



Chartered  
Governance  
Institute  
UK & Ireland



# Reporting on board performance reviews: Guidance for listed companies

September 2023



### **Comments, questions and observations**

If you have any feedback on the content of this guidance note, or additional questions that you'd like to discuss, please contact the Chartered Governance Institute UK & Ireland: 020 7580 4741 | [enquiries@cgi.org.uk](mailto:enquiries@cgi.org.uk)

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# Foreword

When BEIS (as it then was) invited the Institute to identify further ways of improving the quality and effectiveness of board evaluations, it specifically requested that we include in this work “the development of a code of practice for external board evaluations”.

The impact of any board performance review depends as much – if not more – on the attitude of the board as it does on the ability of the reviewer. The board appoints the reviewer, sets the terms of the review, and decides how to respond to the findings.

This guidance is intended to balance the information requirements of the organisation’s stakeholders against the board’s legitimate desire to avoid breaching confidentiality. This second edition of the guidance has been published following a review by an independent working group chaired by Dr Ian Peters, MBE., Director of the Institute of Business Ethics.

This document should be read in conjunction with:

- Code of Practice for board reviewers; and
- Principles of Good Practice for listed companies using external board reviewers

The Institute offers a training and accreditation service for those undertaking, or wishing to undertake board performance reviews, and training for those engaging reviewers or undertaking internal reviews.

**1 The 2018 UK Corporate Governance Code states that listed companies should include in their annual report information about:**

- **how the board evaluation has been conducted (with further disclosures requested when the evaluation has been externally facilitated – see paragraph 6 on externally facilitated evaluations);**
- **the outcomes of the evaluation and the actions taken as a result, including how the evaluation has or will influence board composition.**

**How the board evaluation has been conducted**

2. The annual report should describe the objective and scope of the evaluation, including: whether it was a comprehensive review of all aspects of the board's effectiveness or focused on particular factors (for example, board composition and dynamics, or the quality of the information the board receives); whether the effectiveness of all or some board committees were evaluated; and whether the performance of individual directors was assessed.
3. The annual report should identify the different processes that were used to carry out the evaluation. These might include, for example, face to face interviews, observing board or committee meetings (where an external reviewer has been engaged), reviewing board and committee papers or procedures, and questionnaires.
4. The annual report should also identify whose views were sought as part of the evaluation. As well as the board members this might include senior management, the company secretary and other employees, the external auditor and other advisors, or shareholders and external stakeholders.
5. The annual report should identify who in the company oversaw and undertook the evaluation or, where the evaluation was externally facilitated, who within the company was responsible for providing the external reviewer with the necessary access and support, and who was the independent board member identified as the reviewer's escalation point.

**Externally facilitated evaluations**

**6 Where an external reviewer has been used, the UK Corporate Governance Code states that the company should disclose:**

- **the name of the individual or organisation that carried out the evaluation;**
  - **whether they have any other connection with the company or individual directors; and**
  - **the nature and extent of their contact with the board and individual directors.**
7. In addition, the annual report should describe the process by which the reviewer was selected (for example, whether a formal tender process was followed and/or shortlisted candidates were interviewed before the decision was taken). It should identify who in the company was involved in taking the decision (for example, the chair, company secretary, nomination committee or full board).

8. The annual report should state the length of time for which the reviewer has undertaken board performance reviews for the company, and whether they have other connections with the company or with the person leading the appointment process. If the length of time exceeds six years or two full reviews, whichever is shorter, or if other connections exist, for example with a particular director, the annual report should explain how independence and objectivity are safeguarded.
9. Where the reviewer provides other services to the company, the annual report should state the payment for board review as a percentage of the total paid to the provider for all services.
10. The annual report should state whether or not the reviewer is independently accredited or otherwise complies with the CGI Code of Practice for independent board reviewers and explain any consideration of conflicts of interest. Please refer to paragraphs 1-3 of the Principles of Good Practice for listed companies using external board reviewers document also published by the Institute for further information.

### **The outcomes and actions taken**

11. It is recognised that some findings of the board evaluation, and some actions to be taken as a result, will relate to issues that raise commercial or other sensitivities for the company which it might understandably be reluctant to disclose publicly.
12. On the other hand, boards that can demonstrate that they have carried out a robust evaluation of their effectiveness and that they are intent on delivering continuous improvement of their performance will have greater credibility with investors and other stakeholders.
13. Companies will need to balance these considerations in deciding what to disclose about the results of their evaluation. The annual report should at least identify those key aspects of the board's performance which they have concluded need to be improved. Wherever possible, the specific actions should be identified and a timetable for completing them given.
14. Where companies have identified in previous annual reports specific actions that they intend to take as a result of the evaluation carried out in that reporting year, they should report on whether those actions have been implemented, and if not explain why not.

### **Board composition**

15. The UK Corporate Governance Code specifically states that companies should explain how the findings of the board evaluation have or will influence board composition. Where this was reviewed as part of the evaluation, companies should summarise the assessment of whether the board has the necessary mix of skills, knowledge and expertise, and of its diversity; this should be done whether or not the company has concluded that some refreshment of the board is required.
16. Where the company has concluded that changes to the board composition are needed it should indicate, as a minimum, what specific needs those changes are intended to address, and the time frame over which the changes are intended to be made.

17. The company should bear in mind the risk of boiler plate reporting – for example, comments such as ‘the board has the correct mix of skills and abilities’ are not helpful. The reasoning behind any such judgement should be fully explained.

#### **Externally facilitated evaluations**

18. Where an external reviewer has been used, the company should provide the reviewer with an opportunity to comment on any description of the process followed and the findings contained in the annual report or other disclosures, and agree any opinions attributed to the reviewer. The annual report should state whether this has been the case and, if not, explain why.

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