15 Years of Reviewing the Performance of Boards

Lessons from the FTSE All Share and Beyond

June 2018

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The All Party Parliamentary Corporate Governance Group (APPCGG)

LINTSTOCK

Foreword by Jonathan Djanogly MP

Since its formation in July 2004, the All Party Parliamentary Corporate Governance Group has played an active role in promoting and developing the understanding of corporate governance at Westminster. As Chairman, I am very pleased to present Lintstock's latest study of current practices in Board evaluation.

The report considers how Boards review their performance in the UK and internationally, and the evolution of evaluations over the past 15 years. It is based on a comprehensive survey in which over 350 respondents took part, including representatives from a significant proportion of FTSE 350 and FTSE Small Cap constituents, as well as a selection of leading international companies and institutional investors. We are grateful to all participants for their time, and for their high level of engagement in the exercise.

The APPCGG are grateful to Lintstock for the research they have carried out on our behalf, and I hope that their findings will be useful to those with an interest in governance in Parliament, the corporate world and beyond.

Jonathan Djanogly MP

Chairman

APPCGG

Introduction and Key Findings

> *"Board effectiveness reviews are both art and science and efforts to raise standards, improve consistency and invest in research and development in this discipline would benefit Boards."*
>
> **FTSE 100 Non-Executive Director**

2018 marks the fifteenth full year of the application of the UK Combined Code of Corporate Governance, and as such seemed an appropriate time to publish a review that followed up the findings of our study marking ten years of the Code's application in 2013.

The timing of the study also seems opportune from the point of view of current events, amid the ongoing uncertainty following Britain's vote to leave the European Union in 2016, and an atmosphere of increasing corporate scrutiny from political and regulatory bodies as well as the wider public. As this document goes to press, the Financial Reporting Council ('FRC') is finalising its latest revision of the UK Corporate Governance Code, which will apply from 1 January 2019, and we await its recommendations with interest.

We are grateful to all who participated in this study for the openness with which they shared their knowledge and experience of Board Reviews; we hope that this report will prove useful in promoting greater understanding of the ways in which the performance of Boards is assessed in 2018, and suggesting some ways in which the practice might develop in years to come.

Oliver Ziehn
Partner, Lintstock Ltd

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Associate, Lintstock Ltd

The Impact of Board Reviews

A substantial majority of respondents indicated that the Board Reviews that they had conducted had had a positive impact on the performance of the Board as a whole, although it was felt that some evaluations had yielded a better outcome than others.

As well as providing an opportunity for Boards to reflect on performance, the main ways in which Board Reviews were seen to have been of benefit were related to recalibrating focus and agreeing priorities for improvement, raising issues and prompting open discussion, improving Board dynamics and engagement, and providing an external view and best practice.

The External Board Review Process

There was a sense that the requirement in the UK Corporate Governance Code, first introduced in 2010, to conduct an External Board Review every three years has now been integrated into the cycle of Boards. Roughly two-thirds of respondents from FTSE 350 constituents suggested that their Board would still conduct an external exercise every three years in the absence of a regulatory requirement to do so, although many respondents indicated that their Board would conduct External Reviews less frequently in the absence of an obligatory three-year period.

Just under 60% of respondents from FTSE Small Cap constituents expressed support for the FRC's proposed removal of the exemption for companies beyond the FTSE 350 from conducting three-yearly External Reviews.

The main advantages of using external facilitation were identified as independence and objectivity, the facilitator's breadth of experience, a higher level of engagement and credibility, and a greater degree of rigour and structure. Encouragingly, over 80% of respondents were satisfied with the quality of external facilitation that they received for their most recent External Board Review; it appears that as the practice of Board Reviews develops, Boards are becoming more aware of how to get the best value out of external facilitators. The variable quality of the external facilitators currently operating was remarked upon, however, and a number of respondents felt that greater regulation and / or accreditation of service providers in this field could be beneficial.

The principal disadvantages of external facilitation were felt to be the cost and demand on resources, insufficient understanding of the company on behalf of the facilitator, a lack of specificity or depth in the Review, and the risk of conflict of interest or breaches of confidentiality. The potential for the Review to act as an unrepresentative 'snapshot' of Board performance was recognised, and there were suggestions that some external facilitators may inflate issues in an effort to be seen to add value.

The Internal Board Review Process

Over 85% of UK-listed respondents stated that they would continue to undertake an annual Board Review if the requirement to do so were lifted. The main advantages of conducting Board Reviews internally were felt to be greater knowledge of the company and focus on relevant issues, a reduced drain on resources, the Review's encouragement of consistency and follow-up, and the greater degree of engagement, openness and trust. It was also suggested that Internal Board Reviews provide an opportunity to undertake a more personal examination of performance.

The Role of Investors

While there was a spread of opinion among corporate respondents with regard to the level of interest that investors have shown in the Board Review outcomes and processes, with 55% indicating that investors have never shown an interest, over 80% of the investors we surveyed stated that they were very interested in this subject. An increase in investor interest in this area was noted.

The level of detail provided in disclosures was identified as an area for improvement, with half of investors feeling that disclosures contain insufficient detail. While the value of disclosures in informing shareholders was recognised among corporate and investor respondents, there is clearly a balance to be struck between transparency and confidentiality in this area.

The Future of Board Reviews

Three-quarters of respondents indicated that their Board Review process has changed a reasonable amount over the past five years, with the most common areas of evolution identified as an improved sense of variety (including a widening of the scope of Reviews, and changes to the methods by which Director responses are canvassed), a greater sense of rigour, and the development of greater confidence and engagement in the Review process.

Respondents were asked to detail the non-Board constituencies that had been included in their Board Reviews. Committee attendees were the most likely constituency to be involved, closely followed by executive management; significantly fewer respondents indicated that external advisors participated in the Review.

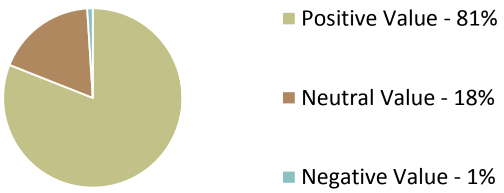
With regard to the specific events included within the scope of the Board Review, the strategy day was most commonly identified by respondents, followed by key appointments and major transactions. While a comparatively small proportion of respondents indicated that case studies were included as part of an evaluation, it was felt they have great potential to add value.

The majority of respondents suggested that the current practice of evaluating Boards is operating well and should be allowed to develop at its own pace; there is a sense that a period of regulatory stability in this area would be beneficial. The benefits to be gained from a broader knowledge of best practice in the area of Board Reviews were well recognised, and there would seem to be opportunity for greater collaboration between those active in the space.

The Impact of Board Reviews

2018 marks the 15th year since the 2003 UK Combined Code of Corporate Governance adopted the requirement that each corporate Board 'should undertake a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors', and the eighth year since Boards were required to consider conducting an externally facilitated Review every three years. With Boards having undergone at least fifteen evaluations, and at least two 'cycles' of externally facilitated Reviews, we asked respondents to reflect upon the impact – positive, neutral or negative – that Board Reviews have had.

How would you rate the impact of the Board Reviews you have conducted on the performance of the Board as a whole?



A substantial majority of respondents stated that the Board Reviews they conducted had yielded positive value and, encouragingly, a slightly greater proportion of respondents felt that this was the case than in the 2013 study.

> *"[Board Reviews are an…] excellent annual discipline for sitting down with all my colleagues to review how we are doing as a Board and how individual performance can be improved."*
> **FTSE 100 Chairman**

> *"Internally and externally done these reviews are always valuable."*
> **FTSE 250 Non-Executive Director**

> *"Without an obligation to conduct an evaluation and to report on the findings Boards would continue to be run as small fiefdoms by some unenlightened Chairmen."*
> **FTSE Small Cap Company Secretary**

The impact of each Board Review clearly depends upon the context in which it is conducted and, interestingly, there was a spread of opinion among respondents over whether a Review would be most beneficial for Boards that are already functioning effectively, or for Boards that are in need of improvement.

> *"The impact varies from company to company, market to market and Board to Board."*
> **FTSE 250 Company Secretary**

> *"[Board Reviews…] only add value if the Board is dysfunctional and Directors do not communicate with each other."*
> **FTSE 250 Non-Executive Director**

> *"In a non-political, functional Board, the review will be constructive and positive."*
> **FTSE 250 Non-Executive Director**

> *"It is reasonably obvious that well-functioning boards take more from these reviews than less well-functioning boards, which can avoid any serious challenge by avoiding seriously challenging reviews […] As ever, a good Chair person can use a review positively, just as a poor Chair person can abuse it."*
> **FTSE 250 Non-Executive Director**

Given the range of methodologies and facilitators involved in Board Reviews, it is not perhaps surprising that a number of respondents felt that some evaluations had delivered a better outcome than others. Whilst a clear majority attributed positive value to Review processes, the impact of evaluations was called into question by a few, who spared no blushes in their criticisms.

> *"Some have been helpful in underlining issues we knew we had. Some have provided an external catalyst for change. Some provided real insight and support. Some were box ticking exercises by people with little real commercial sense. A mixed bag."*
> **FTSE 100 Chairman**

> *"One was very useful but the other external one was very poor and the reviewer took a 'I know better attitude'. Internal reviews are useless."*
> **FTSE 250 Non-Executive Director**

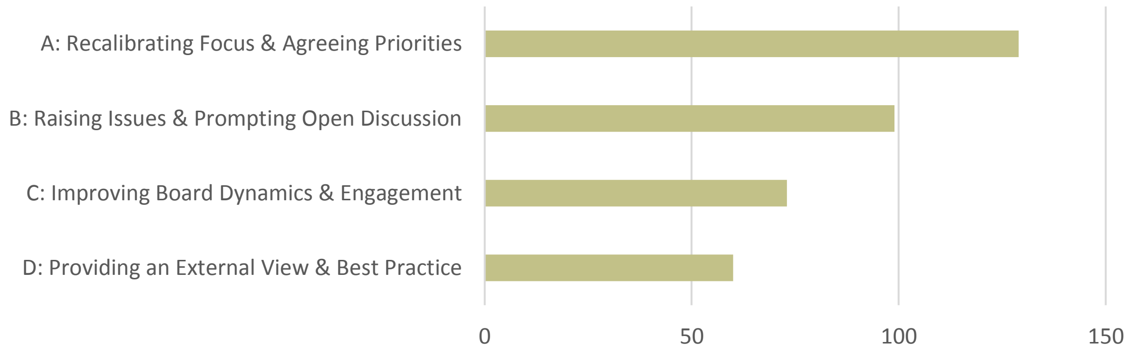
> *"8 so far conducted on 4 separate company Boards. None of any value whatsoever."*
> **FTSE Small Cap Chairman**

> *"Board reviews are a bureaucratic process that wastes time and add no value. There are two issues; 1. Self-evaluation is pointless.*
> *2. Paid external advisers will not jeopardise future fees with harsh truths."*
> **FTSE Small Cap Chief Executive**

The purpose of this study is to explore the main benefits – and disadvantages – of the practice of Board Reviews, the techniques that are employed to evaluate Boards, and the direction in which Board Reviews are likely to evolve in future.

