



### Statement of Understanding & Common Views

- Confusion & suspicion exists around Board Evaluations, what they entail, their purpose, immediate & ongoing value
- Board Evaluations are assessments of the performance of the Board, its leadership, strategic planning & risk control
- Currently most Boards appraise either their Board members or evaluate the Board in an informal manner
- Many Boards find it difficult to grasp the value of a good Board Evaluation & the resultant influence on company value

### What is a Board Evaluation?

- An assessment of the behaviour & competence of the Board as the leadership team
- An assessment of the Board's ability to determine strategy, lead, communicate & manage risks

### What is the value of a Board Evaluation?

- To provide a mirror & objectively review the Board's ability to lead the organisation towards its goals
- Fresh insight & opportunity to focus on improvement
- Continuous improvement of the Board members
- Understanding human contributions & interactions
- Opportunity to safely put the organisation first

### Who should consider a Board Evaluation?

- Organisations required to by industry Codes (many)
- All organisations who wish to improve
- Change in Chairman / CEO / SID
- Major change in business situation e.g. listing / merger
- Development of high risks within an industry

### How should a Board Evaluation be carried out?

- Transparent, structured, robust, focused, flexible, honest
- Unattributed & tailored to achieve desired outcomes
- Questionnaires and / or interviews, evolving annually
- Total commitment to continuous improvement
- Engage external experience, independence & fresh insight

### Alternatives for your Way Forward

- Determine the need for a Board Evaluation in terms of internal value, regulatory demand & defined objectives
- Understand current evaluation process and how it may be enhanced to ensure value – content, process, experience
- Define the desired status, the gap to current situation and the one year and three year plan to close the gap
- Layout the steps to reach your governance goal which will evolve and change along the way

### Progressive Approach – Different Options for different years

#### Due Diligence

- High level Due Diligence against applicable Codes or Guidelines
- Detailed gap analysis of behaviour & performance against Codes, Guidelines or internal objectives
- Stakeholder Due Diligence of the Board competence and to encourage continuous improvement

#### Internal Board Evaluation – run on external platform ensuring confidentiality of input & continuity

- Automate your existing questionnaire, use the Genius questionnaire or create tailored questions and answers
- Totally unattributed, completed online at the Board member's convenience
- Detailed quantitative reports

#### Externally Moderated Board Evaluation – detailed external input to, and analysis of, questionnaire content & results

- External assessment of results against objectives, Codes, Guidelines and Best Practice
- Benefit from experience, insight, independence and use of a rigorous process, light touch but in-depth analysis
- Detailed quantitative & qualitative reporting, highlighting issues & providing comparisons to previous year

#### Externally Facilitated Board Evaluation – questionnaire and / or interviews

- Define objectives and build a process to gain the deepest insight from the widest audience
- Safely discuss, debate and tease out the knowledge that exists within the participants and stakeholders
- Define recommendations, actions and integrate monitoring of progress

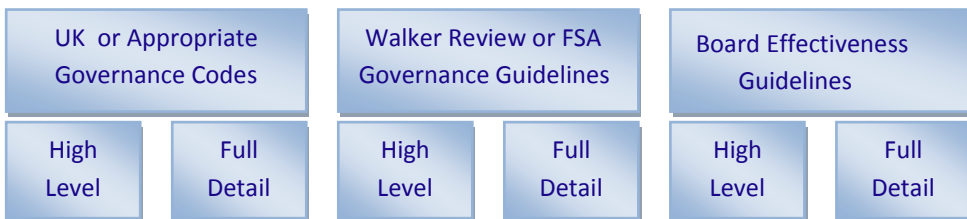
# The Progressive Approach

Different ways to approach a Board Evaluation

Your choice will depend on need, expectations and budget

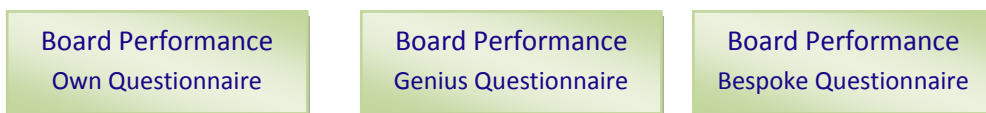


## Due Diligence



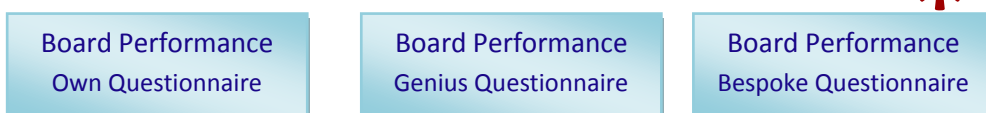
Choose appropriate due diligence questionnaire to achieve an accurate gap analysis

## Internal Evaluation Run on External Platform



Choose the appropriate questionnaire to achieve a confidential, transparent and accurate assessment

## External Evaluation "Internal" with External Review



Choose appropriate questionnaire to achieve a confidential, externally reviewed and accurate assessment

## Externally Facilitated Evaluation

Scope and planned objectives defined

**Confidential**  
**Rigorous**  
**Robust**  
**Structured**  
**Transparent**  
**Independent**  
**Tailored**  
**Experienced**

Many Codes and Guidelines recommend a Board Evaluation and in some cases this is required to be externally facilitated at certain intervals.

Build Questionnaire fit for purpose

**"All organisations can benefit from a Board Evaluation, whether FTSE 350, Private, Public or Not for Profit."**

*Neville Bain – Chairman IoD – September 2011*

Build tailored Interview backbone

**Interviews**  
Board, Committees, ExCom, CoSec \*

**Valuable**

**"A Board Evaluation definitely adds value as it gives fresh insight and ideas, it helps us think differently"**  
*CoSec – FTSE 100*

**"Well governed company will produce better returns for shareholders over time"**  
*Association of British Insurers*

**"Companies with strong environmental, social and governance standards have outperformed the FTSE 350 and the FTSE All-Share indexes on total shareholder return for seven of the past eight years"**  
*BITC (Research by Ipsos Mori)*

Reports  
Qualitative & Quantitative

Recommendations & Action Plan

Monitor & Feedback on Action Plan

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