



Candidate brief for the position of NED & Chair, Audit and Risk Assurance Committee Sheffield Forgemasters

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About Sheffield Forgemasters

Sheffield Forgemasters International Ltd (SFIL) is a heavy engineering company specialising in technically complex large-scale castings, forgings and related advanced engineering technologies.

With a history tracing back to the 1750s, SFIL has consistently been at the forefront of innovation and new process development in the steel industry, having produced some of the world's largest castings and most complex forgings ever manufactured.

More recently, the company has diversified into specialist services ranging from design consultancy to engineering production solutions, contract management and research.

SFIL serves a range of markets including nuclear, defence, oil & gas, power generation, steel production and materials processing. Within the defence sector, key customers include BAE, Rolls-Royce and Babcock International.

The business employs c.600 employees, the majority of whom are based at the iconic 64-acre Brightside Lane facility in Sheffield. The group also has representatives or agents in Europe, China, Russia and North America.

SFIL was established in 1983, following the merger of Firth Brown and British Steel River Don Works, though its origins stretch back more than 200 years as part of the Vickers Group. The company has undergone several mergers and changes in ownership since its inception.



Recapitalisation programme and change of ownership

SFIL is responsible for the production of highly sensitive and mission-critical products supplied to the UK nuclear defence programme.

It was announced on 28 July 2021 that SFIL will embark on a major recapitalisation programme during the second half of 2021. This will ensure key equipment and facilities are upgraded (including the construction of a new building at the Sheffield site) to secure SFIL's critical role within the UK nuclear defence supply chain.

The UK Government has agreed to fund this programme and has committed to an initial five-year programme, investing c.£400m over the period. The budget allocated to phase one of the programme is in excess of £200m.

As part of this agreement, the UK government will take control of SFIL and oversight of the business will be exercised by the Ministry of Defence (MoD). As a result, a MoD shareholder representative sits on the SFIL board in a non-executive capacity.



Recapitalisation programme – initial phase *Flood prevention*

The recapitalisation programme – in its entirety – will be delivered over a period of 20 years. The initial five-year phase of the programme will focus on delivering substantial critical asset renewal, with the emphasis being on:

- Forge press and building
- Flood prevention
- Machine shops

Forge press and building

The existing forge press has been identified as a critical asset for MoD work and urgent to replace due to its current condition. As the forge press is required for continuing operations, a replacement forge press will need to be constructed in a separate and new building adjacent to the existing press.

The new forge press building is the critical component with respect to the press replacement before 2025. The new building will facilitate offline installation of the press and associated equipment that will significantly reduce business interruption.

The process of acquiring a second-hand heavy forge from Japan is at an advanced stage; this will deliver the technical requirements in a timely manner and at a much lower cost than the commissioning of a brand new purpose-built forge.

Construction of the new building to house the press and ancillary equipment is projected for completion by 2024, with installation of the forge press and ancillary equipment scheduled for 2025.

Flood prevention

In late 2019, the area surrounding the SFIL site experienced significant flooding. While flood defences narrowly prevented water coming over a nearby riverbank, other flood defences protecting the drainage system were breached, causing water to enter the site through the drains.

The event caused significant damage which was minimised due to a strong response by the business, however it demonstrated the need for further investment within the site to prevent such breaches in future.

A new flood prevention scheme is being developed to protect the substantial level of new investment – the new scheme encompasses the creation of an island site, flood protection within the site, sacrificial areas, and training and support around flood prevention. Completion of the scheme is projected for 2025.

Machine shops

Machining of forged and cast products are completed within two machine shops. There are currently approximately 30 large machine tools across the two shops.

In total there can be up to 21 separate processes including inspection and heat treatment with machine movements between the north and south machine shops. A substantial replacement of the machine shops has been proposed, with approximately 19 machines to be replaced over the entire programme.

The machines consist of a wide range of lathes, vertical and horizontal borers with some larger specialised machines for particular functions. The machines have capability for product lengths of up to 21.5m and weights of up to 300 tonnes with overhead cranes matched to cater for heavy weight components.