The Main Benefits of Board Reviews

What are the main ways in which you feel that your Board has benefited from having conducted Board Reviews?



Respondents proposed a variety of ways in which Boards can derive benefit from conducting a Board Review. Among these was a general sense that it is beneficial for the Board to have a specific time in its schedule to reflect on its performance, as the Board Review 'forces' Boards to consider their effectiveness.

> *"Obvious really: a once in the year opportunity to stand back and review how well we function as a group and individually, covering all the angles from what we talk about through how we interact and how we make decisions. Ultimately it's all about how the board can enable the executive to do a better job."*
> **FTSE 100 Chairman**

> *"Board performance wasn't measured and consequently wasn't taken seriously. The simple act of putting it on the agenda rendered it almost impossible for Boards to avoid the issue. Once that was done, weak performers had to either up their game or be moved on. Attendance, attention and preparation all improved as a consequence."*
> **FTSE 250 Non-Executive Director**

> *"Evaluation provides an opportunity for reflection - in fact forces it in a very busy annual Board cycle."*
> **FTSE 100 Company Secretary**

> *"Board members have the opportunity to think in a structured way about how the Board performs. Without this prompt of an annual Board review it is uncertain whether Board members would proactively make the time to give the same consideration."*
> **FTSE Small Cap Company Secretary**

A. Recalibrating focus & agreeing priorities for improvement

Perhaps unsurprisingly, many respondents valued Board Reviews as an opportunity for Boards to focus on its own performance, and identify areas for improvement. In particular, evaluations were said to enable Boards to recalibrate their focus and assess their future priorities – not only to improve their own performance as a Board, but also that of the underlying business.

"Provides good reference for areas to focus - avoids wood/tree syndrome whereby can get caught up in the weeds if don't think about all the various aspects forced through a review."
FTSE 250 Non-Executive Director

"[Board Reviews provide a…] structured process that has helped identify consistent themes and address them in a more strategic manner"
FTSE 100 Chief Financial Officer

"Insight into how we should prioritise and spend our time to support the business strategy."
FTSE Small Cap Non-Executive Director

"They rarely produce new ideas but they reinforce collective ambition."
FTSE Small Cap Non-Executive Director

"In some companies I have worked in it has given the board a greater understanding of their own strengths and weaknesses which has resulted in positive change. In others it has highlighted deficiencies in the business itself or its governance."
FTSE 250 Company Secretary

Ensuring that identified priorities are followed up and monitored was also a key consideration for respondents, and the value of Board Reviews in formulating plans for action and improvement was well recognised. It was suggested that the output of each evaluation, once reviewed by the Directors, can help to formulate a programme of continuous improvement for the Board.

"Properly used, a Board Review can embed continuous improvement into the Board planning process."
FTSE 100 Chairman

"It provides a framework in which changes and improvements can be highlighted in a structured way. Prioritised actions can then be drawn up to address key points from the review and monitored to ensure progress has been made and can be seen to have been made. It produces alignment on the key action areas and allows the Board to discuss matters in an open and constructive way."
FTSE 100 Chief Executive

"Clearly articulated actions for improvement areas that can then be monitored and reported on."
FTSE 100 Company Secretary

"Whilst a well performing board should not learn anything from an evaluation that is not already known or under discussion, it gives an opportunity for focus and the generation of specific action points from the identified issues."
FTSE 250 Company Secretary

B. Raising issues & prompting open discussion

Another major benefit of Board Reviews is as an opportunity for Board members to surface issues for discussion that may not – whether due to the difficult nature of the issue, or the lack of time in the Board's cycle – otherwise have been raised. The greater degree of candour and openness promoted by Board Reviews, and particularly by the ability for Directors to provide confidential feedback, also attracted favourable comment.

"If there is an issue facing a board which is not being addressed, the evaluation process can be useful to ensure it is aired and dealt with. Directors will take advice from external sources which they would reject from internal ones. Sometimes you are too close to issues to even see they are there, and need the review to bring these to attention."
FTSE 100 Company Secretary

"It has highlighted points that needed more discussion and enabled a more productive discussion on a few areas where without the evaluation it is likely it would have taken more time to identify shortcomings."
FTSE 250 Company Secretary

"It gives an opportunity for any issues which are bubbling under the surface to float to the top in a 'safe' and organised manner."
FTSE Small Cap Non-Executive Director

"Food for thought for all Board members, more dynamic discussion."
International Company Secretary

C. Improving Board dynamics & engagement

The value of Board Reviews in assessing, and if necessary improving, the dynamics of the Board was highlighted, and respondents made particular reference to the opportunity that Reviews provide for improving the understanding between Executive and Non-Executive Board members. It was also suggested that Reviews can identify ways in which the engagement of Board members can improve, as well as itself constituting a means of encouraging further engagement in Board processes and activities.

> *"[As a result of the Review…] the board is more open and the agenda is more shared. As such there is a higher degree of honesty about feelings and this creates a more effective Board."*
> **FTSE 100 Chief Executive**

> *"[It is…] very important that we discuss behaviour and the chemistry in the Boardroom and the reviews help ensure this happens."*
> **FTSE 100 Non-Executive Director**

> *"It helps the Executive team to understand the concerns of the Non-Executive Directors considerably better, giving them a chance to improve and fine-tune all aspects of the Board and Board Meetings."*
> **FTSE 250 Non-Executive Director**

> *"Without a review issues fester, people fall into poor practices, personality issues are not dealt with and Boards can end up driven to decisions by Chairmen rather than taking a collective view."*
> **FTSE Small Cap Non-Executive Director**

D. Providing an external view & best practice

It was also suggested that a major benefit of Board Reviews is the objective perspective that they can provide on Board performance, affording opportunity for Boards to gain insight into best practice (be it from external providers or the Board members themselves), and enabling performance to be 'benchmarked'.

> *"[Board Reviews promote…] sharing best practise and other techniques which are seen in Boards."*
> **FTSE 250 Non-Executive Director**

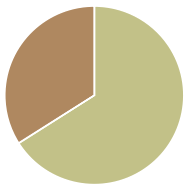
> *"Objective view of Board operation and comparison with other plc boards [...are...] very valuable."*
> **FTSE Small Cap Chairman**

> *"[Board Reviews…] provide opportunity for dialogue between directors about best practices and what they are seeing on their other Boards."*
> **International Company Secretary**

The External Board Review Process

Since 2010, the UK Corporate Governance Code has contained a recommendation for Boards to conduct an externally facilitated Review of their effectiveness once every three years. While a number of Boards conducted regular External Board Reviews before the requirement was introduced, each FTSE 350 company in theory now has experience of at least two 'cycles' of being required to engage an external party to assess Board performance, and a number of organisations, particularly among the FTSE Small Cap, were said to have conducted their first external evaluation in this past five years. We asked respondents to consider whether their Board would continue to undertake an externally facilitated Review if not obliged to do so by the Code.

Absent the requirement in the Corporate Governance Code, do you feel that your Board would still undertake an External Board Review every 3 years?



Roughly two-thirds of respondents overall felt that their Board would still undertake an External Board Review every three years, without the current requirement in the Corporate Governance Code. There was a sense that the requirement for Boards to undertake an External Review every three years has been integrated into the roles and processes of Boards, and has now been established as best practice.

> *"The backstop requirement […to conduct an External Review every three years…] is not burdensome and probably does act as a helpful prompt to the laggards."*
> **FTSE 100 Chairman**

> *"Without the requirement first encouraging the practise […of conducting an External Review every three years…] then I suspect not, but now we have seen enough benefit to repeat the process even if there wasn't regulation."*
> **FTSE 250 Chief Executive**

> *"Having got into the habit […of conducting an External Review every three years…] and seen its value, I doubt many boards would abandon the practice."*
> **FTSE 250 Non-Executive Director**

Getting the timing right

That said, many respondents indicated that their Board would conduct External Reviews less frequently in the absence of an obligatory three-year period. The greater degree of flexibility that the lack of such a requirement would afford – including in terms of timing, commitment of time and resources, and ability to respond to the company or Board's specific circumstances – was remarked on, with five years proposed by a few respondents as an alternative interval for externally facilitated Board Reviews.

"Whether the gap between external reviews is correct will depend on individual circumstances - sometimes a longer period between reviews could work equally as well, although certainty in the Code does have its benefits."
FTSE 100 Chief Executive

"It is not clear that outwith the code the Board would feel that additional expense is required for external reviews on a three year cycle. It may be more or less frequent dependent on specific dynamics and needs of the board at that time."
FTSE 250 Non-Executive Director

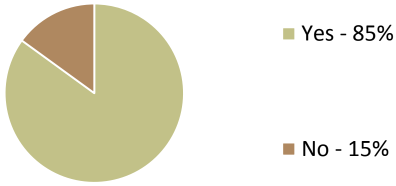
"The timing of external evaluations may depend more on where the Board was in terms of its own succession planning and what the business was doing at the time i.e. if the business was approaching a period of change or the Board was coming up to a time where a number of NEDs were approaching the 9 year mark, it may feel that was the time to carry out a more in depth independent review as opposed to sticking to a 3 year rule."
FTSE 250 Company Secretary

External Reviews tend to be much more resource intensive in terms of cost, as well as the time required of Board members, and can therefore represent an unwanted distraction during periods when the company is experiencing considerable change (due to corporate actions or transitions in leadership positions, for example). While in theory the Code gives companies the choice to 'comply or explain' in terms of scheduling their External Board Review, some respondents reported that companies feel obliged to keep to the prescribed cycle as they feel uncomfortable explaining a deviation to the regulator or investors.

"I do not believe that a 'comply or explain' routine of three yearly external reviews is helpful as it lends itself to box-ticking, as opposed to giving boards, via their chairs/SID/CoSec an opportunity to decide for themselves what best meets their requirements."
FTSE 100 Chief Executive

"I would like […Board Reviews…] to be voluntary, not mandatory (comply and explain actually means mandatory because of investor/proxy advisers' tick box mentality)"
FTSE 250 Non-Executive Director

Were you satisfied with the quality of the external facilitation which you received for the most recent External Board Review that you conducted?



While a very high proportion of respondents expressed satisfaction with their last experience of external facilitation, the *level* of satisfaction among those respondents was variable, and those who were dissatisfied with their external facilitators provided robust commentary as to why this was. Particular reference was made to the commitments of time and expense that the evaluation entailed, and some respondents suggested that the recommendations made by the facilitators were not sufficiently specific to have added value.

