

**Email – Governance Compass**

8 December 2017

Dear Catherine,

By way of introduction, my name is Nathalie Potvin and I am a partner in Governance Compass. We are an independent, specialist consulting firm exclusively providing board effectiveness assessment services. Our team has collectively performed over 120 board evaluations across multiple jurisdictions in the Middle East, Europe and North America.

We agree with the removal of the exemption. It is our view that all listed companies should be subjected to an independent board assessment. Good governance starts at the top, with the directors themselves, and the most effective levers to building a culture of good governance throughout an organization are education and independent board evaluations. The failure of smaller listed firms may not make headlines and may not send earthshattering shocks through the system, but they destroy shareholders' value and erode confidence in the market, just like FTSE350 companies do if/when they fail. Consequently, the boards of these companies should not be exempted from conducting board reviews.

The current provision to perform an independent assessment every three years is reasonable. However, we believe this requirement should be revised, gradually, to become biennial and from there, annual, and applied to all listed companies. Having to perform an independent evaluation of the board should be an inherent practice of issuers. We believe the cost implications<sup>1</sup> of such requirement are marginal in light of the benefits the practice will bring to boards, directors, investors and other stakeholders. It is the governance system in its entirety that will be made more robust.

Lastly, firms should be required to disclose in their annual report the existence of a commercial relationship, if any, with the company used to perform the board's assessment. In our experience, and as history has demonstrated, it is not unusual for consulting, search and/or audit firms to approach board assessment mandates as a funnel for additional commercial engagements with companies, potentially affecting, if not hindering, the objectivity of the board's assessment.

Best Regards,

Nathalie Potvin

---

<sup>1</sup> There are several, highly competent firms and individuals in the UK and throughout the world, specialized in board performance reviews, that offer their services at very reasonable rates. In today's market, listed companies can have access to high-quality, independent board assessments well below the 6-figure price point.