

Our approach to Board evaluation

Our Board evaluation process is designed with two aims in mind. To enable company Boards to improve their effectiveness and so deliver a full contribution to the success of the organisation, while at the same time ensuring that the review process is fully compliant with the requirements of the UK Corporate Governance Code.

Our experience suggests that Board effectiveness is the product of three aspects of how the Board works:

- **Board operations** - the process and mechanics that ensure that the Board is an efficient structure with internal good communication
- **Board focus** - how the Board directs its efforts and attention for the benefit of the business
- **Board behaviours** - the quality of relations between Board members, the style of operation and the effectiveness of Board collective decision making.



What we do

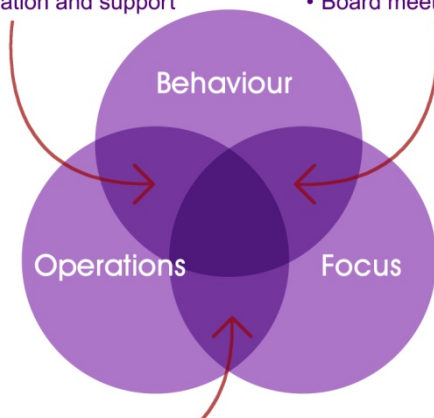
The Socia Board evaluation process addresses these aspects of Board effectiveness by focussing our investigations in the following areas of Board dynamics:

Board meetings

- Interactions between Board members
- Committee effectiveness
- Board agenda
- Information and support

Board contribution

- Individual input
- Collective impact on strategy
- Relationships outside Board meetings



Board composition

- Balance of skills and experience – now & future
- Board induction

Board Meetings - reviewing the efficiency and effectiveness of the meetings where most of the Board's decisions are taken

Board Contribution - examining individual and collective impact along with critical Board relationships

Board Composition - exploring how the balance of Board skill and experience meets the business need now and into the future

We naturally supplement this work by careful analysis of Board documentation and reports. The process we follow is described on the following page.

Supported by Board documentation & Annual Report

A three step process

The evaluation process we use to analyse these areas is simple and predictable, it is based around the following steps.

Step 1: Setting up the evaluation

- Meet with Chairman and/or SID to agree the objectives of this evaluation and design the details of the evaluation process and the way the results will be delivered to the Board
- Collect inputs such as; Board objectives, company report and information on company performance, market position and business challenges. Also collect outputs from previous Board evaluations
- Provide the Board secretary with checklist to collect factual information, documentation etc.
- Meet the directors informally to introduce the evaluation process.

Step 2: Gathering views

- Meet Board Secretary to review the data gathered above and the lessons from any previous Board evaluations and to gather their perception of how the Board operates.
- Interview each of the Board members (without checklists) to cover the fundamental operation of the Board from their perception while addressing the code requirements
- Gather individual ratings of Board effectiveness for comparison
- Gather information on the Board meeting process in action
- Construct the Board evaluation report to include:
 - Evaluation under each of the code provisions
 - Actions to improve performance
 - Template to allow Board to carry out its own annual evaluation.

Step 3: Reporting results

(The approach here will depend on the agreement in step 1 but is likely to include:)

- Meeting with the Chair, SID and CEO (as appropriate) to share feedback and messages from the report
- Present and discuss findings and recommendations with the Board
- Distribute report to all Board members
- Individual feedback meetings as required.

Outputs & Benefits

What you get from a Socia Board evaluation:

- A comprehensive assessment of compliance with the requirements of the UK Corporate Governance Code
- A catalyst for action to address long standing issues for the Board
- Improved collaboration across the Board
- Individual feedback (as appropriate)
- A plan of action to improve the contribution of the Board to the business
- A self assessment tool for future Board evaluations.

The benefits of the Socia approach are that it is designed to meet the following criteria:

- **Time efficient.** The process makes minimum demands on the time of Board members. Factual paper-based information is provided by the Board Secretary to ensure that the time with each Board member is focused on the issues of highest value.
- **Practical and constructive.** The process focuses on providing practical advice. Feedback is handled sensitively and plans are pragmatic and easy to implement. Questionnaires are avoided where possible and the process enables the Board to carry out its own evaluations.
- **Compliant with the code.** Never forgetting the need to comply with the UK Governance Code, the report produced by the evaluation process ensures that all the provisions of the code are covered and, at the same time, provides an effective catalyst for change where required.