

Risk Committee Resource  
Guide for Boards  
Risk committee  
performance evaluation



# Risk committee performance evaluation

While there is currently not a legal or regulatory requirement for board risk committees to complete a performance evaluation, based on our knowledge, assessing committee performance on a regular basis is a leading governance practice.

Areas of risk committee performance to be evaluated may include:

- Breadth and depth of the committee's knowledge of risk and risk governance and management (including ongoing education)
- Independence of the risk committee members from management
- Performance of the chair of the committee and his or her relations with management and the chief risk officer (CRO), and with the committee
- Clarity of communications with management about risk and the degree to which these communications have been understood and acted upon
- Quality of board, risk committee, and management responses to potential or actual financial, operational, regulatory, or other risk events
- Effectiveness of the information received by the risk committee and reporting about risk by management
- Engagement with regulators and others on risk management-related matters

There are several methods for board committee evaluations, each with its advantages and disadvantages:

- Self-evaluation
- Peer evaluation
- External evaluation

In the absence of regulations to the contrary, an annual self-evaluation of the risk committee as a whole, as well as an evaluation conducted with external specialists every two or three years may be beneficial and appropriate.

The following questionnaire is based on our knowledge and understanding of emerging and leading practices and is designed to assist in the self-assessment of a risk committee's performance. It is not intended to be all inclusive and, if used, should be modified to accommodate a company's specific circumstances.

When completing the performance evaluation, consider the following process:

- Select a coordinator and establish a timeline for the process
- In addition to risk committee members completing the form as a self-evaluation, ask individuals who interact with the risk committee members to provide feedback
- Ask each risk committee member to complete an evaluation by selecting the appropriate rating that most closely reflects the risk committee's performance related to each practice
- Consolidate the results of such inquiry and evaluation into a summarized document for discussion and review by the committee

## Sample evaluation questionnaire

For each of the following statements, select a number between 1 and 5, with 1 indicating that you strongly disagree and 5 indicating that you strongly agree with the statement. Select 0 if the statement is not applicable or you do not have enough knowledge or information to rank the organization's risk committee on a particular statement.

<i>Circle one number for each statement</i>	Insufficient knowledge	Strongly disagree		Neither agree nor disagree		Strongly agree
<b>Composition and quality</b>						
1. Qualified risk committee members are identified by sources independent of management (e.g., independent board members assisted by an outside search firm).	0	1	2	3	4	5
2. Members of the risk committee meet all applicable independence requirements.	0	1	2	3	4	5
3. The designated risk expert meets the definition of "expert" as agreed to by the committee and the board.	0	1	2	3	4	5
4. Risk committee members have the appropriate qualifications to meet the objectives of the risk committee's charter, including appropriate risk background/qualifications.	0	1	2	3	4	5
5. The risk committee demonstrates integrity, credibility, trustworthiness, active participation, an ability to handle conflict constructively, strong interpersonal skills, and the willingness to address issues proactively.	0	1	2	3	4	5
6. The risk committee demonstrates appropriate industry knowledge and includes a diversity of experiences and backgrounds.	0	1	2	3	4	5
7. The risk committee participates in a continuing education program to enhance its members' understanding of relevant risk management and industry-specific issues.	0	1	2	3	4	5
8. The risk committee reviews its charter annually to determine whether its responsibilities are described adequately and recommends changes to the board for approval.	0	1	2	3	4	5
9. New risk committee members participate in an orientation program to educate them on the company, their responsibilities, and the company's risk management and oversight policies and practices.	0	1	2	3	4	5
10. The risk committee chairman is an effective leader.	0	1	2	3	4	5
11. The risk committee, in conjunction with the nominating committee (or its equivalent), creates a succession and rotation plan for risk committee members, including the risk committee chairman.	0	1	2	3	4	5
<b>Understanding the business and associated risks</b>						
12. The risk committee oversees or knows that the full board or other committees are overseeing significant risks that may directly or indirectly affect the company. Examples include: <ul style="list-style-type: none"> <li>• Regulatory and legal requirements</li> <li>• Concentrations (e.g., suppliers and customers)</li> <li>• Market and competitive trends</li> <li>• Financing and liquidity needs</li> <li>• Financial exposures</li> <li>• Business continuity</li> <li>• Company reputation</li> <li>• Financial strategy execution</li> <li>• Financial management's capabilities</li> <li>• Management override</li> <li>• Fraud control</li> <li>• Company pressures, including "tone at the top"</li> </ul>	0	1	2	3	4	5