Varying engagement, varying value

A number of respondents suggested that there can be varying levels of engagement with External Reviews, and there were instances when Internal Reviews were said to be preferable. If the time is not right for an externally facilitated evaluation, or the Directors have not fully bought into the process, then the exercise can run the risk of being seen as 'box-ticking'.

> *"In all honesty, we did an externally driven questionnaire based review, just to tick the necessary box. I did my normal annual internally facilitated review alongside to drive out the real areas for improvement."*
> **FTSE 100 Chairman**

> *"The Chairman drove the process without consultation and so there was no buy in."*
> **FTSE 100 Company Secretary**

> *"You get what you pay for, and we chose not to pay very much."*
> **FTSE Small Cap Chairman**

Unfortunately there were also a few accounts of negative experiences, such as Reviews that had been unduly influenced by the Chairman, or where the confidentiality of the process had become compromised.

> *"The external report was written such that members' contributions could be identified and this caused issues for some individuals."*
> **FTSE 100 Executive Director**

"External facilitators understand the commercial hazard of being too open with boards and are generally wary of 'getting under the skin' of what often are complex inter-personal and personal dynamics in the board room. Their greatest value, in my experience, has been in providing time and space for individual board members to think about what is really going on; the final reports read like parliamentary committee reports: fudged."
FTSE 250 Non-Executive Director

"Some external reports work well, others are 'politicised' i.e. chairman or CEO influences outcome."
FTSE 250 Non-Executive Director

The market for external facilitation

Clearly there is a high correlation between the quality of an External Review and the quality of the external facilitator, and the commentary provided by respondents suggested that there is significant distance between the highest- and lowest-performing practitioners in the current market. Selecting the right provider is therefore critical, with 'word of mouth' being the most cited method, and it was also suggested that – despite the practice having been established for almost a decade – the practitioner market is still developing.

"The market is one of individuals rather than companies - word of mouth between company chairs and company secretaries is an adequate route for large companies."
FTSE 100 Chairman

"I've seen good and not so good facilitation. Word of mouth is the best test as to who is good."
FTSE Small Cap Chairman

"The quality can vary substantially so it is worth researching the 'who' in advance and take references."
FTSE 250 Chairman

"The quality of external reviewers is variable though I expect that to work its way out over time as people naturally move towards the good. Behavioural aspects require skill sets that aren't always present."
FTSE 250 Chairman

There was a spread of opinion among respondents as to the size of the market for external facilitation, and whether a sufficiently large pool of sufficiently high-quality service providers exists for Boards to draw upon.

> *"Lots of expertise out there."*
> **FTSE 100 Non-Executive Director**
>
> *"[There are…] surprisingly few external firms around who do this, excluding conflicted search firms."*
> **FTSE 250 Non-Executive Director**
>
> *"There are simply not enough in the market who have the background and gravitas to command confidence of the board."*
> **FTSE 100 Company Secretary**
>
> *"External reviews can be developed by ensuring that in each industry there is a sufficient pool of external independent evaluators with deep industry knowledge and standing, and with the ability to take a personal approach to evaluations and to make specific and structured recommendations."*
> **FTSE 100 Non-Executive Director**
>
> *"I think there needs to be greater choice and a broader range of options in terms of the level of service so that boards can select a high quality process that is fit for their needs. The facilitation costs are high - an external review generally costs more than a NED for a year."*
> **FTSE 250 Company Secretary**

A little under half of the organisations we surveyed stated that they normally undertake their Board Review in the winter months between October and December, while the Reviews conducted by the remainder of the respondents' organisations were distributed fairly evenly throughout the other months of the year; the concentration of Reviews in such a short period clearly impacts the availability of advisors at certain times.

Stick or twist?

As the practice of Board Reviews develops – along with the skills and expertise of facilitators – there is potential for evaluations to become more varied in nature and scope. Coupled with Boards' greater familiarity with the evaluation process, there is greater opportunity for Reviews to be tailored to the needs of the individual Board. It appears also that as more cycles of External Reviews pass, Boards are becoming more aware of how to get the best value out of external facilitators, for example considering whether it is better to rotate facilitators on a regular basis or retain them over the longer term.

Some respondents reported that their evaluation process had changed by virtue of changing their external facilitator, while others developed their process in conjunction with a retained provider. The question of whether it is best to rotate or retain a facilitator over the longer term was raised in our study in 2013, and there remains a spread of opinion over which is most value-additive.

> *"There is a spectrum of external involvement that an external review may involve, from facilitation with questionnaires and some or no follow up discussions to a fully external set of comprehensive one on one interviews. I think it helpful for Boards to be explicit about the extent of the external input."*
> **FTSE 250 Non-Executive Director**

> *"There are many types of review depending on the core competence of the reviewer. That's not a bad thing as a board may want to major on a particular topic but one needs to recognise that the scopes can be different."*
> **FTSE 100 Non-Executive Director**

> *"[While the quality of the external facilitation for the last External Board Review was satisfactory…] we do however feel that there is a benefit in moving between providers to get different perspectives."*
> **FTSE 100 Company Secretary**

> *"While I have been in this role, we have done the exercise twice, in both cases with the same set of external facilitators. This was useful as they could compare to the previous time and see what of the suggested improvements had actually been implemented."*
> **FTSE Small Cap Executive Director**

> *"We have now used the same provider over several years and therefore have the benefit of data over time."*
> **FTSE Small Cap Chairman**

Bringing greater transparency to the market

Whilst there was widespread reluctance among respondents to incorporate further regulation into the Board Review process in general, a few suggested that greater regulation and / or accreditation of external providers of Board Reviews could improve transparency and the overall quality of service in this area, by validating the experience of facilitators in the field and / or clarifying the independence of the facilitator in relation to the company. Board evaluation is clearly becoming an 'industry', and the promotion of good practice among service providers is also critical in order to ensure the delivery of effective evaluations and promote confidence in the value of external facilitation.[1]

> *"There should be a code of good practice for external facilitators, requiring them to disclose conflicts that they have or may have with the company and encouraging the entrance of new providers into a short market."*
> **FTSE 100 Chief Executive**

> *"I would wish to see some recognised governance of the external service providers and as a quid pro quo would also like to see a greater requirement for externally facilitated review at board and committee level."*
> **FTSE 250 Company Secretary**

> *"There are a lot of people offering the service, many of whom are no better than snake oil salesmen because their report will always serve the purpose of giving the board a clean bill of health. It is an area where regulation of a governance institute might be beneficial."*
> **FTSE 250 Company Secretary**

> *"Consideration could be given to a voluntary or compulsory code of conduct or accreditation given the important and sensitive nature of the work and the myriad of those offering this service."*
> **FTSE 100 Executive Director**

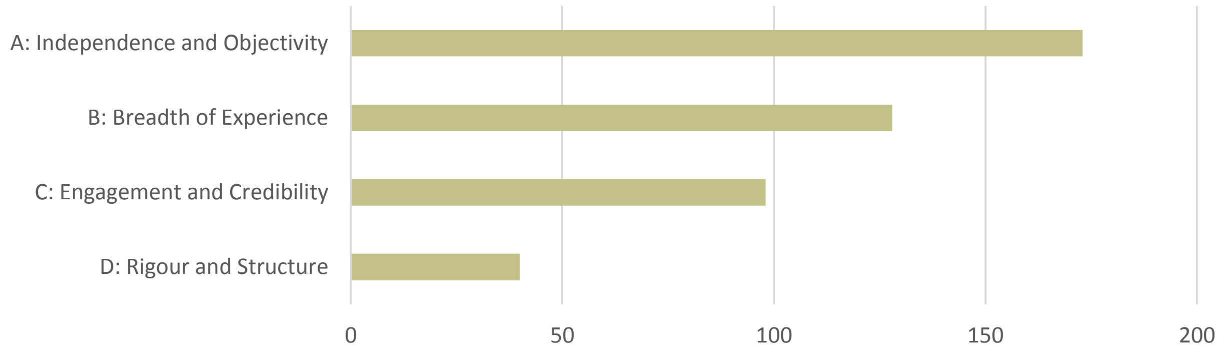
> *"The regulator should mandate that external reviewers should not be conflicted (e.g. by being in executive search)."*
> **FTSE 100 Chairman**

> *"Let the market develop naturally and don't suppress it with regulation no matter how well intended."*
> **FTSE 100 Non-Executive Director**

[1] To this end, in January 2016 Boardroom Review, Independent Board Evaluation and Lintstock partnered with LGIM in publishing a set of Guiding Principles for Board Reviews.

Advantages of External Facilitation

What do you feel are the main advantages of using external facilitation?



A. Independence and objectivity

As was the case in our study in 2013, the independent and objective perspective brought to evaluations by the external facilitator was felt by many to be the main advantage of using external facilitation. It was noted that third parties are able to view a Board's processes and dynamics dispassionately, free of pre-existing biases, and that they would feel more comfortable asking challenging questions and delivering challenging conclusions in their final report; a third party may also be more willing to ask the 'stupid questions' that will force respondents to reconsider issues that the Board may take for granted as a collective.

There was also a sense that Board members may be able to discuss their concerns on Board issues more freely with an external facilitator, particularly if the Board is undergoing a period of turbulence or discord where issues are not being surfaced as readily.

> *"[External facilitators act as...] a 'neutral' and unpolitical body to summarize and highlight your issues. Directors tend to be more transparent towards a neutral body."*
> **FTSE 250 Chairman**

> *"Directors often have a greater willingness to be critical of board processes when an external person facilitates the process. It can act as a critical 'safety valve' in circumstances where boards face real performance challenges, but none of the directors can quite pick up the courage to draw that to the attention of the Chairman."*
> **FTSE 100 Chairman**

> *"[External Reviews provide an...] independent review without the fear that an internal facilitator may personally feel if the report was critical."*
> **FTSE Small Cap Chairman**

"Boards, like all organisational bodies, have a tendency to become more inward looking over time and blind to their own faults and the scrutiny of an external expert can often identify issues which the Board itself has been unable to recognise. Good Boards may well feel that they don't obtain much incremental insight from an external review but a frank report on an underperforming Board from an external reviewer has the potential to create significant value."
Institutional Investor

B. Breadth of experience

The experience brought to the Review by the external facilitator was the second most frequently cited advantage of using external facilitation. Respondents particularly valued the skill with which the best facilitators are able to conduct the Review, including their ability to draw out the principal issues affecting a Board, elicit the most useful feedback from respondents, and keep the Review process fresh in a way that makes the exercise more engaging for all concerned.

Many respondents also highlighted the role that external facilitators could play in bringing new ideas and fresh perspectives to the Board, keeping them up to date on best practice among other Boards and providing a benchmark against which a Board can judge its own performance.

