



Board Excellence
Shanendoah, Lahardane
Whites Cross
Cork T23 X310
Rep. of Ireland
8 September 2023

Dear David

Corporation Code Consultation

We are delighted to have the opportunity to submit a response to your Corporate Governance Code Consultation. Generally, we welcome the proposed amendments and the strengthened provisions regarding reporting on compliance, the effectiveness of internal controls, sustainability and ESG reporting and malus and clawback arrangements.

Consistent with the overall aim of the proposals in enhancing effective corporate governance we believe there is one substantive missed opportunity. Before explaining this more fully it is important to recognise that Board Excellence, as a consultancy dedicated to supporting boards excel in governance, effectiveness, and performance, has both highly relevant insight from its work and a vested interest in our suggestion being taken forward.

We believe that the consultation has missed the opportunity to strengthen the requirements around board effectiveness reviews through extending the requirement for a rigorous externally facilitated performance review to all entities applying the Code. I am aware that this point was discussed extensively in finalising the 2018 revisions, with the Board at the time concluding, that there was insufficient supply of organisations to conduct such reviews to the standard required, and therefore it would be an unfair burden on Companies outside of the FTSE350.

Since that conclusion much has changed. The Corporate Governance Institute has, following consultation, issued a Code for reviewers and is establishing appropriate underpinning to support the effectiveness of their Code. Many other Codes, which would not position themselves as the 'gold standard' have adopted such a requirement and we are now seeing large charities, public bodies and the FE sector all requiring an externally facilitated reviews at least once every three years.

Since being established in 2016 we have conducted in the order of one hundred and fifty reviews within the UK, Ireland and Internationally. We see many examples of good practice and commend individual directors for wanting to better understand what good looks like and to benefit from best practice adopted elsewhere. However, our reviews always identify opportunities for improvement and in many cases these opportunities are significant. Of concern is that we would estimate that around 40% of Boards are effective as illustrated in the chart below. We find scope for further improvement even in those assessed as effective.

Board Excellence Limited

Company No. 619625 **VAT No.** IE 3535390FH Registered **office:** Shanendoah, Lahardane, Whites Cross, Cork, Ireland
Directors: Kieran Moynihan, Eileen Cole, David O'Callaghan, Pat McGrath, Ros O'Shea, Jonathan Westrup, Anne-Marie Taylor.

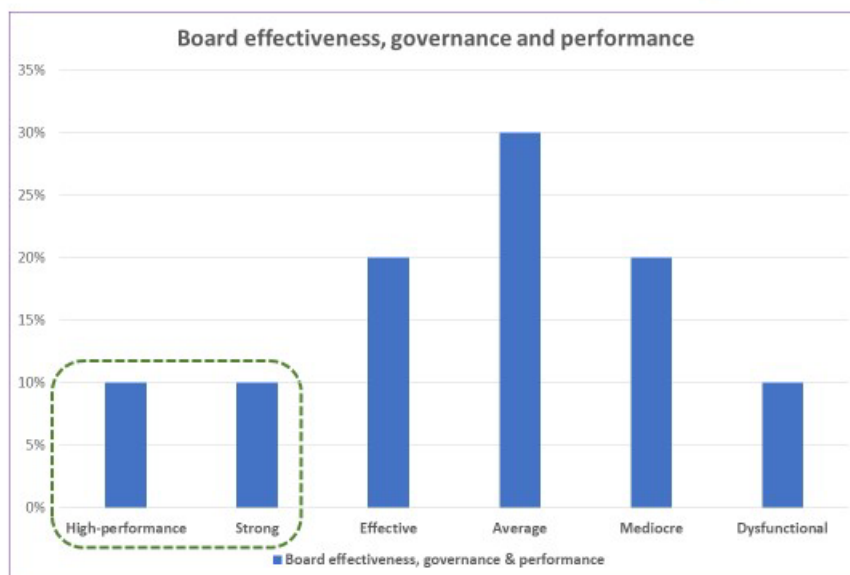
Board Excellence effectiveness/performance distribution of company boards



(based on research and our own board engagements)

Only one in five boards are strong in effectiveness and performance, while only one in ten are considered high-performing

The experience level of the board directors in no guarantee of a high-performing board



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Despite these findings the majority of non-Executive directors we work with have the best interests of the organisations they support at heart, embrace our findings and observations, and commit to agreed action plans. As a result, we believe the scope for improving the effectiveness of UK Boards remains significant. Despite the willingness of individual directors this will only be achieved with externally facilitated support.

Returning to the comment on insufficient supply of organisations to conduct reviews. Based on some very quick research in 2021 we identified in excess of fifty organisations promoting themselves as Board reviewers. The work of the Corporate Governance Institute will help improve the overall quality of those conducting reviews and increased demand will further stimulate supply side growth in response to market demand. This can happen very quickly given the limited barriers to entry.

We appreciate additional Code requirements come at a cost. We do not believe that the cost is significant relative to the opportunity. If we assume that such a provision brought a further 200 companies in scope and that approximately 20% (a study we conducted in 2021 suggested less than 10% of AIM companies had voluntary externally facilitated reviews although 25% said they were considering it) already have externally facilitated reviews on a voluntary basis we would estimate that such a requirement would add a further annual cost of between £2m and £3m. From an

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individual company perspective, it would add less than the average NED fee every three years. We do not consider this prohibitive.

I would be happy to meet with you and provide further support to the analysis contained in this response.

Good luck with your consultation.

Your sincerely



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