Circle one number for each statement

	Insufficient knowledge	Strongly disagree	Neither agree nor disagree	Strongly agree		
<b>Understanding the business and associated risks</b>						
13. The risk committee discusses the company's risk appetite and specific risk tolerance levels in conjunction with strategic objectives, as presented by management, at least annually.	0	1	2	3	4	5
14. The risk committee considers, understands, and approves the process implemented by management to effectively identify, assess, monitor, and respond to the organization's key risks.	0	1	2	3	4	5
15. The risk committee understands and approves management's fraud risk assessment and has an understanding of identified fraud risks.	0	1	2	3	4	5
16. The risk committee considers the company's performance versus that of its peers in a manner that enhances comprehensive risk oversight by using reports provided directly by management to the risk committee or at the full board meeting.	0	1	2	3	4	5
<b>Process and procedures</b>						
17. The risk committee reports its proceedings and recommendations to the board after each committee meeting.	0	1	2	3	4	5
18. The risk committee develops a calendar that dedicates the appropriate time and resources needed to execute its responsibilities.	0	1	2	3	4	5
19. Risk committee meetings are conducted effectively, with sufficient time spent on significant or emerging issues.	0	1	2	3	4	5
20. The level of communication between the risk committee and relevant parties is appropriate; the risk committee chairman encourages input on meeting agendas from committee and board members and senior management, including CEO, CFO, CRO, CIA, CCO, and business-unit leaders.	0	1	2	3	4	5
21. The risk committee sets clear expectations and provides feedback to the full board concerning the competency of the organization's CRO and the risk management team.	0	1	2	3	4	5
22. The risk committee has input into the succession planning process for the CRO.	0	1	2	3	4	5
23. The agenda and related information (e.g., prior meeting minutes, reports) are circulated in advance of meetings to allow risk committee members sufficient time to study and understand the information.	0	1	2	3	4	5
24. Written materials provided to risk committee members are relevant and at the right level to provide the information the committee needs to make decisions.	0	1	2	3	4	5
25. Meetings are held with enough frequency to fulfill the risk committee's duties at least quarterly, which should include periodic visits to company locations with key members of management.	0	1	2	3	4	5
26. Regularly, risk committee meetings include separate private sessions with business-unit leaders, the CRO or equivalent, and the internal auditor.	0	1	2	3	4	5
27. The risk committee maintains adequate minutes of each meeting.	0	1	2	3	4	5
28. The risk committee meets periodically with the committee(s) responsible for reviewing the company's disclosure procedures (typically the audit committee) in order to discuss respective risk-related disclosures.	0	1	2	3	4	5
29. The risk committee coordinates with other board committees (e.g., audit committee) to avoid gaps or redundancy in overseeing individual risks.	0	1	2	3	4	5
30. The risk committee respects the line between oversight and management of risks within the organization.	0	1	2	3	4	5
31. Risk committee members come to meetings well prepared.	0	1	2	3	4	5

Circle one number for each statement

	Insufficient knowledge	Strongly disagree	Neither agree nor disagree	Strongly agree		
<b>Monitoring activities</b>						
32. An annual performance evaluation of the risk committee is conducted, and any matters that require follow-up are resolved and presented to the full board.	0	1	2	3	4	5
33. The company provides the risk committee with sufficient funding to fulfill its objectives and engage external parties for matters requiring external expertise.	0	1	2	3	4	5
<b>Communication activities</b>						
34. The risk committee communicates regularly with regulators and others on risk management-related matters.	0	1	2	3	4	5

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