"The main advantages of using external facilitation relate to the provision of an experienced and independent subject matter expert who can assess board performance compared to objective standards and to peers and who can provide a personalized service."
International Chairman

"The fresh look brought by 'new eyes' is invaluable. They can also bring best practice from other boards."
FTSE 100 Company Secretary

"Given the broad scope of companies spoken to by external advisers, they should be able to: deliver expertise not available within the company, gained from the work they do; identify trends and recommend them for examination; give context to the outcome of the performance of the specific board - to calibrate its performance with others - a board that scores top marks on an internal basis, but performs well below the benchmark experienced by the external adviser should then be able to act on that insight."
FTSE 250 Company Secretary

"[There is…] advantage in having someone along with experience and skill in the specific task of external facilitation - there may be questions asked which otherwise may not have occurred to me."
FTSE Small Cap Chairman

"Experience from far more evaluations than any Director is likely to have had on their own."
FTSE 250 Non-Executive Director

C. Engagement and credibility

Another frequently cited advantage of using external facilitation was the greater level of engagement that such exercises promote among participants, with a number of respondents stating that Directors will often provide greater input in an External Review. This was often attributed to the participants being willing to comment on the Board's performance with more freedom and candour when engaging with a third party, although there was also a sense that the investment of time and the cost involved in an external exercise leads to greater engagement and an increase in participants' input.

The use of an external facilitator was also said to have the potential to lend greater credibility to the Board Review, both during the process itself – where Directors may be prepared to share more with an experienced external party than they might with an internal facilitator – and afterwards when the results of the Review are disclosed to other stakeholders, not least investors.

"It depersonalises the process and introduces a filter where contributors can say what they really mean as opposed to giving views on colleagues or Board performance to another colleague. That leads to greater candour and a more insightful assessment."
FTSE 250 Chief Executive

"If everyone participates in the correct spirit then it is possible to flush out issues which might be swept under the carpet under an in house process."
FTSE 250 Non-Executive Director

"Board members have to invest more time in their contribution and as there is a formal deliverable from the evaluation company which has to justify their fees, there is a greater thoroughness to it."
FTSE 250 Chairman

"The Directors give […the External Review…] more attention - they know we are paying for it!"
FTSE 100 Company Secretary

D. Rigour and structure

It was suggested that external facilitation provides a greater degree of structure to the Board Review, allowing a more thorough assessment of Board performance to be made in comparison with Internal Reviews, which can be more informal. The more disciplined processes deployed by external facilitators were felt to afford a more comprehensive view of the Board's effectiveness; professionally conducted survey design, interviews and feedback presentation can help to focus attention on areas of performance in most need of improvement.

> *"Experience of Board members on other Boards is extensive, but systemic analysis of strengths and weaknesses is difficult absent a professional third-party review."*
> **FTSE 100 Non-Executive Director**

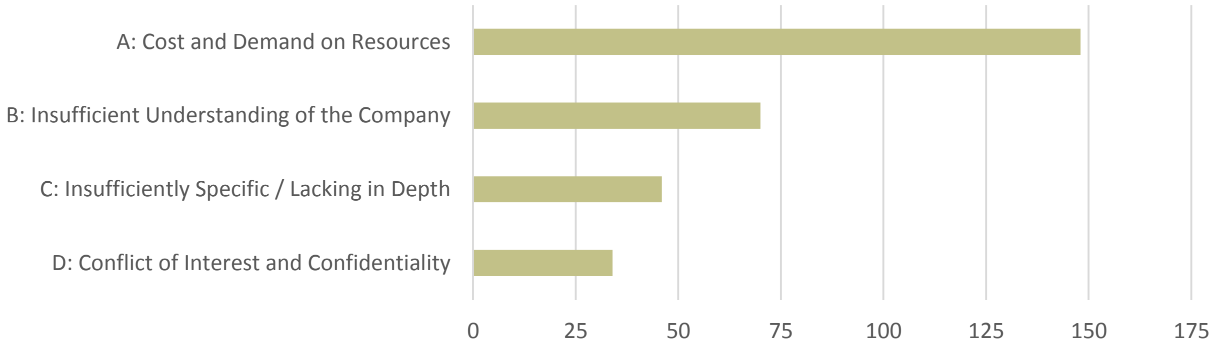
> *"It provides a tier of structure that an in house team would struggle to provide."*
> **FTSE Small Cap Company Secretary**

> *"[External Reviews…] make for a fuller, more formal process, giving a better basis for investor confidence."*
> **Institutional Investor**

Disadvantages of External Facilitation

Next, respondents were asked to consider what they felt to be the main disadvantages of using external facilitation. The main areas of consensus were similar to those identified in our 2013 study, namely:

What do you feel are the main disadvantages of using external facilitation?



A. Cost and demand on resources

The main disadvantage of using external facilitation was identified as the commitment of time and resources involved. Cost was the single most frequently cited disadvantage; one FTSE 250 Executive Director made reference to fee quotes between £50,000 and £100,000, a marked increase on the average prices – £45,000 in the FTSE 100, £24,000 in the FTSE 250 – cited in our 2007 study. This level of fees clearly makes a particular impact on smaller companies.

The amount of time spent on External Reviews was also referred to, as well as the potential disruption caused by bringing in an external facilitator, and some questioned whether the Reviews always strike the right balance between value added through insight and improvements gained, and that subtracted in time and fees.

"Cost - these are very expensive exercises and the best practitioners are hard to get."
FTSE 100 Chairman

"Cost, otherwise it's the best arrangement."
FTSE 250 Chairman

"External firms usually ask for extensive time commitments, e.g. lengthy questionnaires and lengthy interviews. Balance between time spent by the Board and the insights gained by the evaluation is key for further external evaluations."
International Chairman

B. Insufficient understanding of the company

Failure on the part of the external facilitator to understand the companies whose Boards they are evaluating, particularly an inability to pick up on the dynamics within the business or the Board itself, was also seen as a principal disadvantage of using external facilitation. There was said to be a risk that insufficiently well informed facilitators will misrepresent comments, or will be unable to provide useful feedback that takes account of the multiple factors that drive the Board's effectiveness, be it a company's wider sector contexts or the interpersonal relationships that exist in the boardroom.

> *"If the facilitator does not have the confidence of the board the exercise becomes negative. It is very important that the facilitator spends time understanding what the business does and aims to do."*
> **FTSE 100 Chief Executive**

> *"It can be time consuming to provide the external resource with sufficient understanding of our business to properly assess the Board's effectiveness."*
> **FTSE Small Cap Executive Director**

> *"Lack of familiarity with company, politics and personalities can lead to sub-optimal outcome."*
> **International General Counsel**

> *"Lack of awareness of company culture and board particular personalities and their detailed sector knowledge […is one of the main disadvantages]."*
> **FTSE Small Cap Chairman**

C. Insufficiently specific / lacking in depth

Another disadvantage of using external facilitation that was cited by respondents was a perceived tendency among providers to offer a 'one size fits all' service, which can lead to somewhat generic conclusions rather than offering tailored recommendations for improving Board performance. There was a feeling that exercises conducted by external facilitators could at times lack depth, dwelling only on 'surface' issues, or those connected with process, rather than delving further into the underlying drivers of effectiveness.

> *"Without really knowing the culture of the business and Board and what is and isn't really important [...the External Review...] can become a process rather than adding value."*
> **FTSE 100 Chairman**

> *"Some practitioners are very rigid in their approach which can cause friction."*
> **FTSE 100 Company Secretary**

> *"The danger of one's own review being a cut and paste of someone else's."*
> **FTSE Small Cap Non-Executive Director**

"I have been involved in two processes which were no more than fireside chats."
FTSE Small Cap Non-Executive Director

"Can be too theoretical & process driven. Best reviewers are content / outcome driven."
FTSE 250 Non-Executive Director

D. Conflict of interest and confidentiality

Concerns over conflict of interest were said to be another potential disadvantage of using external facilitation, and the risk of facilitators using a Board Review as an opportunity for 'cross selling' other services was noted. The prospect of the evaluation being unduly influenced by the key sponsors of the project was also raised, with facilitators under pressure to temper the level of challenge in the Review in order to preserve a working relationship.

"[External facilitators…] will use the review as a loss leader to then offer training which might not be necessary. Boards, once they have taken the plunge for external facilitation, will feel obliged to take the training. We need to be careful this does not become an industry in its own right."
FTSE Small Cap Non-Executive Director

"Being engaged by the company and paid for the work, hopefully on a regular basis I think leads to a softness in criticism. It may also mean that internal respondents are not completely forthcoming with their own views."
FTSE 250 Non-Executive Director

"[…] self-serving facilitators who are looking to provide other services […are a disadvantage]."
FTSE 250 Non-Executive Director

"[There are no disadvantages...] other than cost unless external facilitator is 'nobbled'."
FTSE 250 Non-Executive Director

"External facilitation is largely cosmetic. They will rarely, if ever, provide harsh truths at risk of losing future work and gaining a reputation for being 'difficult'. Few external facilitators have the skills and experience to add real value in this."
FTSE Small Cap Chief Executive

"There can be a concern that it will be a 'whitewash'. It is important that the appointment of advisers is not seen to be in the 'gift' of anyone e.g. the Chair."
FTSE Small Cap Non-Executive Director

The risk of a breach in the confidentiality of the Review process was also cited as a disadvantage of using external facilitation. If participants in the exercise do not have confidence in the facilitator maintaining their anonymity, this clearly impacts how candid they will be in raising and opining on sensitive issues.

"Breach of confidentiality, insufficient integrity, potential conflict of interest […are disadvantages of External Reviews]."
FTSE 100 Chairman

"People naturally worry that the external person may not maintain full confidentiality of who said what and so the risk is that the interviewees 'pull their punches'."
FTSE 250 Chief Executive

"Potential to feel judged. Concern about confidentiality."
FTSE 100 Chief Executive

Everyone on their best behaviour – particularly in the boardroom?

It was noted that evaluations take place over a relatively short period, with there being potential for the Review to work only as a 'snapshot' of Board performance rather than a comprehensive examination of its effectiveness. There was also a sense that Directors may be on their 'best behaviour' when the Review is being conducted, leading to an unrealistic portrait of performance; some feel that the presence of an observer in the boardroom puts Directors 'on notice', leading them to modify their usual behaviour in a way that gives an unrepresentative picture of Board dynamics.

"The facilitators don't see interaction throughout the year, and only see a limited sample of what we do."
FTSE 100 Executive Director

"Observation of a Board meeting is a 'point in time' and can be influenced by the issues of the day."
FTSE 250 Chief Executive

"Board members modifying their behaviour knowing they are being observed / assessed."
FTSE 250 Executive Director

"Any Board discussions the facilitator participates in become a little more staged / artificial."
FTSE Small Cap Non-Executive Director

"[It is…] too commercially confidential and cumbersome to have external facilitators attend."
FTSE 100 Executive Director

Calling the mountains from the molehills?

Some respondents suggested that unrepresentative assessments of a Board can arise as a result of external facilitators seeking to demonstrate added value. There was said to be a tendency among facilitators to inflate, or even misidentify, issues in order to justify their engagement, sometimes through lending too much weight to the views of a single Board member.

