

FINANCIAL SERVICES

BOARD EFFECTIVENESS EVALUATIONS

2022/2023



IDEAS | PEOPLE | TRUST **BDO**

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BACKGROUND

Board effectiveness evaluations

Why conduct a Board Effectiveness Evaluation?

Directors have responsibilities in law to make sure that the organisations they oversee do what they were set up to do. Directors must have the appropriate skills and abilities, be effective, and be focused on the right things. Organisational success can depend on it and, when things go wrong, how do you demonstrate that as a board you regularly challenged yourselves, your approach and thinking?

The revised 2018 UK Corporate Governance Code (which is due to be further updated in line with the FRC's Position Paper - [Restoring Trust in Audit and Corporate Governance](#) - issued in July 2022) is centred upon the principle of 'effectiveness'. Boards are required to demonstrate the ways in which they are effective and identify areas of improvement for the benefit of stakeholders, but also to provide assurance around the competency of the board and its leadership and stewardship of the organisation. Though the emphasis of the Code is on FTSE listed companies, the principles have applicability for all organisations. This was further underlined in the Wates Principles for Large Private Companies issued in 2018 and is being underlined for financial services firms by the responsibility held by the Chairman (SMF 9) 'for chairing and overseeing the performance of the governing body of a firm'.

Reviewing effectiveness is intended to help boards demonstrate their continued relevance, efficacy, and competency in the leadership and stewardship of an organisation to stakeholders. The board needs to set the right tone through its leadership, behaviour, and culture, creating an effective environment where it is safe to question and challenge. It also allows the board to take time out to consider how effectively it discharges its responsibilities; and to provide Directors with time for self-reflection and introspection, both individually and collectively. At its simplest, it helps the board to grow and improve through asking itself some probing questions.



BOARD EFFECTIVENESS REVIEWS

Probing questions



Do our culture, behaviour and processes help us to be effective?



Are we well positioned to lead on strategy?



Do we have the right diversity of skills, experience and knowledge to discharge our responsibilities?



Is the board appropriately serviced?



Is there anything additional that we need to do to discharge our responsibilities?



How well does our chair enable our board to work effectively as a team?




How effectively do we hold the Executive to account?

