**Template for a matrix to assess the collective competence of members of the management body**

**Introduction & instructions**

The responsibility of the management body (in its supervisory function as well as in its management function) is collective. A management body fulfils its role effectively when it is able to make informed decisions and provide effective oversight. Thus, an effective management body needs to include individuals with a mix of knowledge, skills and experience that are up to date and cover the major business areas of the institution and their risks. It is the responsibility of the institution to ensure that the members of the management body are on an on-going basis collectively competent.

*Tool for institution*

The suitability matrix is a possible tool for an institution to self-assess periodically or annually the collective suitability of the members of the management body1. If the matrix is not used, institutions can document and self-assess their collective suitability in their own way, proportionate to their size, nature and complexity.

By assessing the knowledge, skills and experience of the individual members of the management body against the major business areas of the institution and their risks, strengths and weaknesses in the management body can be identified and hence the collective knowledge, skills and experience can be assessed. The outcomes provide input for needs for training. They should be used to determine the required profile of new appointees and to situate during the supervisory fit and proper assessment process how their proposed appointment fits into the collective suitability.

This matrix is designed to provide a collective assessment of the knowledge, skills and experience of the management body as a whole. A low score attributed to certain items under analysis does not necessarily impact the individual assessment of a member. Indeed, it is expected that in a collegiate body there are appointees with different characteristics, including different levels of knowledge, and different professional experiences.

*Possible input for the prudential supervision*

As explained, using the suitability matrix is not mandatory and consequently does not amount to a standard supervisory reporting. Nevertheless the outcomes of the matrix – just like the outcomes of any other tool used by the

institution for its self-assessment – could be requested by the competent authority as input for the supervision of the

1 See, as far as significant institutions are concerned, Article 88 (2)(c) CRDIV, where it is provided that the self-assessment should be done at least annually and with involvement of the nomination committee.

collective suitability of the management body. This supervisory assessment should be based on the EBA Guidelines on the assessment of the suitability of members of the management body and key function holders.

*Alignment with characteristics institution*

The template for a matrix provided below is based on common requirements for institutions. However, the composition of the management body should be appropriate for the prudent and effective management of the particular institution. The matrix should thus be aligned with and adapted to the specific characteristics of the institution regarding the business model; (risk) strategy; risk appetite and actual risk profile; business activities; and outsourcing arrangements. Moreover, national regulations can require additional knowledge, skills or expertise. Therefore institutions should determine whether it is necessary to add criteria, before using the template for a matrix. Open rows appear to this end in the matrix.

*Scores, explanations and open questions in the matrix*

The matrix will result in scores that could be an indication for the collective suitability of the management body. The underlying motivation for the individual scores can also be important. There may e.g. be a specific reason to have certain people on the management body, because of knowledge needed for specific activities. The explanation of the scores in the matrix can be annexed separately. At the end of the matrix, open questions appear that are meant to facilitate clear outcomes on the collective suitability.

*Different structures*

Institutions can, depending on the national regulation, have one-tier or two-tier structures. In both structures the members who fulfil the management function and the members who fulfil the supervisory function need to be collectively suitable. Each area of knowledge or expertise needs to be covered collectively by the member(s) of the management body in its management function and – although the level of knowledge and expertise may be different – collectively by the member(s) of the management body in its supervisory function*.* Depending on the structure, a separate matrix should/may be filled out for the members of the management body in its management function and

the members of the management body in its supervisory function 2 respectively. The institution should determine how

the overview of the collective suitability is best achieved.

2 As part of the supervisory function, attention should also be paid to the collective knowledge and expertise of the specialised committees

(risk/remuneration/audit/nomination) within the management body.

