



Statement of Understanding

- There is often confusion around Board Evaluations, what they are, their purpose, their immediate & ongoing value
- Board Evaluations are assessments of the performance of the Board, its leadership, strategic planning & risk control
- Most Boards evaluate either their Board members or the whole Board but in an informal manner
- Many Boards do not understand the value of a correct Board Evaluation and the direct influence on profit

What is a Board Evaluation and what is its value?

- An assessment of the behaviour and competence of the Board as the leadership vehicle of the organisation
- An assessment of the Board's ability to determine strategy and control risk
- The value is to be able to put up a mirror, internally or externally and view the reality of the Board's ability to perform its role as governance leader of the organisation
- Continuous improvement of the Board members at a skills and personal level

Who should experience a Board Evaluation and how?

- All Boards should review their performance
- Required annually for premium listed FTSE companies
- New Code includes foreign incorporated companies
- If a FTSE 350 company, the evaluation needs external facilitation at least once every 3 years
- To be of value the process should be transparent, robust and structured
- Unattributed - ensure open & honest feedback (optional)
- Questionnaires and / or interviews, as needed each year
- Organisations of ANY size or structure gain value

Options on the Way Forward

- Determine the need for a Board Evaluation in terms of internal value, regulatory demand & any related time limit
- Understand current evaluation process which has been followed and how it may differ to a value added approach
- Define the desired status and the timing in which this needs to be achieved
- Layout the steps to reach the governance goal, which can evolve and change on the way

Progressive Approach Option

Stage 1 Due Diligence

- High level Due Diligence of the Code Main Principles or the Walker Review Recommendations
- Detailed Audit of compliance to the Code or the Walker Review
- Stakeholder Due Diligence of the Board competence before joining or to encourage continuous improvement

Stage 2 Year 1 – Internal and online

- Automate your existing questionnaire or use the Genius questionnaire using the Genius platform
- Totally unattributed, completed online at the Board member's convenience
- Detailed quantitative reports

Stage 3 Year 2 – Internal and online with external input

- External input to improve questionnaire for own needs, industry, issues, Codes, guidelines and best practice
- External assessment of results
- Detailed quantitative reporting, highlighting concerns and providing comparisons to previous year

Stage 4 Year 3 – External and online

- Define scope with champion and structure initial questionnaire to achieve objectives
- Assess results & build interview structure to provide focus & ensure highlighted issues are addressed (optional)
- Compile detailed qualitative and quantitative report indicating key recommended actions

The Progressive Approach

over a maximum of three years from financial year beginning on or after 29 June 2010

(An external evaluation in Year 1 is more appropriate and cost effective)



Due Diligence

UK Corporate Governance Code

High Level

Full Detail

Walker Review

High Level

Full Detail

Board Effectiveness (Higgs Guidance)

High Level

Full Detail

Choose appropriate due diligence questionnaire to achieve an accurate view of the situation

Year One Evaluation Internal

Board Performance Own Questionnaire

Board Performance Genius Questionnaire

Board Performance Bespoke Questionnaire

Choose appropriate questionnaire to achieve an accurate view of the situation

Year Two Evaluation "Internal" with External Review

Board Performance Own Questionnaire

Board Performance Genius Questionnaire

Board Performance Bespoke Questionnaire

Choose appropriate questionnaire to achieve an accurate view of the situation

Year Three Evaluation Externally Facilitated

Scope and planned objectives defined

Build Questionnaire fit for purpose

Build tailored Interview backbone

Interviews Recommended but Optional

Reports Qualitative & Quantitative

Recommendations & Action Plan

Monitor & Feedback on Action Plan

Rigorous
Robust
Structured
Transparent
Independent
Tailored



Valuable

This externally facilitated evaluation is only **required** (no less than once every 3 years) under the Code for premium listed, FTSE 350 companies, whether UK or foreign incorporated.

For all other businesses, it is best practice
But is recommended as it adds direct value

"It does add value and we have an external evaluation every two years"
CoSec - Smith and Nephew

"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)

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