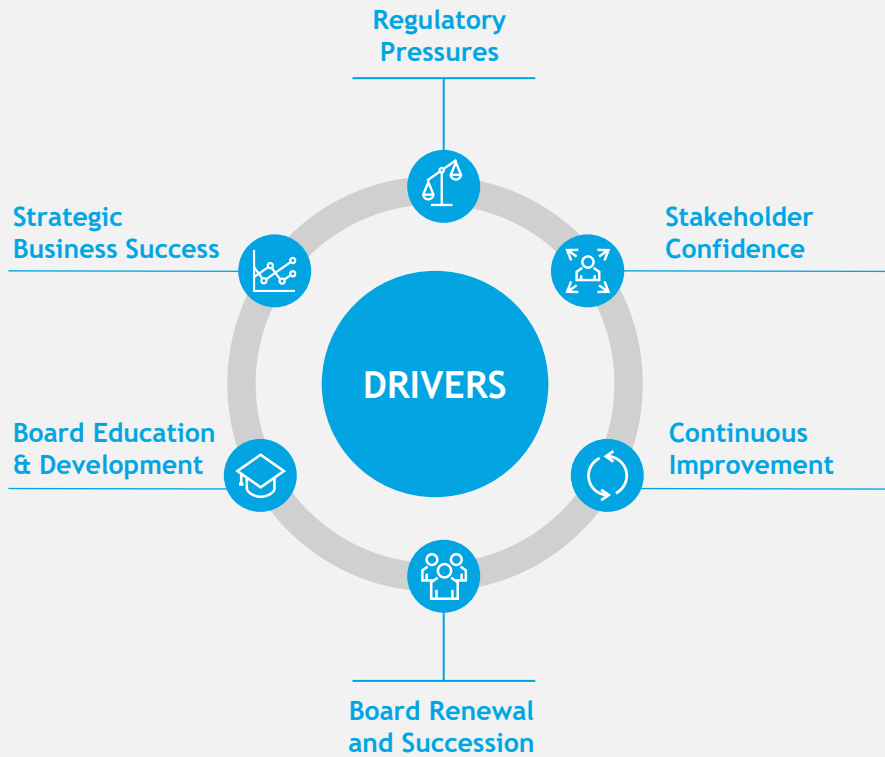


BACKGROUND

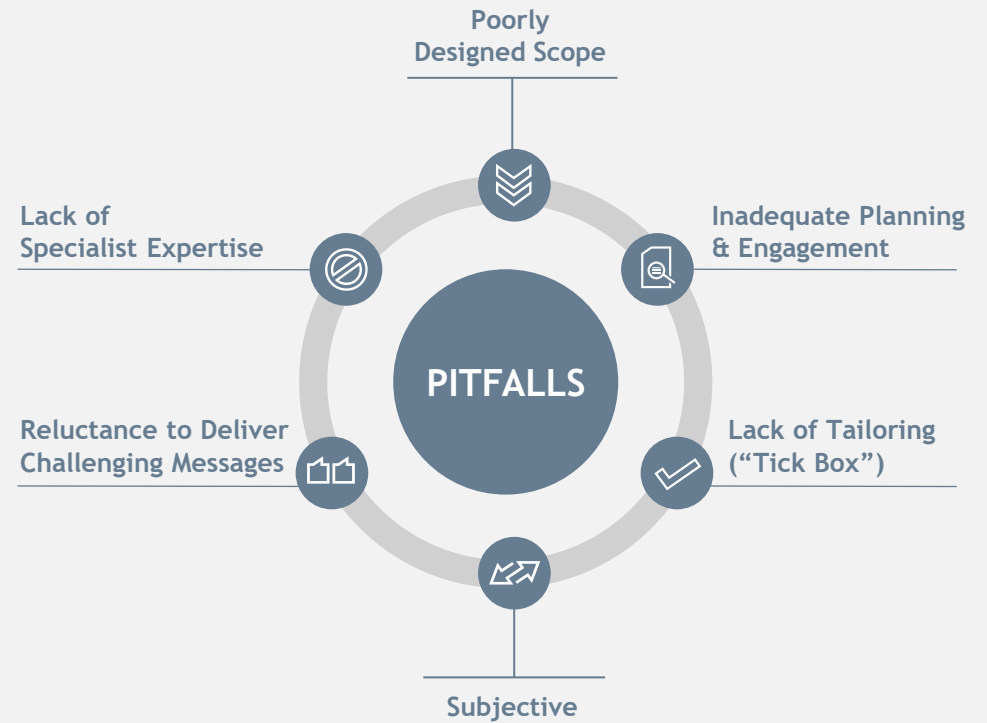
Board effectiveness evaluations

 What are some of the factors that make a board evaluation necessary and what sorts of problems can arise as part of the process?

The drivers for commencing a board evaluation process include:

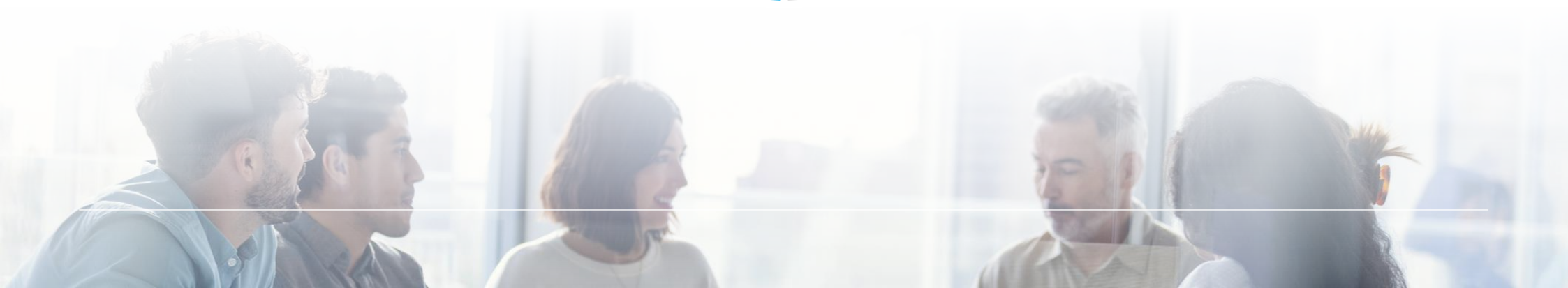


Common pitfalls of the process can include:



