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29 January 2016

Dear Ms Woods,

### **UK Board Succession Planning**

#### ***Introduction***

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of **EuropeanIssuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Corporate Governance Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

#### ***Response***

We welcome the opportunity to respond to this discussion paper and we generally welcome the focus given to the different important issues connected to succession planning in the FRC's consideration of board succession planning for companies to which the UK Corporate Governance Code applies. As you are aware, the membership base of the Quoted Companies Alliance is drawn from the community of companies which are not obliged to follow the UK Corporate Governance Code on a mandatory comply or explain basis. Some companies within this community do elect to follow all or some elements of the UK Corporate Governance Code, but many do not. You will be aware that some companies within this community elect to follow the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code).

Reflective of the interests of our constituency, we have a few overarching remarks on some of the succession planning aspects raised in the discussion paper:

- The resilience of the business is most important for smaller companies. As mentioned in the QCA Code, succession planning is a vital task for boards and no member of the board should become indispensable. How succession planning is managed is a key measure of the effectiveness of a board, and an effective board will have a clear and documented policy on succession. In many

ways, succession planning is more challenging for smaller companies than for larger ones because such companies are unlikely to have a broad range of internal candidates to draw from.

- A critical focus for small and mid-size quoted companies regarding succession issues is contingency planning. Some companies will find it difficult, due to their limited resources, to establish a 'pipeline'. Moreover, in some smaller companies, having an established pipeline for improvement can be very polarising and a decision that there is unlikely to be one or more suitable internal candidates for progression can prove very sensitive and destabilising. For this reason, it is often important to ensure that contingency plans are in place for replacing key personnel which may include looking outside the company. Contingency planning is, in many cases, done directly rather than indirectly in small and mid-size quoted companies.
- Succession planning matrices, as mentioned in the discussion paper, could be an effective way to analyse boards in terms of individual performance, expertise and strategy. However, for small and mid-size quoted companies facing limited resources, we believe that the analysis that would be included in such a succession planning matrix can, in general, be carried out through an annual board performance review meeting and need not be prescriptive. Processes need to be different for large and small companies as these should be kept proportionate.
- We generally agree with the remarks made in the discussion paper regarding diversity. As highlighted in the QCA Code, the promotion of greater board diversity must be seriously considered by public companies, including in the context of succession planning.
- In the case of smaller companies which have established a nomination committee, we believe that such committee should identify the skills and experience necessary for the company's development, while also keeping a close eye on succession plans and possible internal candidates for future board roles. To increase focus on succession matters, the nomination committee could schedule in regular meetings (even if these are just once or twice a year) to ensure that board succession is given the attention it requires on a formal basis.
- It is important to highlight that there are clear links between a company's remuneration policy and its succession planning. The absence of appropriate succession planning may have significant implications on remuneration and, if these are not appropriate, this can destroy shareholder value. We believe that it is important that corporate culture is developed to drive the development of better succession planning. We hope that the FRC continues to support companies in a practical and proportionate way to achieve this and we will welcome joint initiatives in this regard.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours sincerely,



Tim Ward  
Chief Executive

**Quoted Companies Alliance Corporate Governance Expert Group**

<b>Edward Craft (Chairman)</b>	<b>Wedlake Bell LLP</b>
Colin Jones (Deputy Chairman)	UHY Hacker Young
Nathan Leclercq	Aviva Investors
David Isherwood	BDO LLP
Kalina Lazarova	BMO Global Asset Management (EMEA)
Nick Graves	Burges Salmon
Nick Janmohamed	Charles Russell Speechlys LLP
David Fuller	CLS Holdings PLC
Nicholas Stretch	CMS Cameron McKenna LLP
Louis Cooper	Crowe Clark Whitehill LLP
Nick Gibbon	DAC Beachcroft LLP
Tracy Gordon	Deloitte LLP
Natalie Bell	EY
Andrew Hobbs	
Melanie Wadsworth	Faegre Baker Daniels LLP
Rob Burdett	FIT Remuneration Consultants
Richie Clark	Fox Williams LLP
Michael Brown	Henderson Global Investors
Bruce Duguid	Hermes Equity Ownership Services
Julie Stanbrook	Hogan Lovells International LLP
Bernard Wall	
Darshan Patel	Hybridan LLP
Niall Pearson	
James Hodges	Hydrodec Group PLC
Peter Swabey	ICSA
Jayne Meacham	Jordans Limited
Carmen Stevens	
Eric Dodd	KBC Advanced Technologies PLC
Darius Lewington	LexisNexis
Jane Mayfield	
Anthony Carey	Mazars LLP
Mebs Dossa	McguireWoods
Peter Fitzwilliam	Mission Marketing Group (The) PLC
Cliff Weight	MM & K Limited
Caroline Newsholme	Nabarro LLP
Jo Chattle	Norton Rose Fulbright LLP
Julie Keefe	
Amanda Cantwell	Practical Law Company Limited
Kate Elsdon	PricewaterhouseCoopers LLP
Dalia Joseph	Stifel
Marc Marrero	
Philip Patterson	TMF Corporate Secretarial Services Ltd
Priyanka Vijay Anand	
Kevin Kissane	Vernalis PLC
Edward Beale	Western Selection Plc
Alexandra Hockenhull	Xchanging PLC