

## Email

5 February 2018

Chesnara plc, an established provider of life and pensions consolidator in the UK and Europe, is pleased to submit its view on the above consultation. The general feeling of the new guidelines is that the FRC is looking to treat all FTSE companies including those beyond the FTSE350 the same. We do not feel this is sensible. In response to the list of consultation questions, we should like to comment on:

### **Q6: Do you agree with the removal of the exemption from companies below the FTSE 350 to have an independent board evaluation every three years?**

R6: Whilst we appreciate the driving force behind expanding the guidelines on board effectiveness, which now notably includes a detailed section on workforce engagement and on remuneration, we feel the expansion of the code to companies beyond the FTSE 350 will create additional financial and resource burdens on a company. We do not feel this would give our investors and stakeholders the best value or use of company funds. Research has shown the UK market is dominated by a handful of independent evaluation companies who have able to 'corner the market' and set a high price for their services. Currently smaller FTSE companies would generally rely on their Company Secretary to deliver, in conjunction with the Chairman, a thorough annual evaluation service, which for us has proven to be adequate. The role of the Company Secretary is also seen to be an independent and advisory role to the board, the current proposed change in some ways in this area undermines this role.

### **Q7/8: Do you agree that nine years, as applied to non-executive directors and chairs, is an appropriate time period to be considered independent? Do you agree that it is not necessary to provide for a maximum period of tenure?**

R7/8: We feel that companies are best served by having strong leadership, which starts by having a strong independent chairman who knows the business thoroughly. In particular in complex and technical industries such as banking and insurance, having a sector specialist is beneficial to be able to bring out the views of the board as a whole. This in particular relates to those smaller FTSE companies where there is less potential to attract, at their level of remuneration, both quality and sector specific Chairs in an already small talent pool. Our own personal experience of having a long serving director, who has guided the company through several acquisitions and refreshment of the board, has proven that having continuity has provided a positive impact. By providing for a maximum period of tenure can potentially destabilise a board especially when organising succession planning. Having a continuing thread throughout a number of board changes can give a steady steer for a company. Our suggestion would be for companies below the FTSE 350 if a maximum period for a NED Chair is to be put in place the maximum upper limit should be 15 years. It is suggested that a reporting provision should be in place to provide an explanation through the corporate report setting out an explanation behind retaining a Chair beyond nine years.

### **Q10 Do you agree with extending the Hampton-Alexander recommendation beyond the FTSE 350?**

R10: We fully engage and believe that there should be better representation of women and have actively recruited to achieve this. Our view is that at this current time the extension of this to all FTSE companies including those beyond the FTSE 350 should be through a transitional period. It is felt that, whilst a smaller company will strive to create a diverse board, that the current availability of talent does not necessarily make that easy. The focus and approach should really be around increasing diversity at the next level below board to provide a decent pipeline of future board members.