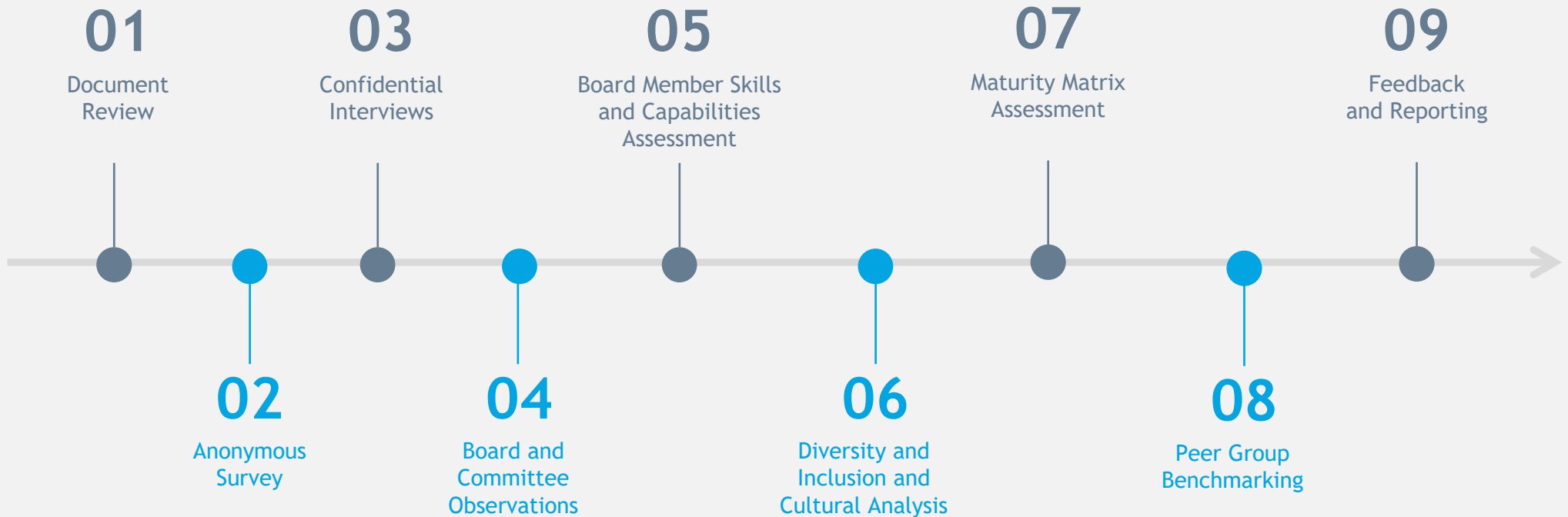
OUR BOARD EFFECTIVENESS FRAMEWORK

Our board effectiveness evaluations are designed to support your development into a high performing board. The framework and our considerations for conducting board effectiveness evaluations include:



BOARD EFFECTIVENESS EVALUATION TOOLKIT

As part of our board effectiveness evaluation process, we may use some or all of the following toolkit elements, depending on your specific needs and requirements:



OUR APPROACH TO WORKING WITH YOU

Measures of success

A Focused Board Action Plan

A measure of the usefulness of board effectiveness evaluations is how many observations from the process are taken forward. Our approach is underpinned by focused and collaborative engagement with you from the outset in order to achieve the best possible outcome.

Through the development of a focused board action plan, we will provide the board with a clear roadmap to ensure that the evaluation provides a route to a more effective board.

