

An aerial photograph of a winter forest. The trees are heavily covered in snow, creating a white and light green landscape. A narrow road or path winds through the trees. In the lower right quadrant, a small red car is driving along the road. The overall scene is serene and quiet.

MOVING FORWARD IN THE RIGHT DIRECTION

FINANCIAL SERVICES | BOARD EVALUATION

March 2021

IDEAS | PEOPLE | TRUST



BOARD EVALUATION

Is board evaluation proving to be a waste of valuable board time and resources, or is the board able to extract maximum value from the process to support their continuous development and effectiveness?

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 is premised upon the principle of ‘effectiveness’. Boards are required to demonstrate the ways in 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”.

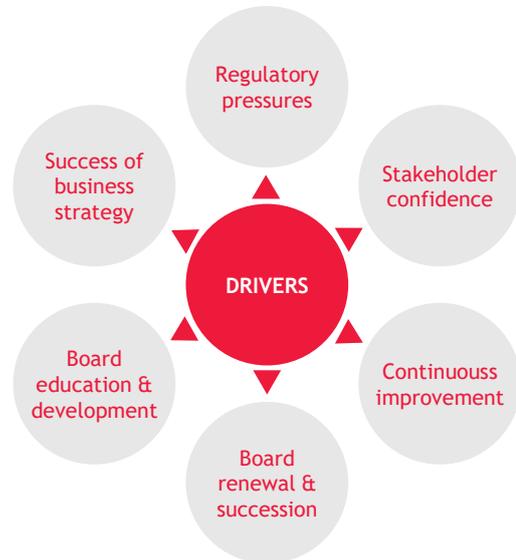
Reviewing effectiveness is intended to help boards demonstrate their continued relevance, efficacy and competency in the leadership and stewardship of an organisation to stakeholders. The board needs to set the right tone through its leadership, behaviour and culture, creating an effective team where it is safe to question and challenge. It also allows the board to take time out to consider how effectively it discharged its responsibilities; and 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.

QUESTIONS SUCH AS:

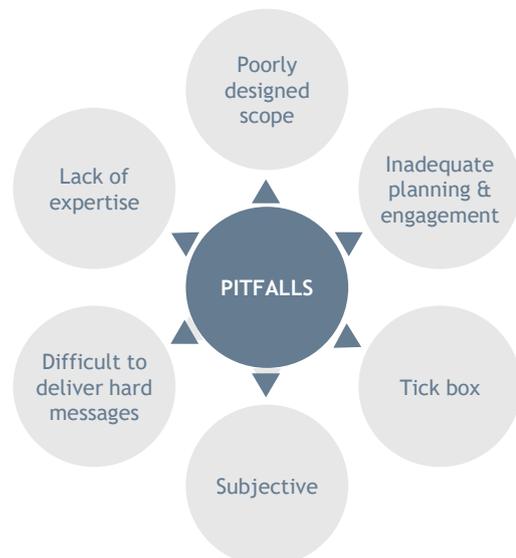
- ▶ Do our culture, behaviour and processes help us to be effective?
- ▶ Are we well positioned to lead on strategy?
- ▶ Do we have the right diversity of skills, experience and knowledge to discharge our responsibilities?
- ▶ Is the board appropriately serviced?
- ▶ Is there anything additional that 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?

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

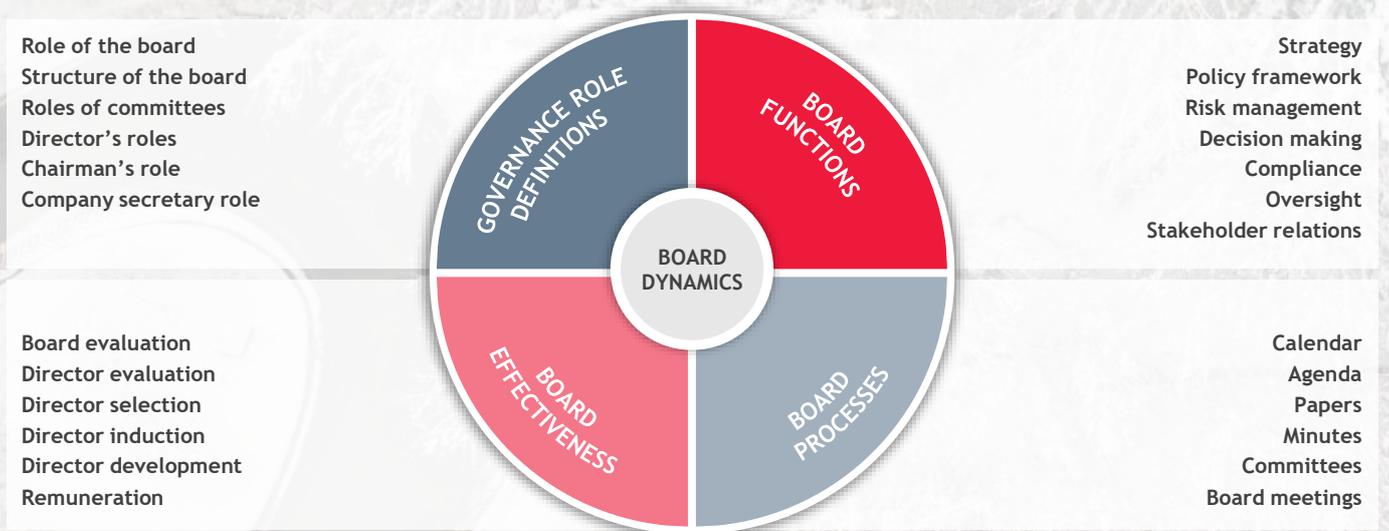
THE DRIVERS FOR COMMENCING A BOARD EVALUATION PROCESS INCLUDE:



THE PITFALLS OF THE PROCESS CAN INCLUDE:



Our board effectiveness reviews are designed to support your development into a high performing board. Our framework for carrying out a Board effectiveness review is summarised in the following diagram:



OUR TOOLKIT

In facilitating the evaluation process, we may use some or all of the following toolkit depending on your requirements:



HOW CAN BDO ASSIST?

A measure of the usefulness of evaluations is how any 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 an improvement plan, we will provide the board with an action plan to ensure the evaluation provides a route to a more effective board.

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