"It can become a process in search of a problem where the reviewer is seeking to find issues and overemphasising the views of a small minority (often of one)."
FTSE 100 Chairman

"There is a tendency for external reviewers to try to identify issues where, in reality, there aren't any. At best this leads to wasted effort and, at worst, can create genuine and unnecessary Board division."
FTSE 250 Chairman

"I have been party to an external evaluation that isolated particular NED behaviours in a board that worked pretty well as a group. That was briefly quite divisive."
FTSE 250 Non-Executive Director

"They are trying to seek issues to justify their role and tend to try to amplify often a single comment."
FTSE 250 Chairman

Small Cap Regulation

In December 2017 the FRC announced a series of proposed revisions to the UK Corporate Governance Code. One of the suggested changes was the extension to smaller companies of the requirement to conduct an externally facilitated Board Review at least every three years. We asked respondents from constituents of the FTSE Small Cap Index whether or not this proposal had their support.

Are you supportive of the FRC's proposed modification to the Corporate Governance Code in relation to External Board evaluations, which removes the exemption for companies beyond the FTSE 350?

The majority of respondents expressed support for the FRC's proposed changes, and the value of conducting an evaluation was affirmed, with it even being suggested that the effectiveness of Board Reviews may be increased by their being made compulsory. Clearly there will be some Small Cap constituents that have made the decision to comply with the Corporate Governance Code in its entirety regardless of the exemption extended to smaller companies, and so the proposed modifications may be a confirmation of current practice rather than a potential change.

> *"Every listed company should conduct a review of their Board's effectiveness. For those outside the FTSE 350 I would suggest a requirement of external review every 5 years as a minimum."*
> **FTSE Small Cap Chairman**

> *"I think all Boards, even charities, should have Board evaluations."*
> **FTSE Small Cap Chairman**

> *"If mandatory, the board evaluation would have more teeth."*
> **FTSE Small Cap Non-Executive Director**

Nevertheless, many respondents expressed mixed feelings about the FRC's proposals, and even those who supported the changes provided commentary that qualified their approval. The predominant concerns among respondents were around the potential onerousness of the commitments that would be imposed on smaller companies if they were obliged to conduct a regular external evaluation, in particular the implications with regard to cost and the amount of time that companies – which may already be stretched – would have to devote to the process.

"[Board Reviews should be conducted...] provided it didn't become prohibitive from a cost perspective for smaller companies."
FTSE Small Cap Non-Executive Director

"Not appropriate and value for money for every business. Let smaller companies decide for themselves whether external review is appropriate and of genuine value."
FTSE Small Cap Non-Executive Director

A few respondents highlighted the risk that the FRC's proposals – along with other regulatory measures implemented in recent years – entail a negative effect on the performance of smaller companies.

"The latest set of Annual Accounts were around 110 pages long. The Financial Statements section started on page 74. The first 73 pages relate to corporate governance. There appears to be more focus on remuneration, diversity and energy consumption than on financial performance. In my view, the Annual Report has become so long as to be meaningless […] I have chaired 5 AGMs and not seen an institutional investor in attendance. Governance is impacting performance."
FTSE Small Cap Chairman

"Small caps are already burdened with similar levels of governance / compliance to FTSE 350 businesses, which in turn make it more prohibitive to even list below a certain size. The rising cost will make it more attractive for e.g. private equity to take these companies private."
FTSE Small Cap Non-Executive Director

"For smaller companies this would just be another bureaucratic and ineffective regulation that brings little if anything to the company, but adds cost and wastes time. The level of additional regulations and requirements imposed on smaller companies over the last 5-8 years is a huge burden."
FTSE Small Cap Chief Executive

The importance of the quality of those facilitating the Board Review was also highlighted, underlining the point that a Review's status as 'external' does not automatically guarantee added value.

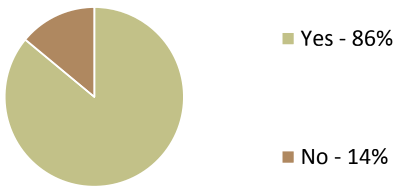
"The issue is not whether facilitation is external, it is whether it is rigorous, disciplined and effective. Forcing companies to use external facilitation will not necessarily improve governance and may simply add bureaucracy and cost."
FTSE Small Cap Non-Executive Director

"It is a good discipline to go through, but it is easy to make the process rather mechanical and thereby limit its value......this rather depends on the skill of the reviewer....."
FTSE Small Cap Chairman

The Internal Board Review Process

Since 2003, the UK Corporate Governance Code has recommended that companies carry out an annual Board Review. After 15 years under this regime, we asked respondents listed in the UK whether their Board would still conduct an annual evaluation – or 'internal' evaluation, since the recommendation preceded 2010's introduction of mandatory External Reviews – were this requirement to be lifted.

Absent the requirement to conduct a Board Review in the Corporate Governance Code, do you feel that your Board would still undertake an annual Board Review?



In response to the same question in our study in 2013 over 90% of respondents confirmed that their Board would still undertake an annual Review, and the proportion of respondents who stated that annual Reviews would continue remains very high in 2018. There was strong commentary provided in favour of retaining annual Reviews and their status as good practice was reaffirmed, with respondents highlighting the value of Reviews in assessing and improving the performance of the Board.

> *"Yes […we would continue to conduct an annual review…], the ritual has value in making sure there is a formal or semi-formal opportunity to discuss the operation of the board."*
> **FTSE 100 Chairman**

> *"[The annual review…] should stay an absolute requirement. Shareholders need to be assured that the board reviews its performance."*
> **FTSE 250 Chairman**

> *"Regular self-evaluation is basic common sense."*
> **FTSE Small Cap Non-Executive Director**

> *"Of course we would […conduct an annual review]!!"*
> **FTSE Small Cap Chairman**

The importance of Boards having flexibility in terms of the timing of Board Reviews was emphasised by several respondents, and some suggested that loosening the regulatory boundaries would have benefit in enabling Boards to tailor their own approach to monitoring performance, basing their programmes for improving Board effectiveness around material issues rather than an imposed timetable.

> *"I think […determining when to conduct a review…] is best left to individual boards. Everybody wants better board performance."*
> **FTSE 100 Chairman**

> *"As is mostly the case with regulations that emerge from politicians, prescriptive requirements are met with check box responses. Reviews take place, but quality will vary. If reviews are voluntary, they will be of higher quality."*
> **FTSE 100 Non-Executive Director**

Without the need to conduct Reviews on an annual basis, a number of respondents felt that their Boards would take the opportunity to re-scope the way they assess performance, whether by adopting a more informal approach or by working on a different timescale.

> *"It would be less formal and less structured […absent a requirement…] but I like to think we would still perform such a review although I do think it is an ongoing process - not a 'once a year' process."*
> **FTSE 100 Chairman**

> *"[The Board would continue to conduct an annual review…] although, we might do it differently. Perhaps a wrap up session after each meeting rather than throughout the year. We might also focus on a specific theme rather than trying to cover everything every year."*
> **FTSE 100 Company Secretary**

> *"I imagine it would be very light touch […absent a requirement to conduct an annual review]."*
> **FTSE 250 Company Secretary**

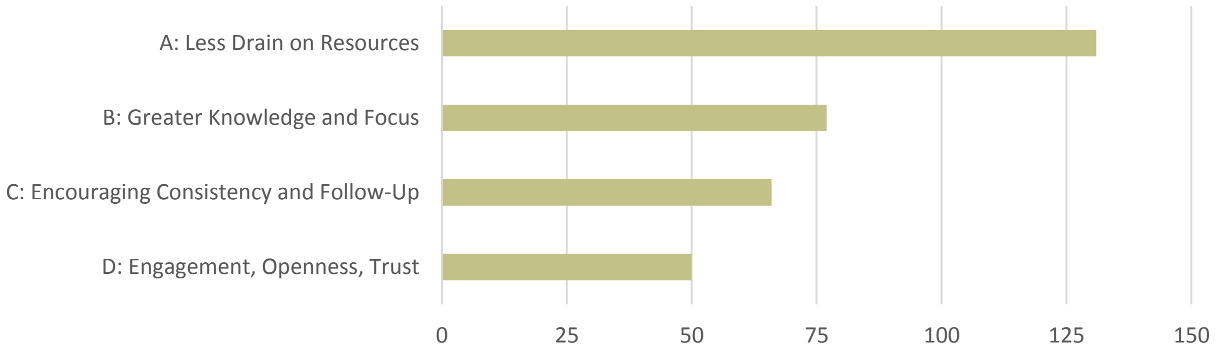
As with FTSE 350 respondents considering the requirement for a three-yearly external evaluation, it was suggested that the lack of a mandated schedule for conducting Reviews may lead to a reduction in frequency.

> *"An annual review is really too frequent - things don't change that quickly at board level."*
> **FTSE 250 Chief Executive**

> *"These reviews can quickly become quite repetitive and it is actually very difficult to keep them fresh year in and year out. I might have opted for doing them every other year."*
> **FTSE 100 Chairman**

Advantages of Internal Board Reviews

What do you feel are the main advantages of Internal Board Reviews?



A. Less drain on resources – simpler, quicker, more flexible, cheaper

Understandably, the reduced time and cost implication of undertaking an Internal Review was cited as a main advantage, and the greater simplicity and flexibility of internal exercises was commented on favourably. Several respondents stated that the lack of a requirement to bring the facilitator 'up to speed' on the company contributes to the efficiency of the process, and the greater degree of informality with which internal exercises are often conducted also attracted praise.

> *"Cost, ease and informality."*
> **International Company Secretary**

> *"[Internal Reviews…] are less cumbersome / onerous and so can act as a less intrusive temperature check."*
> **FTSE 100 Executive Director**

> *"Faster. Cheaper. Ticks the box."*
> **FTSE 100 Non-Executive Director**

B. Greater knowledge of the company and focus on relevant issues

The greater knowledge of the company on the part of the internal facilitator, and therefore their ability to waste no time identifying and forming an opinion on the relevant issues, was identified as a main advantage of Internal Board Reviews. It was suggested that the level of familiarity that an internal facilitator will have with the company enables an internal evaluation to devote more attention to matters of particular concern to the Board, whereas an external facilitator may feel pressured to conduct a more comprehensive exercise in order to cover all aspects of Board performance.

"The individuals running […Internal Reviews…] understand the problems raised and the internal drivers […and avoid the…] 'rabbit hole' risk of chasing an issue that isn't a priority or addressing a symptom rather than the root cause."
FTSE 100 Executive Director

"Questions / process can be focused on the real issues and therefore can be conducted in a more time-efficient way, and allow the key issues to be reviewed in more depth."
FTSE Small Cap Non-Executive Director

"People […conducting the Internal Review…] know what they are talking about."
FTSE Small Cap Non-Executive Director

C. Encouraging consistency and follow-up

The degree of consistency promoted by conducting Internal Reviews was also felt to be beneficial, with regular Internal Reviews seen as a useful method of following up identified improvements, particularly those resulting from External Reviews. The value of Internal Reviews as a 'temperature check' on the Board, providing reassurance that all is continuing to function healthily, was highlighted.

