aviation regulation, or other relevant regulatory frameworks. The non-executive directors therefore have significant personal and collective responsibility, and their duties are very serious. Not least from a health & safety perspective for which the Boards can be deemed “the controlling mind” of the company in respect of corporate manslaughter responsibility and therefore potentially liable to prosecution.

It is very difficult to see any justification for the suggestion there is an “absence of moral hazard (unlike in the private regulated sector)”. If anything, the opposite can be true, since the directors of, say, a listed fund in the financial services sector are by comparison much further away from operations and therefore unlikely to carry the same risks.

Moreover, Board appointments within the States-owned companies are high profile compared to most other local non-executive roles. In the current States term they have on occasions been subject of unsubstantiated claims within the Assembly. As such, besides their fiduciary responsibilities these roles carry very significant reputational risk for many of the individuals involved.

In terms of justifying the number of members on these Boards, the STSB only performs the role of “shareholder representative” for the States-owned incorporated companies. The answer to this question is therefore focused primarily on those entities.

As in the private sector, it is a matter for the Board of Directors of each company to ensure they are adequately resourced to fulfil their responsibilities.

“The Board should collectively comprise an appropriate balance of skills, knowledge and competence, taking into account its members’ relevant experience, such that the Board as a whole is able to discharge its duties and responsibilities effectively and that no individual or group of individuals can or does unduly dominate the Board’s decision making. Taking into account the size, nature and complexity of the company, the Board may include one or more non-executive directors, including independent non-executive directors where appropriate, in order for there to be a suitable balance of skills.”

The Guernsey Financial Service Commission Code of Corporate Governance

Although the GFSC Code is specifically for the finance sector, it provides relevant guidance for what are significant businesses.

The Boards of Aurigny, GEL, GPL, and Jamesco will periodically make recommendations on the make-up of their boards, for approval by the STSB.

- **Aurigny** currently has four non-executive directors, specifically recruited with skill sets and experience to match a particular portfolio of responsibilities. These comprise:- board governance, airline strategy and management; safety, airline operations, and aircraft maintenance; customer experience, HR, IT, and ESG; and finance, treasury, risk and compliance. In these capacities, each non-executive director actively provides oversight, governance and advice to Aurigny’s executive directors and other members of the senior leadership team.
- **Guernsey Post** has five non-executive directors. They have experience across many sectors and have held directorships of other commercial organisations, which brings practical experience of oversight and serving on audit & risk and remuneration & nominations committees. Their collective experience, skills and qualifications are relevant to the ongoing management of GPL, including change management/restructuring, marketing, strategy development, acquisitions, accountancy, finance, audit, project management, corporate governance, risk management, litigation, compliance, regulation and HR.
- **Guernsey Electricity** has six non-executive directors, having increased by one in 2019 to reflect the workload of the Board and not overburden any one individual. It allows there to be three different non-executive directors on its two main sub-committees - Audit & Risk, and Remuneration & Nominations. It also aids succession planning and continuity based on a six-year term. The non-executive directors have been appointed for the expertise they bring to the company, which includes: finance, accountancy/audit, change management, commercial company experience, risk management, health & safety, energy transition & energy technologies, environment/ sustainability, regulation and governance.

GEL’s Remunerations & Nominations sub-committee recently (October 2022) considered the number of non-executive directors when updating the Board’s succession plan and confirmed six is still appropriate to spread workload, increase flexibility, and best serve the sub-committees, in particular with the additional work surrounding electricity strategy.

- **Jamesco** has five non-executive directors – an increase from four prior to September 2022, as part of a succession planning arrangement and in anticipation of scheduled retirements in 2023. This has brought additional professional engineering experience and resilience. The company’s main activities are: first, to negotiate and manage bareboat charters for the vessels; and, second, to ensure the vessels continue to meet the applicable International Maritime Organisation regulations and the technical standards for their construction and operation, and retain a valid Classification Certificate. These specialist functions are undertaken by the non-executive directors and, as such, it does not employ any staff. Financial management and company secretarial support is provided by officers of the STSB and Law Officers to minimise costs.

