

Board performance reviews

169 Boards continually monitor and improve their performance. This can be achieved through performance reviews, which provide a powerful and valuable feedback mechanism for improving effectiveness, maximising strengths and highlighting areas for further development. The evaluation process should be objective and rigorous.

170 Like induction and board development, performance reviews ought to be bespoke in their formulation and delivery. The chair has overall responsibility for the process, involving the senior independent director as appropriate. The senior independent director may lead the process that reviews the performance of the chair and, in certain circumstances, may lead the entire evaluation process.

171 Chairs are encouraged to consider ways in which to obtain feedback from the workforce and other stakeholders – for example, the auditors – on the performance of the board and individual directors. Chairs of board committees should be responsible for the review of their committees.

172 Board performance reviews can inform and influence succession planning. They are an opportunity for boards to review skills, assess their composition and agree plans for filling skills gaps, and increasing diversity. They can help companies identify when new board appointments may be needed and the types of skills that are required to maximise board effectiveness.

173 Provision 21 of the Code recommends that FTSE 350 companies have externally facilitated board performance reviews at least every three years. Chairs of smaller companies are also encouraged to adopt this approach. External facilitation can add value by introducing a fresh perspective and a critical eye to board composition, dynamics and effectiveness. It may also be useful in certain circumstances, such as when there is a new chair, if there is a known problem requiring tactful handling, or there is an external perception that the board is, or has been, ineffective.

174 The nature and extent of an external reviewers contact with the board and individual directors are defining factors in quality. Questionnaire-based external performance reviews are unlikely to get underneath the dynamics in the boardroom. It is beneficial for the external reviewer to also meet with the executive team to gain their views of the board.

175 Whether facilitated externally or internally, performance reviews need to be rigorous. They should explore how effective the board is as a unit, as well as the quality of the contributions made by individual directors. Some areas which may be considered, although they are neither prescriptive nor exhaustive, include:

- the mix of skills, experience, and knowledge on the board, in the context of developing and delivering the strategy, the challenges and opportunities, and the principal risks facing the company.

- clarity of, and leadership given to, the purpose, direction and values of the company;
- succession and development plans.
- how the board works together as a unit, and the tone set by the chair and the chief executive.
- key board relationships, particularly chair/chief executive, chair/senior independent director, chair/company secretary and executive/non-executive directors.
- effectiveness of individual directors.
- clarity of the senior independent director's role.
- effectiveness of board committees, and how they are connected with the main board.
- quality of the general information provided on the company and its performance.
- quality and timing of papers and presentations to the board.
- quality of discussions around individual proposals and time allowed.
- process the chair uses to ensure sufficient debate for major decisions or contentious issues.
- effectiveness of the company secretary/secretariat.
- clarity of the decision-making processes and authorities, possibly drawing on key decisions made over the year.
- processes for identifying and reviewing risks, and
- how the board communicates with, and listens and responds to, shareholders and other key stakeholders.

Companies are encouraged to consider [the Chartered Governance Institutes Guidance note on Reporting on Board Performance Reviews](#).

Outcomes of Board Performance Reviews

176 The outcomes from the board performance review can be shared with and discussed by the board. They may be fed back into the board's work on composition, the design of induction and development programmes, and other relevant areas. It may be useful for a company to review how effective the evaluation process has been and how well the outcomes have been acted upon. The chair is encouraged to give a summary of the outcomes and actions of the evaluation process in their statement in the annual report.

External Board Performance Reviews

177 When selecting a board reviewer, the chair needs to:

- be clear what the board performance review will offer – each provider will have a different method and experience with cost and approaches varying greatly across providers.
- be mindful of existing commercial relationships and other conflicts of interests, and select a reviewer who is able to exercise independent judgement, and
- agree with the reviewer the objectives and scope of the review, expected quality, value and longevity of service, and communicate this to the board

178To ensure a more valuable review, the chair ensures full cooperation between the company and the reviewer, including full access to board and committee papers and information, to observe meetings, and meet with directors individually.

179The chair is responsible for making sure the board maximises the value of an externally-facilitated board performance review. The chair is likely to find the board evaluation process more valuable if:

- its recommendations are constructive, meaningful and forward-looking.
- it includes views from beyond the boardroom, e.g. shareholders, senior executives who regularly interact with the board, auditors and other advisors, and the workforce.
- it includes peer reviews of directors and the chair plus feedback on each director.
- good practice observed in other companies is shared.
- the reviewer observes the interaction between directors and between the chief executive and chair.
- there is a robust analysis of the quality of information provided to the board.
- feedback is provided to each individual board member, and
- the board is challenged on composition, diversity, skills gaps, refreshment and succession.