"Regular opportunity to touch the tiller in the right direction."
FTSE 100 Chairman

"Better able to reflect what has changed since the external evaluation - too frequent external reviews would be counterproductive so the internal ones fill the gap."
FTSE 100 Company Secretary

D. Engagement, openness, trust

While an increased level of engagement among participants was one of the most commonly cited advantages of using external facilitation, there were a number of respondents who suggested that it is Internal Reviews that encourage greater engagement. It was suggested that Directors may feel more comfortable sharing their views with a colleague rather than with an unfamiliar third party, and internal exercises were said to promote a greater sense of openness among Board members. Along with greater control of the process, Internal Reviews were said to have the potential to instil more of a sense of 'ownership' among the participants.

> *"Very close interaction, thoughts might be shared between a Board member and the other colleagues that with an external firm, would not be raised."*
> **International Chairman**

> *"Main advantage […of Internal Reviews…] would be that Boards may be more inclined to raise issues internally rather than raise issues with an external party. Other advantage is that the personalities are known and therefore can be accommodated, e.g. strong characters, less vocal board members can be accommodated rather than a one size fits all."*
> **FTSE 250 Company Secretary**

> *"The Board can discuss all the issues on the table without worrying about disclosing information to a third party."*
> **FTSE 100 Non-Executive Director**

> *"Whilst External facilitator has the advantage of providing an impartial appraisal process and unbiased reporting, Directors are more likely to contribute openly if the Board reviews are being done Internally."*
> **International General Counsel**

Providing a personal touch?

It was also felt that Internal Board Reviews provide an opportunity for Boards to undertake a more personal assessment of their performance. Without the veil of anonymity that External Reviews usually impose, internal exercises were said to enable Board members – particularly the Chairman, who typically conducts one-on-one interviews as part of the process – to gain a better idea of their fellow Directors' thoughts and build the interpersonal relationships on the Board.

> *"The Chairman has a further opportunity to develop a relationship with the Directors through one to one interview."*
> **FTSE 100 Company Secretary**

> *"When balanced with external reviews at sufficient frequency I see the advantage of internal reviews, aside from cost saving, in being the opportunity of the Chairman to conduct the review, discuss individual and collegiate requirements and issues and have very personal and 'hands-on' buy-in from members."*
> **FTSE Small Cap Chairman**

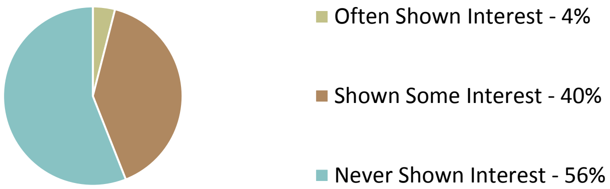
> *"[Internal Reviews…] are more personal, and can be related to by the particular interactions between the different personalities that are far better understood in-house."*
> **FTSE 250 Non-Executive Director**

> *"I still believe an external board review to be better but an internal review conducted by the SID is an opportunity for reflections on the failings or potential failings of the past and enables a discussion on board make up and how this can be improved going forward."*
> **FTSE Small Cap Non-Executive Director**

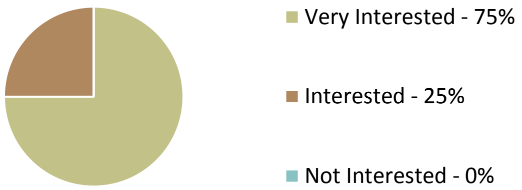
The Role of Investors

We then examined the level of interest in Board Reviews demonstrated by investors.

Have investors and shareholders shown an interest in the Board Review processes or outcomes?



[To Investors:] How would you rate your level of interest in companies' Board Review processes and outcomes?



There was a varied response in this area, as there was when the same question was posed in 2013, with just over half of the respondents reporting that shareholders had never shown interest in the process or outcomes of Board Reviews. Notably, the proportion of respondents who indicated that investors had often shown interest in their Board Review was significantly higher (15%) among international organisations.

> *"I have never been asked a question about a Board Review by an investor during my 14 years as an Executive Director or as a Non-Executive Director."*
> **FTSE 100 Non-Executive Director**

> *"An attempt to involve investors […in terms of taking an interest in the Board Review…] failed, not really interested even governance departments, not got the time."*
> **FTSE 250 Non-Executive Director**

> *"Investors on the whole really do not spend anywhere near enough time understanding the role of the Board and how effective it is in its governance role."*
> **FTSE 100 Non-Executive Director**

> *"There is sporadic interest - but generally investors and shareholders have shown appreciation of the fact that reviews are professionally undertaken."*
> **FTSE Small Cap Chairman**

Given the mixed response from corporate respondents, it is perhaps surprising that a significant majority of investor respondents indicated that they are very interested in companies' Board Reviews. Nevertheless, opinion amongst investors was divided on the question of the role investors ought to have in the area of Board Reviews; respondents' views ranged between a desire for input into Reviews and oversight of outcomes, to a sense that investors' ability to input would inevitably be limited.

"[…] our fund managers and governance people regularly ask the Chairman of their investments about the outcomes of Board Reviews and what they had learnt."
Institutional Investor

"Firstly, we need to read the annual reports! Then we should challenge boards on the contents of what they report regarding their reviews. There is an interesting question whether getting the views of top shareholders as to board and management effectiveness could be a very valuable part of the board review process."
Institutional Investor

"It is important for shareholders to input into board reviews because relationship with shareholders is critical."
Institutional Investor

"[The role of investors ought to be…] very limited if anything. We do not see what happens in the boardroom. On occasions our meetings with board members give us a glimpse through a keyhole with limited potentially partial vision and inaccurate hearing - so we can provide at best the most limited input to board reviews. Rarely will we add value, other than on occasions saying that something isn't working. Even then, we may be wrong."
Institutional Investor

Some respondents suggested that investors have shown an interest in governance primarily when a company is experiencing a significant event (such as M&A activity or the arrival of a new Chief Executive) or is undergoing a period of poor performance or crisis.

"Investors tend to become more vocal when things go wrong, as their primary interest is to increase the value of their investments, not manage companies."
FTSE 250 Non-Executive Director

"Major investors mostly could not care less about Corporate Governance, until something goes wrong (crisis) or a major event (e.g. new Chair or CEO, major acquisition or takeover). ESG teams are not heavyweight and rarely have any actual experience running a company, they typically follow a regulatory driven tick box approach with very low insight. This is a major weakness in corporate governance in all equity markets, despite the statements of principle espoused by senior figures. [...] If investors have governance concerns they usually sell rather than engage."
FTSE 100 Non-Executive Director

Process over outcomes?

A number of respondents identified a tendency for investors to focus on the process rather than the outcome of a company's Board Review – which is perhaps not surprising, since companies are likely to be very careful in disclosing any issues that emerged from the evaluation, which is a confidential process. A few respondents also indicated that investor interest tends to come from the governance arms of institutions rather than the fund managers themselves.

"The interest is largely whether a review has been undertaken (tick box) not what the outcome has been."
FTSE 250 Company Secretary

"[Investors…] usually ask for external evaluation, but they do not pay much attention to the outcomes."
International Chairman

"Get Fund Managers to engage in evaluating the topic - the bifurcation of investment matters between the Fund Managers and Corporate Gov specialists continues to blight shareholder stewardship."
FTSE 250 Chairman

"We would regard Board Reviews as an exercise which is primarily for the benefit of the Board. Yes shareholders need to be informed that a Board Review has taken place and it is also helpful to know something about the process which was undertaken, but we believe it is a mistake for shareholders to seek too much information on the specific conclusions of a review. If the Board Review effectively becomes a public process then it fundamentally changes the nature of the exercise and it becomes an instrument of shareholder communication rather than Board improvement."
Institutional Investor

A growth of interest?

A recent growth in investor interest in Board Reviews was reported by a few respondents, although this was not universally felt to be a positive development. It was also suggested that recent events in the corporate world may encourage further investor interest in this area.

"Shareholders and investors have not shown an interest until recently, when the topic has started to be included within investor voting guidance."
FTSE 100 Company Secretary

"Probably biggest challenge has been from regulators but institutional investors have also got ever more interested in board affairs."
FTSE Small Cap Non-Executive Director

"Recently, I have noticed that […the Board Review…] is their principal interest. While I am gratified that investors take an interest in the Board processes, I am somewhat surprised that less time is actually spent investigating and understanding what we are supposed to be doing in managing the company's affairs."
FTSE Small Cap Chairman

Disclosure – ensuring transparency

The level of detail provided in disclosures was identified as an area for improvement, with half of investors feeling that disclosures contain insufficient detail.

"Generally […disclosures…] tend to be insufficient as they don't provide the necessary insight. There is a huge gap between standard practice and best practice disclosures."
Institutional Investor

"More qualitative commentary around the review and how it has been carried out will better inform the reader."
Institutional Investor

"Process - useful to understand whether based on questionnaires, and how detailed these are, or face to face individual interviews. Outcomes are what really matter though - what was learnt, what will be done as a result, and how much of that has already been delivered."
Institutional Investor

The value of drafting informative disclosures was recognised by corporate respondents. It was reported that shareholders are willing to challenge disclosures that do not provide sufficient visibility, and it was felt – by both investors and corporate respondents – that there is scope for some Boards to achieve greater transparency in their disclosures, particularly in terms of the areas for improvement identified in the Review. It was suggested that it would be useful for a wider understanding of best practice to emerge with regard to disclosures, or even for a prescribed format to be made available. While companies now include disclosures that go beyond a boilerplate statement that a Review has taken place, it was recognised that further improvements in this area can still be made.

"Better disclosures in the R&A so you can really benchmark outcomes - these are still very benign, more competition in the market, so remain a tool for the Board rather than other stakeholders."
FTSE 100 Chief Executive

"Some analysis to be prepared of how the results of Board Effectiveness reviews are being reported in Annual Reports and Accounts to see if there is individuality or common themes."
FTSE 100 Company Secretary

"Investors and shareholders often criticise disclosures if they are not transparent enough."
FTSE Small Cap Chief Executive

"We do take time and care over the disclosure of our evaluation processes in our Annual Report: we feel that this is an area that can be used to demonstrate some real examples of Board behaviours for institutional and retail shareholders."
FTSE 100 Company Secretary

"We recognise that the purpose of the Board Review is to enhance the effectiveness of the Board and its committees. To allow the candid exchange of views, the confidentiality of participants must be protected. However it is useful to see how the key takeaways have been translated into action in the next cycle e.g. 'we have a lack of IT operating experience on the Board' --> 'IT experience has been included as a priority skill for our next NED appointment.'"
Institutional Investor

Accepting the limitations of disclosure

5 years on from 2013, there is now greater recognition of the importance of striking a balance between the desire for transparency in Board Review disclosures, and the need to maintain a degree of confidentiality to ensure that the process remains effective. The value of every Board Review exercise is entirely dependent on the engagement of Directors in the process, and if there is a concern with how widely the output is shared, this will compromise how candid Board members are during the exercise and therefore change the nature of the Review.