Question 3

With reference to the answer above, given that the highly regulated finance sector does not require or demand any more than two independent directors, often for investment and other types of entity which may assume several billions in risk (with associated personal moral hazard and potential personal liability), would the STSB please justify the numbers of independent directors and the personal fees in (1)?

Answer

This question has been largely dealt with in the answer to question 2, in particular the erroneous assertions regarding “moral hazard” and “personal liability”.

Requirements for the number of directors in the finance sector is not a matter of the STSB. While the minimum may be two, there is not a limit of two and, we understand, two is not the norm. As the GFSC Code clearly sets out, Board composition is a matter for each Board:-

“The Board should collectively comprise an appropriate balance of skills, knowledge and competence..... may include one or more non-executive directors, including independent non-executive directors where appropriate.”

The Guernsey Financial Service Commission Code of Corporate Governance

In assessing the appropriate make-up of the Boards of the States-owned trading companies, a more useful benchmark is Jersey’s government-owned trading companies. Jersey Electricity and Jersey Post, both of which are incorporated, provide a particularly helpful comparison:

Sector	Number of non-executive directors	Fees
Jersey Electricity ²¹	6	Chair - £43k; NEDs - £25k-£30k
Jersey Post ²²	5	Chair - £40k; NEDs - £20k-£25k
Jersey Ports ²³	5	Chair - £50k; NEDs - £25k-£30k
Jersey Water ²⁴	4	Chair - £31k; NEDs - £23k-£25k

The above table clearly shows the Boards of Jersey Electricity and Jersey Post are identical to GEL and GPL in terms of the number of non-executive appointments, but far more highly remunerated.

²¹ Source: Jersey Electricity 2022 Annual Report and Accounts

²² Source: 2021 Jersey Post Business Review

²³ Source: Ports of Jersey Annual Report 2021

²⁴ Source: 2022 Jersey Water Annual Report & Financial Statements

The States-owned trading companies are diverse businesses operating in evolving environments. Their non-executive directors have been appointed for the expertise and challenge they can bring to the company, and as shareholder the STSB is satisfied they provide *an appropriate balance of skills, knowledge and competence*.

Question 4

Given the current exceptional pressure on public services and rising inflationary costs, would the STSB urgently consider mandating all of its shareholding / supervised entities to reduce their non-executive membership to not more than 2 per entity and to lower and limit fees to those commensurate with the private sector for equivalent levels of (extremely low) personal risk or perhaps prefer suitable new candidates wishing to serve as directors for minimal / waived fees in the public interest ?

Answer

In short, no.

The most recent PwC Channel Islands Non-Executive Director Remuneration Survey found that in 2021 directors of listed entities received on average £43,674, and for unlisted entities £34,450. It also reported the time commitment in 2021 was 26 days per year for listed entities and 23 days for unlisted.

Given the number of Board and other meetings (in addition to the necessary pre-reading and preparation), it is expected the non-executive directors of Aurigny, GEL, and GPL will need to commit a minimum of two days per month. In most cases this will be greater, given their involvement in Board sub-committees and other support they provide to the executive in an advisory capacity. This is therefore in line with the time commitment for private sector roles identified in the PwC survey.

Therefore to be “commensurate with the private sector”, fees for non-executive directors of the States-owned trading operations would have to increase significantly – likely three to four fold. That does not take account of the “equivalent levels” of risk associated with these roles, which if anything is greater than many posts in financial/fund sector that are more highly remunerated. The States of Guernsey, as shareholder, relies on the public interest commitment of these non-executive directors, and the island is fortunate to have individuals of their calibre.

The same is true of the business advisers to the STSB sub-committees, for which there is no saving available as they already provide their services freely, in the public interest. Although they have no fiduciary responsibilities their time commitment is considerable, and in many cases includes participation in various sub-groups, working parties, and project boards, in addition to their main sub-committee role (as shown in the tables on pages 7-12).

STSB is not insensitive to the “exceptional pressure on public services and rising inflationary costs”. However as identified in Q2, the fees paid to non-executive directors is less than one tenth of one per cent of the STSB’s overall cost base. Even if all the directors waived their fees, the impact would be negligible.