**Matrix modules**

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| **A. Governance**  *This section is meant to map how the responsibilities are divided within the management body in its management function or in its supervisory function. This section can be tailored to the responsibilities within the organisation.* | | | | | | | | | | | | |
| Please fill in a score for each member as follows:  L (Low) = is at a minimum aware of the subject  M (Medium) = has good understanding of the subject but is not expert  H (High) = can make a balanced independent judgement on the subject (expert) | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name |
| Is capable of assessing the setup and functioning of the administrative organisation and internal control (AO and IC) |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of setting up the compliance function and/or assessing its  setup, functioning and effectiveness |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of setting up the internal audit function and/or assessing its setup, functioning and effectiveness |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of setting up the risk management function and/or assessing its setup, functioning and effectiveness |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of understanding and implementing the remuneration policy (either to the members of the management body in its management function or institution-wide) and using incentives to influence behaviours |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of understanding and implementing the policy on outsourcing |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of assessing whether the careful treatment of clients has been safeguarded |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of implementing a succession planning |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of assessing the setup and functioning of Human  Resources |  |  |  |  |  |  |  |  |  |  |  |  |

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| Other relevant responsibilities and roles can be included below (e.g. the setup and functioning of Sales and services or of the IT):  *To be completed, if and insofar as present* |  | | | | | | | | | | | |
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| **B. Competence of risk management, compliance and audit**  *This section is meant to map the knowledge the members of the management body of the strategy, risk management, compliance and internal audit.* | | | | | | | | | | | | |
| Please fill in a score for each member as follows:  L (Low) = is at a minimum aware of the subject  M (Medium) = has good understanding of the subject but is not expert  H (High) = can make a balanced independent judgement on the subject (expert) | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name |  |
| Has knowledge of and experience with setting and implementing the  institutions strategy and risk appetite |  |  |  |  |  |  |  |  |  |  |  |  |
| Has insight in the institutions strategy and business models |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of understanding the policy on risk management and  corresponding procedures and measures and of raising critical questions about this topic |  |  |  |  |  |  |  |  |  |  |  |  |
| Has insight into the most relevant risks facing the company, spread  out over time and across the institution |  |  |  |  |  |  |  |  |  |  |  |  |
| Has knowledge of and experience with relevant laws and regulations |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of setting up or overseeing the audit plan and of raising critical questions about it |  |  |  |  |  |  |  |  |  |  |  |  |

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| **C. Managerial competence**  *This section is meant to map the managerial knowledge, expertise and skills of the members of the management body.* | | | | | | | | | | | | |
| Please fill in a score for each member as follows:  L (Low) = is at a minimum aware of the subject  M (Medium) = has good understanding of the subject but is not expert  H (High) = can make a balanced independent judgement on the subject (expert) | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name |  |
| Has knowledge of and experience with managing processes and tasks and providing direction and guidance to others |  |  |  |  |  |  |  |  |  |  |  |  |
| Is consistent in word and deed and acts in accordance with the own stated values and beliefs (tone at the top) |  |  |  |  |  |  |  |  |  |  |  |  |
| Has knowledge of and experience with oversight (either over the members of the management body in its management function or the day-to-day management) |  |  |  |  |  |  |  |  |  |  |  |  |
| Has knowledge in the areas of social, ethical and professional standards |  |  |  |  |  |  |  |  |  |  |  |  |
| Has experience with complying with and upholding applicable laws  and regulations, governance and conduct codes, and internal rules and regulations |  |  |  |  |  |  |  |  |  |  |  |  |
| Has knowledge of and experience with engaging external experts for the proper execution of his/her task |  |  |  |  |  |  |  |  |  |  |  |  |
| Has experience with communicating the strategy, policies and objectives within the institution or group in a clear and transparent way |  |  |  |  |  |  |  |  |  |  |  |  |
| Has experience with external communication and knows when stakeholders (such as supervisory authorities, shareholders, clients and external auditors) have to be informed |  |  |  |  |  |  |  |  |  |  |  |  |