> *"We mustn't lose sight of the fact that the primary purpose of Board Reviews is to improve the performance of Boards rather than simply to enable shareholders to say that they have been able to scrutinise the operation of the Board."*
> **Institutional Investor**

> *"Investors demand insights which partially cannot be given for legal reasons. It would also destroy the trust needed for a frank internal review."*
> **International Chairman**

> *"[Investors…] always want to hear about the conclusions - it can sometimes be difficult to report on this. What do you say - the evaluation is always going to make recommendations which investors are likely to interpret negatively."*
> **FTSE 100 Company Secretary**

> *"Keep it practical. Don't get dragged into including it as part of the external ARA process any more than it already is - stops people raising things - it should be confidential."*
> **FTSE 250 Executive Director**

> *"There is a danger of external reviews becoming too 'political' and boards won't be truly honest as the results are reported publicly."*
> **FTSE 250 Non-Executive Director**

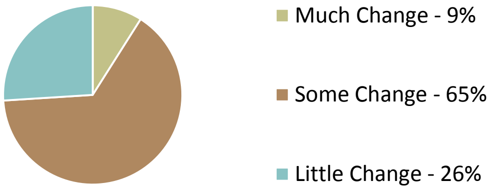
> *"It is human nature re disclosure that companies don't like washing dirty laundry in public."*
> **FTSE Small Cap Non-Executive Director**

The Future of Board Reviews

What has changed, and why?

Next we asked all respondents to detail the main changes that their Board Reviews had undergone over the past five years.

How much have your Board Reviews changed in terms of scope and/or methodology over the past 5 years?



Overall, three-quarters of respondents indicated that the Board Reviews they conduct have changed a reasonable amount over the past five years. Happily, much of this change seems to have been for the better as Boards develop their approach and processes through successive Reviews.

> *"I have seen Board reviews improve over the years such that they are now more in depth and focused on taking the learning from the review."*
> **FTSE 100 Executive Director**

> *"[The Board Review…] evolves gradually as inputs come in from various sources."*
> **FTSE 100 Chairman**

The ways in which Board Reviews have changed of course vary between organisations, as each Board calibrates itself to the Review process, and works towards finding the methods that deliver the most value. Many of the changes detailed by the respondents are as much changes of approach as of technique, with every Board heading towards its own version of 'what good looks like'.

Balancing rigour with variety

The most prevalent of the changes to the Board Review reported by respondents was an improved sense of variety in the Reviews, and the development of a greater sense of rigour. Reviews need to ensure that issues which have been raised previously and require attention are effectively followed up, whilst also containing enough varied content to keep the attention of Directors, who will often be undertaking more than one Board Review each year in the case of plural Non-Executives.

Clearly as Boards conduct Reviews year-on-year, a sense emerges of which topics require more attention and which need only a light-touch approach, with the result that evaluations can be tailored to focus on the topics of most concern, rather than acting as a more general overview of the Board's effectiveness. With greater experience of Reviews also comes the ability to be more exacting, zeroing in on particular areas in further detail or structuring the Reviews to direct Board members' attention to the topics that most require it.

> *"[Board Reviews have developed from…] being rather formulaic to being more bespoke."*
> **FTSE 100 Executive Director**

> *"[Reviews are…] more structured and comprehensive – both internal and external."*
> **FTSE 100 Non-Executive Director**

> *"The key is to change the focus of board reviews. It is impossible to sustain a conversation about board dynamics and relationships every year. Equally one can only review processes and formal mechanisms only so often."*
> **FTSE 100 Chairman**

Developing confidence in the process

Encouragingly, for some Boards the past five years have seen evaluations become more open, evolving away from a compliance-based approach – which tends to be based around meeting particular requirements or completing checklists – to consider performance on a broader level. In turn, it was felt that as the Review processes develop they become more accepted, leading to greater openness on the part of Directors. Often this perspective will encourage a more strategic or horizon-scanning mindset, conducive to productive, business-focused discussion at the Board rather than the narrower, 'box-ticking' approach that checks solely whether the Directors have fulfilled their obligations under the Corporate Governance Code.

> *"We have moved away from the box ticking evaluation into asking open questions along with some face to face discussion and a progressive evaluation method looking at specific board events e.g. Strategy, succession and talent management process, the effectiveness of overseas Board visits etc."*
> **FTSE 250 Chairman**

> *"[The Board Review is…] much less mechanical......more like a seminar."*
> **FTSE 250 Non-Executive Director**

> *"Have moved away from lengthy questionnaires to a more thematic approach."*
> **FTSE 250 Company Secretary**

Engaged Boards calling on engaging facilitators

Greater engagement in the Board Review process was also identified as a change that has occurred over the past five years. It was felt that Reviews had become more professional, and interestingly there was a suggestion that the level of engagement has improved among external facilitators as well as Boards over this period. Greater appreciation on the part of Boards of the value that evaluations can deliver, combined with greater ability and effort to deliver value on the part of facilitators, can only be a virtuous circle; it is to be hoped that this trend will continue into the future.

"Board members are more constructively engaged in the process. They regard it as a 'good thing' and not a 'burden'."
FTSE 250 Chief Executive

"An increasing awareness that properly done, there can be huge individual and collective value."
FTSE 100 Company Secretary

"Stronger participation of Executive Directors."
FTSE 100 Executive Director

"Much more professional and thorough."
FTSE 250 Finance Director

"I think external facilitators are realising they have to work with a board to add value rather than being a judge."
FTSE 250 Non-Executive Director

Changing the how and who

The methods by which Director responses have been canvassed has also been the subject of change over the past five years. It was felt that it is advisable to vary the methodology of Reviews in order to keep the process fresh, and clearly specific Board members – and Boards as a collective – will provide more content than others in response to certain techniques. Directors who provide single-word responses in written questionnaires may be much more forthcoming in interviews, for example, whereas taciturn individuals may feel more comfortable putting their thoughts onto paper.

In addition the scope of Reviews – what constituencies the Review involves, and the areas or themes that the Review focuses on – has widened, with greater involvement of stakeholders beyond the Board (particularly executive management) and further attention given to areas of performance beyond that of the main Board as a collective, including the work of the Committees and the individual performance of Directors. Further commentary from respondents on the scope of their Board Reviews in terms of the constituents involved, and the events assessed, is provided below.

> *"During my time we have worked with different consultants to facilitate the external review and, in the interim, we have tried a variety of methods for the annual including a more 'freestyle' as well as an online template/questionnaire."*
> **FTSE 100 Non-Executive Director**

> *"It is important for the way in which the board reviews are conducted to change year on year. Otherwise board directors become bored with the process and may not provide as much quality input as desired."*
> **FTSE 250 Non-Executive Director**

> *"In 2017 our external reviewer attended and observed one of our board meetings for the first time, rather than just conducting individual interviews and reviewing materials. This was introduced as latest best practice and we found the process to be non-intrusive and helpful."*
> **FTSE 250 Chief Executive**

> *"We have used a variety of techniques including questionnaires, group discussion and evaluation of differing personality traits by an external advisor to assist Board members to gain a better understanding of one another."*
> **FTSE Small Cap Company Secretary**

> *"We have switched between interviewing Board members alone and including key members of the management team who habitually present to the Board and back again. Different themes crop up as one-offs each year, depending on performance, personnel changes, external activities."*
> **FTSE 100 Company Secretary**

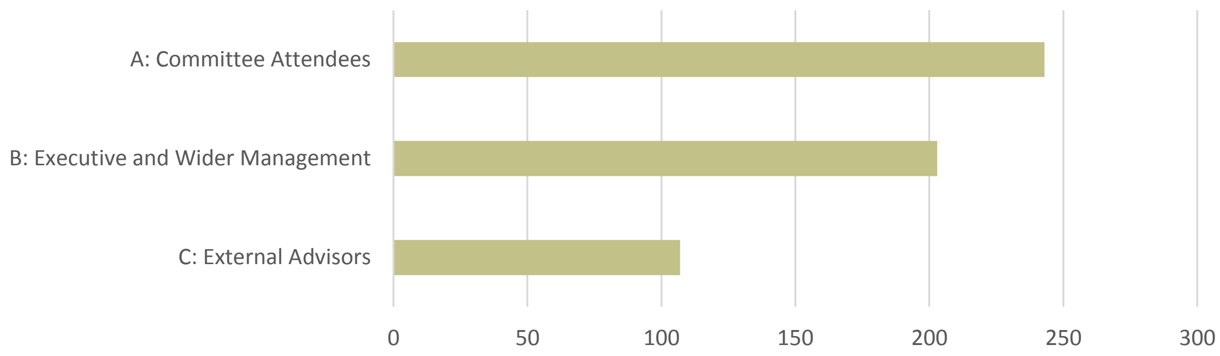
> *"[Reviews…] have been undertaken by different players internally (i.e. SID and Chairman) and by different external providers with different emphases from time to time (i.e. one year we focussed on inclusion and diversity and different thinking styles). The depth and scope of the reviews are often adapted dependent on the state of stability or recent change within the Board."*
> **FTSE 250 Non-Executive Director**

Interestingly, the degree of frustration expressed by respondents towards the use of surveys was far less in this study than in 2013, as Reviews based on such a mechanism become more focused and engaging.

Who's included in reviews?

As the scope of Board Reviews expands, more and more organisations are seeking alternative perspectives on Board and Committee performance, canvassing the views of people who do not serve on the Board. We asked respondents whether they involved non-Board constituents in the Review, and their views on the usefulness of doing so.

Have you included any of the following constituencies in your Board Review?



Committee attendees and executive management were the non-Board constituencies most widely included in Board Reviews, with a significantly smaller proportion of respondents indicating that external advisors participate in the Review. It was stated by a few respondents that non-Board constituencies have participated in External Reviews and not Internal, and clearly the involvement of a particular party in a Board Review need not necessarily involve their evaluating the overall performance of the Board but rather be limited to their own engagement with it (as a Committee attendee, for example).

Respondents' feelings on the usefulness of involving non-Board constituents in a Review were generally spread between a 'more the merrier' approach and caution over the amount of value that can be added by participants who do not regularly interact with the Board, and who may therefore not be totally familiar with the people and processes involved.