Question 5

What are the policies for review of non-executive director competence, effectiveness and performance in relation to each entity in (1) above ?

Answer

As with all companies, it is for each individual Board to review the competence of its non-executive directors and the overall Board effectiveness.

“2.7 Performance evaluation. The Board should regularly evaluate the performance of its members and the effectiveness of its actions.”

“4.6 Performance monitoring. The Board should determine and ensure that relevant monitoring criteria of the company’s performance are in place and should regularly evaluate their effectiveness.”

The Guernsey Financial Service Commission Code of Corporate Governance

The GPL Board undertakes an evaluation of performance and composition at least once every three years. The review consists of a confidential questionnaire completed by each Board Member after which the collective results are assessed by the Board, with an open discussion facilitated by the Chairman. Any specific actions agreed as part of this process are recorded and tracked as part of the standard GPL Board meetings. In the intervening years, the Board, delegated to the Nominations Committee, undertakes a skills gap review as part of the recruitment process for new non-executive director appointments.

The GEL Board undertakes an annual internal effectiveness review, and non-executive directors are appraised annually by the Chair, and the Chair appraised annually by the other non-executive directors. In 2022, the Board also contracted the UK’s Chartered Governance Institute (formerly ICSA) to conduct an external review. In addition, the Board’s Remuneration and Nominations Committee discusses training requirements annually.

The Aurigny Board conducts an annual Board Effectiveness Review (BER) and Skills Review (SR), which were last carried out in Q2 2022 (there was no BER or SR in 2021 due to the pandemic).

Due to the size of the Jamesco Board and the specialist nature of its operations, it undergoes no formal reviews of non-executive performance. However as with the other States-owned incorporated Boards, the STSB monitors the performance of the Board against the shareholder objectives through regular, formal review meetings.

Under our Memoranda of Understanding with each of the above companies, there is no formal requirement for the results of these reviews to be presented to the STSB. However, before recruiting for any vacant non-executive director positions, the companies are required to seek the STSB’s endorsement of the key criteria against which they intend to recruit. The STSB’s expectation is that those proposed criteria should reflect the results of any reviews of the Board’s effectiveness and any associated skills-gap analysis.

The STSB considers the effectiveness of the unremunerated boards of the unincorporated entities through annual business challenge sessions which include business plans reviews prior to the annual budget development and setting.

Question 6

Please disclose the outcomes of any performance or effectiveness reviews for the non-executive directors in (1) in the past 18 months and any actions/training requirements suggested or undertaken.

Answer

The role of the STSB is to review the effectiveness of the overall governance framework in terms of delivering on the objectives of the company. Reviews of the performance or effectiveness of non-executive is a matter for their Boards.

“2.7 Performance evaluation. The Board should regularly evaluate the performance of its members and the effectiveness of its actions.”

“4.6 Performance monitoring. The Board should determine and ensure that relevant monitoring criteria of the company’s performance are in place and should regularly evaluate their effectiveness.”

GFSC Code of Corporate Governance

If they are to be effective, they require their non-executive directors to engage openly and honestly, and that is likely to be undermined if there is an expectation that all findings will be published. That would not only render the process meaningless, it would also diminish the ability to recruit experienced, high calibre individuals. Neither outcome is in the interest of the States of Guernsey, as shareholder. The STSB will therefore not request the Boards to disclose their review findings.

Question 7

Please disclose audit management letters, or, in the alternative, particularise any material negative findings or reported financial accounting errors therein for each of the entities named in (1) above.

Answer

Aurigny, GEL, GPL, and JamesCo all confirm there have been no material negative findings or financial accounting errors reported in the audit reports for 2021 (accounts for 2022 still pending).

As the accounts of the unincorporated entities form part of the States of Guernsey Accounts, the Policy & Resources Committee is already party to the audit management letters. However, I can confirm there have been no material negative findings or financial accounting errors reported in the audit reports.

Date of Receipt of the Question: 23 December 2022

Date of Reply: 18 January 2023