The requirement

The board of SFIL is an open and collegiate group. The executive and non-executive directors work effectively together in a dynamic and demanding environment, with non-executive directors providing external perspectives and challenge. The board is ultimately responsible for the success of SFIL and the directors are committed to the highest standards of corporate governance to enable the company to achieve its aims and objectives. The board is responsible for leading the company's values and standards. It monitors the work of the executive management team against the stated strategic objectives.

SFIL's board is chaired by an independent non-executive chair, Colin Smith, and is comprised of three executive directors (CEO, CFO and COO), two independent non-executive directors and a shareholder representative non-executive director nominated by the MoD.

The board intends to form a sub-committee: the recapitalisation or 'recap' committee. This committee will provide oversight of the recapitalisation programme, to ensure the upgrade of key equipment and facilities runs on time and to budget, preventing any disruption to the UK nuclear defence programme. The search to identify an additional non-executive director who will chair the recapitalisation committee is well-advanced.

The incumbent audit committee chair, David Duggins, will stand down from the board at the end of the year. As a result, the board is embarking on a search to identify his successor.

As part of the new governance arrangements being adopted by the business, the remit of the audit committee is being expanded to include review of risk assurance processes and financial and other controls.

The company is in the process of appointing new auditors and tax advisers for the 2021/22 financial year and it is envisaged that the new ARAC chair will play a key role in this process alongside the CFO.

For further information on board composition, please refer to Appendix A.

The role

Act as the independent non-executive chair for the audit & risk assurance committee ('ARAC') and report key findings and recommendations to the board.

- Regulate the relationship with the audit firm having direct access to the audit partner.
- Establish policies that define the scope of services that the audit firm may perform so as to promote auditor independence and objectivity.
- Provide assistance and guidance to the CFO in forming key judgements required in preparation of the annual accounts.
- Oversee the process for approval of the annual audited accounts by direct engagement with the audit partner.
- Report key audit findings and recommendations made by the audit firm to the board following engagement with the audit partner.
- Undertake an annual review of auditor effectiveness.
- Oversee systems of internal financial control and make recommendations for improvement as appropriate.
- Provide approval of financial transactions required by the ARAC terms of reference.
- Develop a positive and constructive working relationship with the executive team and provide coaching to the CFO as appropriate.

Internal controls and risk assurance

- Evolve the existing audit committee to take account of risk assurance and establish effective governance.
- Review the adequacy and effectiveness of internal financial and other controls and risk management.
- Where requested by the board, review the approach to the identification and assessment of the emerging and principal risks of the group, including the management and mitigation of those risks and the consideration of acceptable risk and tolerance levels for the group.



- Where requested by the board, provide advice on how, taking into account the group's financial position and principal risks, the group's prospects have been assessed, over what period and why the period is regarded as appropriate.
- Review and approve the statements to be included in the annual report and accounts concerning internal controls and risk management.
- Review the adherence to agreed delegations of authority as agreed by the board.
- Provide assistance and guidance to the CEO in forming key judgements required in the consideration and mitigation of material risks to the business.

Compliance, whistleblowing and fraud

- Review the adequacy and security of arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial or other matters. The review must ensure the arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
- Review procedures and controls for detecting fraud and preventing bribery.
- Review the group's processes for preparing co-ordinated plans for business continuity.

All non-executive directors are responsible for providing a creative contribution to the board by providing independent oversight and constructive challenge to the executive directors.

The successful candidate will be expected to bring an independence to proceedings and assist with business strategy, while making sure that risks are managed effectively, based upon the depth of their experience.

NED generic duties and responsibilities

- Ensuring the board of directors establishes clear objectives and a well-defined strategy for the company.
- Providing regular review and scrutiny of company performance against objectives.
- Challenging executive directors about the decisions they make. This includes having the strength to bring a new perspective to discussions.
- Promoting appropriate processes and procedures to deliver high standards of professional, administrative and personal behaviours across the organisation.
- Ensuring the company conforms to the highest standards of corporate governance and makes decisions in a transparent manner.
- Advising on risk management processes for the business, ensuring that processes are tested and updated.
- Encouraging the best use of financial and other resources.

