



## Board Evaluations

Ticking a box or making a difference?

# Ticking a box or making a difference?

It is very clear that a new lens is being applied to board performance. The demands and expectations on board members are changing dramatically with a clear focus on how boards are making decisions and responding to issues such as technology disruption, climate change purpose and delivering a contribution to wider society.

But are board performance evaluations keeping pace with these changes in focus? Can you think of examples where the evaluations have made a positive difference – where your board and your governance has been really challenged on whether it is fit for purpose to meet the future expectations of investors and wider society? If not, it is likely that you and your fellow board members see the exercise as nothing more than ticking a box. And this doesn't benefit anyone – shareholders, stakeholders or yourselves as board members.

In our view, board performance evaluations should NOT be.....

- all about inputs & processes
- resource intensive
- introspective with no external view
- about a 'snapshot' of board performance at a point in time
- afraid to tell it like it is
- based on a rigid framework
- backward looking and about apportioning blame
- lacking in real interaction with board members

A **Deloitte Board Effectiveness Review** will be:

Tailored	We will not impose a rigid framework. We are well aware that every company and its board are different and will work with you to plan the review based on a strong understanding of your business, the current environment in which it is operating and the activities, which have been, and continue to be, a significant part of the board agenda.
Resource effective	We acknowledge that boards, and those who support them, are very busy and that their time is valuable. We also believe that the board's engagement with this process will decline the more hours and endless questions they are subjected to. With careful planning, this process can be resource effective, which has significant benefit for the quality of the outputs.
Focused on outcomes	We want to apply a wide angle lens to your board so that we can help you understand the real outcomes of your activities and the impact on all key stakeholders. We believe that it is important that the review is not just considering what the board thinks of itself – other stakeholder views are important to really understand board impact.
Honest	We won't be afraid to ask the difficult questions and to give difficult feedback. If we feel that we are not getting appropriate responses or input, we will call that out. We will use our extensive experience of boardrooms and governance to provide honest opinions and feedback.
About learning & development	Ultimately, this exercise is about making sure the board is working effectively as a team, focusing effort in the right places and agreeing what future priorities for development should be.

# Areas to consider in setting up the review

As mentioned overleaf, we would hold an initial planning meeting with you to tailor our approach. This meeting would cover the following areas:

Key questions	Areas for you to consider	Our view
What are your objectives?	<ul style="list-style-type: none"> <li>Do you want to ensure your governance is continually improving?</li> <li>Do you want your governance to represent best practice?</li> <li>Are there particular problems in the dynamics of the boardroom or between the board and management, which need to be addressed?</li> <li>Do you want to provide the directors with guidance for their future learning and development?</li> </ul>	<p><i>Clear objectives should be set and agreed at the start of the process and all board members should be bought into the process.</i></p> <p><i>All of the areas for consideration listed are valid objectives but it is important to focus on and draw out those matters of most relevance to your organisation at the current time.</i></p>
Who will be evaluated?	<ul style="list-style-type: none"> <li>Board as a whole</li> <li>Board Committees</li> <li>Individual Directors</li> </ul>	<p><i>This is what the Corporate Governance Code calls for and so we would support that aim with a note that there should be a mechanism to assess the specific performance of the committee chairs in their roles also.</i></p>
Who will be involved?	<ul style="list-style-type: none"> <li>Board members</li> <li>Senior executives/management</li> <li>Company secretary</li> <li>External stakeholders e.g. shareholders, workforce councils, auditors</li> </ul>	<p><i>We would have concerns if we were asked to consider only the views of board members as part of a review. There needs to be an external perspective. However, our view is that ideally this perspective would come from groups with direct contact with the board, e.g. executive committee members.</i></p>
What will be evaluated?	<ul style="list-style-type: none"> <li>Board dynamics</li> <li>Engagement</li> <li>Agendas</li> <li>Setting priorities</li> <li>Decision-making</li> <li>Holding to account</li> <li>Horizon scanning</li> <li>Significant events during the year</li> </ul>	<p><i>We would work with you to put together an appropriate agenda for the review focusing on the core role of the board and the outcomes it has achieved over the entire year - not just at a point in time.</i></p>
What techniques will be used?	<ul style="list-style-type: none"> <li>Document review</li> <li>Online questionnaire</li> <li>Interviews</li> <li>Observation</li> <li>Case studies</li> </ul>	<p><i>We would always seek to do a document review of agendas, terms of reference and director bios. In addition, we like to use a targeted online questionnaire to direct the content of one-to-one interviews.</i></p> <p><i>Some question the value of observation as it can become too artificial and is just one point in time. Our preference would be to supplement the review with a case study or case studies on particular key decisions during the year - this can provide a much more realistic view of the performance of the board.</i></p>
What will you do with the results?	<ul style="list-style-type: none"> <li>Report</li> <li>Discussion of findings</li> <li>Implementation/action plan</li> <li>Feedback to shareholders/annual report</li> </ul>	<p><i>We would report to you our views on your key areas of focus and agree a plan of action for follow-up and monitoring.</i></p> <p><i>We would also help construct an appropriate disclosure for the annual report, which focuses on clarifying the nature of the review process and an indication of the outcomes.</i></p>

# Some of our credentials

## Pharmaceutical Company

### Client challenge

This Pharmaceutical Company engaged Deloitte to undertake a number of engagements to support it in advancing to IPO. This included: guidance on Board reporting, a review of Board structure and composition; and a review of compliance against the Corporate Governance Code.

### How did we help?

This work was split into 3 phases. Each phase involved reviewing documentation and conducting interviews with stakeholders. As part of the second phase, we developed a bespoke skills matrix and developed a questionnaire to assess the current Board against their optimal target state Board. For each phase, we provided a detailed report setting out a number of practical recommendations to prepare the client for the governance obligations of a listed company.

## FTSE 250 private equity group

### Client challenge

Undertake an external review of the effectiveness of the Board as required by the UK Code of Corporate Governance.

### How did we help?

This private equity business which invests in technology businesses (mainly spin-outs from Universities), with operations in the UK and USA, achieved significant growth in a short space of time and as a result became listed in the FTSE 250. We reviewed the effectiveness of the Board on two occasions based on document review and interviews. We identified a number of areas where the Board had to make changes to meet the governance requirements under the UK Code. As part of our review, we provided an action plan to help the Board address these areas.

## Contact us

We would welcome the opportunity to work with you on your next board effectiveness review. Martin is the key contact for board effectiveness reviews in Denmark. Please call any of us to discuss how our approach could work for you to make a difference.



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