Tangible Tools and Detailed Analysis

We have developed, and continue to evolve, a number of tangible, tried and tested, tools which we use to inform our board effectiveness evaluations. This serves to ensure that our findings are objective.

We also present our findings in a clear and easily digestible format. This includes the use of graphs, charts, and diagrams, as well as qualitative analysis.

This also enables us to plot or benchmark firms, and to monitor progress over time.

An Experienced and Specialist Team

BDO is on the FCA and PRA Skilled Person Panel and frequently conducts reviews on behalf of the regulators. As such, our team has a strong understanding of the regulator's expectations when it comes to governance and Board effectiveness.

We are also able to draw on our experience of working with a diverse selection of firms and can recognize the needs of varying-sized firms in order to make assessments and recommendations that are proportionate to the size and complexity of the business.

Collaborative and Constructive Working Style

We believe that the key to a successful board effectiveness evaluation, and one which adds value, is to work collaboratively with our clients. We make sure that we are:

MEETING YOUR NEEDS

This includes robust planning with you to:

- ▶ Agree the most appropriate approach to the evaluation; and
- ▶ Understand the business context, including the board and wider governance structure, and strategic objectives of the firm.

WORKING TO AN AGREED TIMELINE

We will develop a project plan that accommodates appropriate access to the key stakeholders and achieves the desired outcomes within the timescales we agree. We acknowledge that access to stakeholders may require us to work flexibly to avoid unnecessary disruption.

BEING ACTIVELY INVOLVED

Our senior team will provide a practical and pragmatic approach to ensure the aims of the evaluation are met.

PROVIDING SOLUTIONS

We will communicate practical, proportionate, and relevant findings and recommendations. We will communicate our key findings prior to issuing our report to ensure that there are 'no surprises' and that you have an opportunity to provide any additional clarity that may be needed. We will conduct our assessment in view of any relevant regulatory requirements as well as offering insight as to good and best practice.

OUR SERVICE OFFERINGS

We offer a range of board effectiveness evaluations and tools to meet differing needs. We can also further tailor our approach as required.

	COMPREHENSIVE	STANDARD	LIGHT	BOARD EFFECTIVENESS TOOLKIT
Document Review				<p>We also offer a Board Effectiveness Toolkit where we share our best practice methodology and toolkit framework with you, to support you in undertaking Board self-evaluations. This will include us providing you with a suggested project plan, self-evaluations, and accompanying toolkit.</p>
Board & Committee Observations	All board committees	1-2 board committees	1-2 board committees	
Feedback and Reporting				
Anonymous Survey				
Board Member Skills & Capabilities Assessment				<p>BOARD TRAINING</p> <p>We also offer tailored Board training on a diverse range of topics including regulatory “hot topics” and topics tailored to your firm, sector, and Board. These can be provided in a variety of formats, including workshops or training sessions, to best fit your preferred style.</p>
Peer Group Benchmarking				
Confidential Interviews	All members	4-5 interviews	2-3 interviews	
Diversity and Inclusion & Cultural Analysis				
Maturity Matrix Assessment				
Time with the Board				

OUR SERVICE OFFERINGS



OUR RECOMMENDATION

We typically recommend that firms conduct a ‘Comprehensive’ Board Effectiveness Evaluation every 3 years, and ‘Standard’ or ‘Light’ Board Effectiveness Evaluations in the interim, on an annual or bi-annual basis, depending on the size and complexity of the firm and any changes which may have been made to board composition or governance arrangements in the interim.



OUR FEES

Our fees vary depending on the type of review you require and the size and complexity of your firm. For a quote, please contact a member of our team.



OUR TEAM

We have a senior specialist team leading and conducting our board effectiveness evaluation proposition. We also have further specialist resource, including sector-specific SMEs.



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Leigh leads our Banking and Financial Services Advisory service line and sits on BDO's Advisory Executive which leads and directs the Advisory business at the firm. She is an experienced partner and has over 25 years' experience of providing audit, assurance and advisory services to banks, lenders, and other financial institutions. Leigh has led board effectiveness reviews for a number of international banks and provided training to non-executive directors regarding their responsibilities in the UK regulatory environment.



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