

22nd March 2021

The Rt Hon Kwasi Kwarteng MP  
Secretary of State  
BEIS

Dear Secretary of State

OFFICIAL RESPONSE TO ICSA'S REVIEW OF THE EFFECTIVENESS OF INDEPENDENT BOARD EVALUATION IN THE UK LISTED SECTOR

Given the events of 2020, and the remarkable way in which most Boards have responded to the challenges, I was surprised at the timing of this 58 page publication. However, as one of the most experienced Board reviewers (350 reviews over sixteen years)<sup>1</sup>, I thought that it was important to respond to this document shortly after its publication.

BEIS states that the main purpose of this review is to identify ways in which independent Board evaluations can be improved.

In response:

- most importantly, there is no critical issue identified, either by Government or by the market, which this review is attempting to solve. On the contrary, our corporate governance codes lead the world in their pragmatic and thoughtful guidance, and the existing codes are exceptionally clear on the contribution of the Board, and the way in which Board reviews should be conducted and disclosed. Occasional boardroom failures, although traumatic, should not diminish our continued leadership in this field
- Board reviews will continue to improve over time due to a combination of factors which are already in play, mainly the increasing experience and maturity of existing reviewers, the rising expectations and demands of clients, regulators and shareholders for transparency and discussion, and, importantly, the ability to attract high quality, skilled professionals into the field. I believe that the latter may indeed be jeopardised by the recommendations made in this document
- voluntary codes are not unusual for many of the advisory professions; however, in order to gain traction and have impact, they are usually synthesised into a small number of critical points. None of the existing voluntary codes involve the multi-layers of bureaucracy suggested in this document; although the ICSA document states that it is not prescriptive, the recommendations in this review span 14 pages. The recommendations are mainly administrative and time consuming, and in my opinion will not make any significant difference to the quality of advice given by reviewers, or the effectiveness of Boards themselves (which is the objective of a Board effectiveness review)

---

<sup>1</sup> see Background, below

- ICSA's recommendations for a Code of Practice, a Formal List of Signatories, and an Official Owner, are heavy handed, contrary to many existing Codes, open to potential market manipulation for commercial benefit, and competitively restrictive
- individual reviewer methodologies, which represent commercially sensitive data, and belong to a company's intellectual capital, have a legal right to be protected; demands to disclose them have no legitimacy
- the document is particularly prescriptive concerning the time limit that a reviewer can work with a client. There is no evidence offered to show that two short assignments over a six year period, often with significant personnel changes on and around the Board, will diminish the objectivity of the reviewer, or his/her ability to give sound advice. Lawyers, strategy advisors, PR consultants, and remuneration consultants, inter alia, who work with the Board throughout the year, are not asked to relinquish their relationships after six years, nor are the NEDs, who are considered to be independent for nine consecutive years. This appears to be an attempt to manipulate the market artificially, possibly for commercial benefit

I am sure that the Secretary of State is aware that there are existing professional principles, designed collaboratively by reviewers and shareholders, and published on a number of websites (including BRL), which are clear, relevant, and easy to follow.

Curiously, these principles (independence, confidentiality, competency, follow up, cooperation, transparency, approval) do not appear to be followed by ICSA currently in its own Board evaluation practice. For example, the call for transparency, which is raised five times in the document, is missing entirely from its own website - there is no information about the qualifications of the Board evaluation team, the methodology used, or the clients ICSA has served i.e. their credentials and experience in this field.

There are a number of imperatives; the market needs to attract the best professionals into the field, improve the quality and relevance of advice, raise client expectations, and encourage total transparency about the outcomes. Boards also need to think carefully about their use of procurement agencies, who can design impenetrable hurdles for specialist advisors and SMEs.

I do not believe that this document, which patronizes reviewers and their clients, and attempts to impose bureaucratic layers of administrative instruction, will address any of these imperatives. Furthermore these recommendations appear to go directly against the Government's wishes to reduce the burden of unnecessary regulation.

I would be delighted to discuss this response with you.

Kind regards, Dr Tracy Long CBE

BACKGROUND Dr Tracy Long CBE is a leader in the field of Board effectiveness, and an experienced Board and Committee member. Tracy founded Boardroom Review Limited in 2004; as a trusted advisor to the most senior decision makers, she has conducted over three hundred and fifty international reviews across publicly listed, mutual, privately owned and public sectors (see [www.boardroomreview.com](http://www.boardroomreview.com) for the current client list).