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| Other relevant knowledge and areas of experience which is required  by national law or regulation or is required in view of the nature and activities of the institution.  *To be completed, if and insofar as present* |  | | | | | | | | | | | |
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| **D. Products, services and markets within the institutions scope of activities**  *This section is meant to map the knowledge the members of the management body of the main activities of the institution.* | | | | | | | | | | | | |
| Please fill in a score for each member as follows:  L (Low) = is at a minimum aware of the subject  M (Medium) = has good understanding of the subject but is not expert  H (High) = can make a balanced independent judgement on the subject (expert) | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name |  |
| Has knowledge of and experience with the market(s) in which the  company operates and the relevant developments in that market/these markets |  |  |  |  |  |  |  |  |  |  |  |  |
| Has knowledge of and experience with the company’s financial aspects of products and services |  |  |  |  |  |  |  |  |  |  |  |  |
| Has insight into the internal expertise of the company (in the management body and at the internal audit department) with respect to the match of products with specific target groups |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of identifying the long-term interests of the company in assessing products, services and markets in which the company operates and to act accordingly |  |  |  |  |  |  |  |  |  |  |  |  |
| Knowledge of other relevant business areas and/or activities of the institution, consisting of:  *To be completed and, if relevant, to be assigned a score* |  | | | | | | | | | | | |
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| **E. Sectoral and Financial Competence**  *This section is meant to map the knowledge and expertise of the members of the management body of the main sectors in which the institution operates.* | | | | | | | | | | | | |
| Please fill in a score for each member as follows:  L (Low) = is at a minimum aware of the subject  M (Medium) = has good understanding of the subject but is not expert  H (High) = can make a balanced independent judgement on the subject (expert) | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name |  |
| Has knowledge of and experience with financial markets |  |  |  |  |  |  |  |  |  |  |  |  |
| Has knowledge of and experience with finance |  |  |  |  |  |  |  |  |  |  |  |  |
| Has knowledge of and experience with accounting |  |  |  |  |  |  |  |  |  |  |  |  |
| Knowledge of other relevant business areas and/or activities of the institution, consisting of (e.g. retail banking, commercial banking, investment banking, asset management, securities administration):  *To be completed and, if relevant, to be assigned a score* |  | | | | | | | | | | | |
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| **F. Balanced and consistent decision-making.**  This section is meant to assess the collective decision making skills of the members of the management body. | | | | | | | | | | | | |
| Please fill in a score for each member as follows: L (Low) = is at a minimum aware of the subject  M (Medium) = has good understanding of the subject but is not expert H (High) = can make a balanced independent judgement on the subject (expert) | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name | Name |
| Knows how the internal decision-making process is organised |  |  |  |  |  |  |  |  |  |  |  |  |
| Knows when to ask for information (internally or externally) in order to take timely and well-informed decisions |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of and has experience with ensuring that sufficient alternatives are being weighed in a decision-making process |  |  |  |  |  |  |  |  |  |  |  |  |
| Acts with independence of mind by providing constructive and robust  challenge of proposals and decisions) |  |  |  |  |  |  |  |  |  |  |  |  |
| Knows how in a decision-making process the interests of all stakeholders are weighed and has experience with this |  |  |  |  |  |  |  |  |  |  |  |  |
| Has knowledge of and experience with recognizing and raising the issue of conflicts of interests in the decision-making process |  |  |  |  |  |  |  |  |  |  |  |  |
| Is capable of sufficiently assessing whether decisions have been taken in line with the company strategy |  |  |  |  |  |  |  |  |  |  |  |  |
| Knows how decision-making is laid down carefully and has experience with this |  |  |  |  |  |  |  |  |  |  |  |  |
| Other relevant knowledge and areas of experience in this field:  *To be completed, if and insofar as present* |  | | | | | | | | | | | |
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| **G. Overall picture of the collective suitability**  This section is meant to assess the collective suitability of the members of the management body, taking into account the mapping of the knowledge, skills and experience of all members in the context of the overall management body composition. | |
| **What are the strengths of the management function or of the supervisory function?** |  |
| **What are the weaknesses of the management function or the supervisory function? How and under which timeline will these be managed or mitigated?** |  |
| **Considerations regarding the overall composition of the management body**  Explain here why the institution deems this composition of the management function and of the supervisory functions adequate and effective; e.g.:  - How is the collaboration between members?  - What roles do the various people have for the dynamics of group discussions and decisions?  - What particular characteristics do members have that add to the collective suitability? |  |