NED generic skills and experience

- Membership of boards or oversight committees.
- Validated experience in strategic management or linked development roles.
- An understanding of relevant markets and working with HMG.
- In-depth knowledge of governance and risk management.
- Ability to engage in a constructive manner with senior executives and make challenges when necessary.
- Highly developed written and verbal communication skills.

Location & remuneration

The SFIL board meets formally on a monthly basis. It is envisaged that ARAC will meet on a quarterly basis and as required as part of any audit process. The overall time commitment for the NED is 2-3 days per month.

The fee payable is £29,999 per annum.

The full board calendar is provided as Appendix B.



The candidate

The board seeks a candidate with the integrity, independence and broad business experience required of all non-executive directors. You must be well placed to challenge constructively and to oversee the audit and risk assurance processes by bringing strong, independent judgement, knowledge and experience to bear.

Experience

You will be capable of adding value across a range of operational, organisational and strategic issues within the business. In short, you will contribute fully as a rounded and experienced board director in addition to bringing the required level of technical expertise as chair of the audit and risk assurance committee.

- Holds a recognised professional accountancy qualification (ICAEW or equivalent).
- Has acted as the CFO/Finance Director of companies operating in relevant sectors or has been a partner in a major accountancy firm.
- Experience of managing risk assurance processes in other corporate settings.
- Working knowledge of health and safety issues in the context of risk.
- Possess a well-developed network of advisors and contacts who can be called upon to provide financial and operational expertise to assist the business with key challenges.
- Demonstrable ability to assist the CEO and CFO in raising new sources of capital to fund the development and growth of the revenue base of the company.

Availability, flexibility and capacity to engage is essential.

Prior non-executive board experience would offer valuable perspectives but is not a pre-requisite.

You should reflect the company's values of Safety & Wellbeing, Working Together, Trust & Respect and Quality & Innovation.

This appointment is made by the board subject to the consent of Ministers. As such you will be a public appointee and expected to adhere to the Seven Principles of Public Life (the Nolan Principles).

You must be capable of securing SC level clearance by the MoD.

Personal attributes

Your personal and boardroom style will be an important consideration in this appointment. SFIL seeks the following personal characteristics:

- A well-rounded individual, who will be well informed about the company and the external environment in which it operates.
- Demonstrates independence of mind, openness, transparency and good judgement.
- A team-player, with first-rate interpersonal skills. Able to engage in a constructive manner with senior executives and make challenges when necessary.
- A strong profile and reputation, upholding the highest standards of integrity.



How to apply

This appointment is made by the board subject to the consent of Ministers. All parties are committed to the principles of appointments based on merit with independent assessment, openness and transparency of process.

All applicants are expected to adhere to the Seven Principles of Public Life.

As part of the recruitment process, due diligence will be undertaken on shortlisted candidates. Applications should include the following:

A full CV giving your education and professional qualifications and a full career history, paid or unpaid, including relevant achievements

A completed online Equal Opportunities Monitoring Form via the Odgers Berndtson website.

The preferred method of application is online at www.odgers.com/84287 where the documents above can be uploaded and the online Equal Opportunities Monitoring Form should be completed.

If you are unable to apply online please email your application to 84287@odgersberndtson.com

The closing date for applications is 30th November 2021 at 23.00.

All applications will be acknowledged – if you have not received an acknowledgement within five working days please contact Delta London 0207 529 1030.

To discuss any aspect of the appointment, please contact:

Albert Ng
Albert.Ng@odgersberndtson.com

or

Rachel Slattery
Rachel.Slattery@odgersberndtson.com



Appendix A: The board

	<p>Colin Smith CBE, Chairman Colin is an internationally recognised engineering leader with over 40 years' experience at the forefront of technology.</p> <p>Having joined Rolls-Royce as an engineering apprentice, Colin advanced to be Group President in 2016, serving on the main board since 2005 as Director – Engineering & Technology. In 2012, he was awarded a CBE for services to UK engineering. He is a Fellow of The Royal Society, the Royal Academy of Engineering, The Royal Aeronautical Society and The Institution of Mechanical Engineers.</p> <p>Colin was appointed Chairman in 2018, using his wealth of business knowledge and experience to lead the board.</p>
	<p>David Bond, CEO David is an engineer and business leader with over 30 years of international experience across the defence sector.</p> <p>Having worked with Ferranti, Marconi and BAE, he has managed manufacturing businesses in the UK and Sweden, delivering Combat Vehicles to the British Army and international customers. He was COO for BAE Systems Australia with specific responsibilities for the Maritime, Land and Integrated Systems businesses.</p> <p>David was seconded from BAE to be CEO of Sheffield Forgemasters in July 2018 and is the architect of the long term strategy. He will remain as a secondee until July 2024.</p>
	<p>Steve Hammell, CFO Steve is a chartered accountant with 27 years' experience in mergers & acquisitions, corporate banking and financial leadership roles.</p> <p>Having spent his early career with Arthur Andersen, PwC and Yorkshire Bank, most recently Steve was Group FD of eBECS Ltd, a high growth international technology consultancy that he led through a successful divestment process, and CFO of ECSC Group plc, an AIM-quoted cyber security specialist.</p> <p>Steve joined Sheffield Forgemasters in July 2018 and has played a leading role in the implementation of the long-term strategy and delivery of the MoD investment.</p>
	<p>Gareth Barker, COO Gareth is a mechanical engineer with 25 years' experience in heavy manufacturing, sales and operational leadership.</p> <p>Gareth began work with Sheffield Forgemasters in 1996 as an apprentice engineer. He became the company's youngest ever divisional director in 2007. More recently he was Group Operations Director and Director of Customer Programmes.</p> <p>He was appointed COO in May 2021, and takes overall responsibility for all site operations, technical, quality and health & safety. He will lead the implementation of the recapitalisation plan.</p>

	<p>Janice Munday CBE Non-Executive Director</p> <p>Janice is an experienced non-executive director, supporting corporate governance and strategic decision making.</p> <p>She served as Director of Advanced Manufacturing and Services for the UK Department of BEIS from 2010-16. Janice is currently a NED at Inogesis, working to bring disruptive technology into businesses, an Ambassador for the Industrial Cadets, and Principal Fellow at Warwick Manufacturing Group.</p> <p>Janice joined Sheffield Forgemasters as Non-Executive Director in October 2016. She chairs the remuneration committee, and is a member of the audit & nomination committees.</p>
	<p>David Duggins Non-Executive Director</p> <p>David has over 25 years' experience in the restructuring market, involved in complex problem-solving. He has held both formal insolvency and advisory roles during this time.</p> <p>David has been a partner at both Arthur Andersen and Ernst & Young. He has held several board positions and leading advisory roles including currently as a Director with JPI Media Ltd.</p> <p>David joined Sheffield Forgemasters as Non-Executive Director in November 2016. He chairs the audit committee, and is a member of the remuneration & nomination committees.</p>
	<p>Lorna Gratton Shareholder Representative Non-Executive Director</p> <p>Lorna is a Director of UK Government Investments (UKGI) and, as such, a member of the senior management team. She joined UKGI in October 2021 and, amongst her other responsibilities, was appointed as the shareholder representative NED on behalf of the MoD.</p> <p>Lorna joined UKGI from the Department of Culture Media and Sport (DCMS) where she was the director responsible for digital and tech policy.</p> <p>Prior to this, Lorna worked for over three years as Private Secretary to the Prime Minister.</p> <p>Lorna started her civil service career in HM Treasury and her roles there included a period as Private Secretary to the Chancellor of the Exchequer.</p> <p>Lorna also brings private sector experience acquired at Boston Consulting Group and board capability, latterly as trustee of Teach First.</p>

Appendix B: Board calendar (2022)

ARAC meeting dates (all Wednesday meetings)	Board meeting dates (all Thursday meetings)
26-Jan	27-Jan
	24-Feb
	24-Mar
27-Apr	28-Apr
	26-May
	23-Jun
27-Jul	28-Jul
	No meeting
	22-Sep
26-Oct	27-Oct
	24-Nov
	22-Dec
25-Jan	26-Jan





20 Cannon Street
London EC4M 6XD
UK

+44 20 7529 1111

information@odgersberndtson.com
<https://www.odgersberndtson.com/en-gb>