

Strong decision making is key to effective board performance, says draft guidance

29 July 2010: A well-designed decision-making process is one of the most important hallmarks of a strong board, according to draft guidance launched today for public consultation by the Institute of Chartered Secretaries and Administrators. When making decisions, boards should guard against the effects of a dominant personality, the existence of “no go” areas for non-executives and a poor line of sight to significant risk.

ICSA was asked to develop the guidance by the Financial Reporting Council to complement the new UK Corporate Governance Code which was issued in May. It will submit a final text later in the year for adoption by the FRC as a replacement to the existing Higgs Guidance.

The guidance is entitled “Improving Board Effectiveness”. It has been drafted by a Steering Group chaired by Sir John Egan, recent chair of Severn Trent Plc, and takes account of an initial consultation involving both investors and chairs, directors, company secretaries and professional advisers operating in the boardrooms of UK plc.

That exercise revealed overwhelming support for short, non-prescriptive guidance to help improve board effectiveness. Key issues covered by the draft guidance are:

- More emphasis on the role of the chair as critical to building an effective board
- The importance of the board’s role in creating a high-performance culture which maximises the opportunities for value creation and minimises risk
- The need to create an environment of challenge in the boardroom
- The value for companies of well-informed and high-quality board decision making
- Board composition and diversity as major factors in delivering an effective board
- The advantages of a good training and development programme designed to improve directors’ skills, experience and knowledge
- The benefits of regular board evaluation to explore how well the board is functioning

Sir John Egan, chair of the Steering Group, said:

‘Having received a wide range of responses during the initial stage of the consultation, we are now strongly encouraging all involved to submit comments that will help us complete the task of delivering guidance that will have a real impact on board effectiveness in the UK.’

Baroness Hogg, FRC Chairman said:

‘We are grateful to ICSA and the Steering Group for their work and look forward to the final text. The result should be guidance that will help boards apply the Governance Code in ways that deliver the most practical benefit.’

This second stage of the consultation ends on 14 October 2010. *'Improving board effectiveness'* is available [here](#). It is intended that the completed draft guidance will be submitted to the FRC in November. The FRC intends to publish the final guidance by the end of 2010.

For further information please contact Rosie Hamilton on 020 7612 7062 or pressoffice@icsa.co.uk

Notes to Editors:

The ICSA was commissioned by the FRC in December to lead a steering group and review the Higgs Guidance.

A full list of members of the Steering Group is as follows:

Nilufer von Bismarck, Partner, Slaughter and May
Andrew Campbell, Director, Strategic Management Centre, Ashridge Business School
John Coombe, Chairman, Hogg Robinson Group plc
Sir John Egan, Chairman, Severn Trent Plc
Philippa Foster Back OBE, Director, Institute of Business Ethics
Chris Hodge, Head of Corporate Governance, FRC
Simon Lowe, Partner, Grant Thornton UK LLP
Ben Mathews, Company Secretary, Rio Tinto plc
Peter Montagnon, Senior Investment Adviser, FRC
David Paterson, Head of Corporate Governance, NAPF
David Wilson, Chief Executive, ICSA

Copies of the consultation document and other documents relating to the review can be found [here](#).

1. Responses to the consultation are requested by 14 October 2010 and should be sent to policy@icsa.co.uk or in writing to Seamus Gillen, Policy Director, ICSA, 16 Park Crescent, London, W1B 1AH.
2. The Institute of Chartered Secretaries and Administrators (ICSA) is the professional body for Chartered Secretaries and a leading authority on corporate governance. Chartered Secretaries are high-ranking professionals with a broad base of skills unique among the professions. Trained in law, finance and accounting, strategy, governance and ethics, Chartered Secretaries provide a focal point for independent advice and guidance about the conduct of business, governance and compliance.
3. Through its thought leadership in the areas of boardroom behaviour, reporting and risk management, its influence with government and regulators, and the work of its members, ICSA is helping to shape the governance agenda and promote the best practice essential to achieve enhanced board performance.