> *"[Board Reviews…] add value the more views that are sought."*
> **FTSE 100 Company Secretary**

> *"Horses for courses. You have to judge who can provide a value-adding input."*
> **FTSE 100 Non-Executive Director**

"How the board is perceived by the rest of the organization is really important. As chairman, I try to get a sense of this as part of the review. We ask the question 'what do we look like from the outside'"
FTSE 250 Non-Executive Director

"There are no real stakeholders that would know the business, the company and more importantly the Board functioning than the directors, management and the company secretary."
FTSE 100 Non-Executive Director

"Useful to include those who have contact with the board and board process. Not useful to include those that do not or have only tangential involvement."
FTSE 250 Chairman

"When including too many 'others', we have found on occasion that the scope broadens to be a review of management and not of the Board."
FTSE 100 Company Secretary

A. Committee attendees

As the Corporate Governance Code specifically recommends that the performance of Committees should be formally evaluated, as well as that of Boards and individual Directors, it is perhaps unsurprising that Committee attendees were the most likely non-Board constituency to be included in Board Reviews.

"We apply the same approach to all our committees so all regular attendees are part of the reviews, including senior management who have presented / attended Boards and Committees - this is a good thing for the Board and non Board members as the feedback from attendees in particular is usually quite insightful on how the board works, the team dynamic etc."
FTSE 100 Executive Director

"Excom and External advisors were included in the reviews of Board Committees but not in the Board review."
FTSE 100 Non-Executive Director

B. Executive and wider management

A substantial proportion of respondents stated that the views of management are included in Board Reviews, and there is clear value in soliciting feedback from those who are closer to the day-to-day running of the business, in addition to that of the Executive Directors. Many of the Reviews we conduct in Europe (where a dual Board structure is more common) include an Upward Review component in which management will assess the effectiveness of the Board, although as yet these are much less common in the UK.

> *"I think it is very important the board has regular feedback on its effectiveness from the Executive Management Team as a whole."*
> **FTSE 250 Non-Executive Director**

> *"As the Board are the leaders of the Company I feel that it is important to include Executive Management who are tasked with implementing their decisions in the review."*
> **FTSE 250 Executive Director**

> *"I have always found observations from senior team members who can observe the Board from 'first hand' experience to be helpful so would encourage continued wider participation beyond the Board itself. In the same vein, it could be interesting to invite feedback from key advisors (brokers, auditors and so on) although I imagine they may feel 'constrained'."*
> **FTSE 100 Non-Executive Director**

The Company Secretary was the most commonly identified non-Board management position included in Board Reviews, and clearly their familiarity with a Board and its processes puts them in a position to provide useful insight into its effectiveness. Additionally, as the Company Secretary often serves as a key 'project sponsor' of Reviews, they can influence an evaluation exercise without being included as a respondent (by directing its focus, for example).

> *"Beyond the […] Execs on the Board we would typically include the Head of HR and the CoSec as an integral part of the review process. I'm a strong supporter of this and believe they add a different but very helpful perspective."*
> **FTSE 100 Non-Executive Director**

> *"Committee Secretaries, Company Secretary, Chief Risk Officer, General Counsel and External Auditors are included. Generally their input is of some value but not always integral to the final report."*
> **FTSE 100 Company Secretary**

C. External advisors

As suggested elsewhere in this study, external advisors were occasionally seen to add value in providing a different perspective on Board performance, particularly in terms of providing insight into best practice and the workings of other Boards. External auditors and external remuneration consultants were the most commonly cited non-Board constituents in this category.

"The external advisors, Rem and Audit, carry out a review of the effectiveness of those Boards on an annual basis and remedial action is taken as a result of these reviews."
FTSE Small Cap Non-Executive Director

"External advisors, external auditor etc. provide a more objective feedback, since they have the benefit of advising and/or attending other boards and therefore their perspective is always very interesting."
FTSE 100 Company Secretary

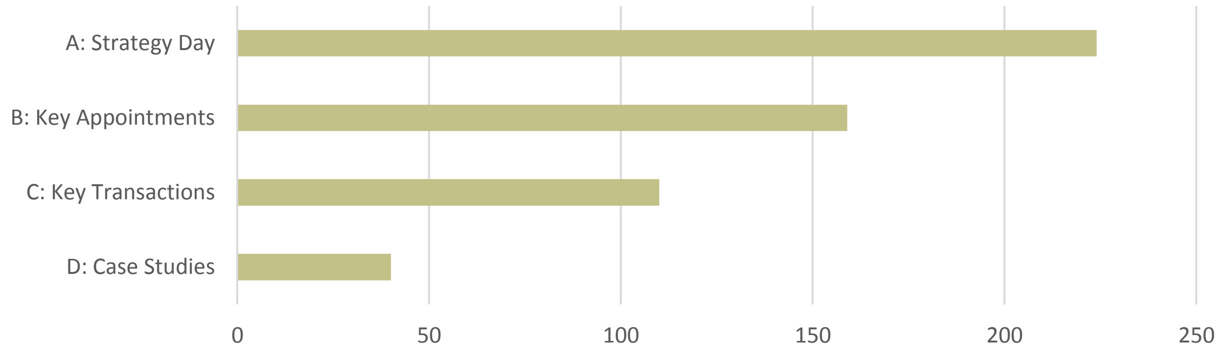
"External advisers can bring real insight but are often nervous about stepping into potentially political topics which might backfire on them."
FTSE 250 Non-Executive Director

"Reviews should include views of immediate stakeholders who have contact with the board and its operation, i.e. advisors and relevant attendees."
FTSE Small Cap Non-Executive Director

What is reviewed?

The remit and focus of Board Reviews is also undergoing a period of change. Further to considering effectiveness in a general sense, exercises are beginning to focus on the Board's performance in the context of particular events, or how it deals with specific issues. We asked respondents whether their Board had incorporated consideration of particular events, or of case study topics, into their Board Review, and whether this has been effective in establishing a better understanding of Board performance.

Have you included any of the following events as part of your Board Review?



The Board strategy day was the event most often said to be included in Board Reviews. While a comparatively small proportion of respondents indicated that case studies had been included in their Board Reviews, it was felt that they had great potential to add value by focusing attention on a particular area of the Board's performance.

> *"A deep dive on how the board addresses a specific issue can add depth and colour to an effectiveness review in my experience, and can keep discussion grounded."*
> **FTSE 100 Non-Executive Director**

> *"All aspects of Board performance are reviewed and considered, however the consideration of key strategic decisions must be of particular importance."*
> **FTSE 250 Executive Director**

> *"Events can help where they are a key part of the boards effectiveness e.g. Development of strategy."*
> **FTSE Small Cap Chairman**

Clearly the inclusion – or otherwise – of key events in the Board Review is dependent on the timing of the Review relative to the Board's cycle. Some Boards may prefer to conduct an assessment in the immediate aftermath of the event in question, or to incorporate discussion of such events into the regular cycle rather than considering them in the formal Review.

> *"We normally discuss these topics immediately after events rather than as a part of the formal board review. To that extent, board review is an ongoing process."*
> **FTSE 100 Non-Executive Director**

> *"I don't think this is essential. We include a strategy review because it was taking place in the time frame. I would include other events if the timing was apt but care needs to be taken re confidentiality."*
> **FTSE 250 Non-Executive Director**

> *"Appointments and transactions are covered elsewhere e.g. post capex or regular board discussion."*
> **FTSE Small Cap Non-Executive Director**

Letting the practice develop naturally

Finally, we asked the respondents to consider how they would like the practice of Board Reviews, both Internal and External, to develop in the future. Encouragingly, the majority of respondents suggested that current practice ought to continue, or be allowed to evolve at its own pace. Additionally, there was a sense – conveyed more emphatically by some respondents than others – that a period of regulatory stability would be beneficial.

> *"They are currently operating effectively in improving the operation of Boards. No further material changes are required at this time."*
> **FTSE 100 Non-Executive Director**

> *"We are largely content with the approach we are following now. We will review the scope each year and make changes depending on the view of the Board at that time, we typically adjust the scope each year depending on the issues we face."*
> **FTSE 250 Chief Executive**

> *"As long as they are value-additive and with that not disproportionately onerous, then they will continue to be a useful development tool to enhance the board. If they become too vanilla and/or frequent (external) and/or onerous, then Directors will not engage as readily."*
> **FTSE 100 Executive Director**

Getting better, together

The benefits to be gained from a broader knowledge of best practice in the area of Board Reviews were well recognised throughout the study, as they were in our study in 2013. Whether shared informally between individual companies and Directors or distributed more widely through independent reports and studies, there is clearly merit in cultivating greater discussion around how best to evaluate and improve the performance of Boards, and a higher degree of awareness of what has worked (and what has not) will inevitably drive the development of improved Board Review processes and practices in the future.

> *"It would be helpful to see what best practice is in both external & internal reviews so that a board can compare and contrast its current approaches."*
> **FTSE 100 Chairman**

> *"This is the type of topic that would be best served by best practice guidance, incl. standard topics to cover and templates to use."*
> **FTSE Small Cap Non-Executive Director**

> *"Cancel the requirement to use external practitioners and develop more effective ways of transferring best practice. I've suggested a few, but it seems I'm wasting my time. I give up."*
> **FTSE Small Cap Chairman**

> *"More prescribed procedures to be available in the Code for the Review process."*
> **FTSE 250 Chief Executive**

> *"More guidance as to key areas that questionnaires should focus on and what information stakeholders would find useful. Format of how to disclose outcomes and progress in annual report and accounts."*
> **FTSE 100 Chief Executive**

> *"The requirement should be maintained in much the same way as it is now. Development and sharing of best practice and case studies would be valuable. There will be good ideas out there that I would benefit from!"*
> **FTSE 100 Non-Executive Director**

As noted in the quotation which begins this study, Board Reviews are part 'art', dependent on the qualities of the facilitator of the Review, but also part 'science', insofar as there are certain best practices and common methodologies utilised. With Board Reviews now seemingly such an established part of the Board's annual cycle – and respecting the commitment that a Board is undertaking when embarking on such a Review – there would seem to be opportunity for greater collaboration between those active in the space, to ensure that focus is devoted not only to improving the performance of Boards, but also to developing and enhancing the practice of the Board Review itself.

Appendix – List of study participants

In total we received 371 individual responses from:

- 72 Chairmen - 21 from FTSE 100 companies, 21 from FTSE 250 companies, 15 from FTSE Small Cap companies, and 15 from international companies
- 140 Non-Executive Directors - 42 from FTSE 100 companies, 56 from FTSE 250 companies, and 42 from FTSE Small Cap companies
- 38 Chief Executives - 14 from FTSE 100 companies, 15 from FTSE 250 companies, and 9 from FTSE Small Cap companies
- 47 Chief Financial Officers and Executive Directors - 16 from FTSE 100 companies, 14 from FTSE 250 companies, 10 from FTSE Small Cap companies, and 7 from international companies
- 66 Company Secretaries - 25 from FTSE 100 companies, 21 from FTSE 250 companies, 9 from FTSE Small Cap companies, and 11 from international companies
- 8 of the UK's top 30 institutional investors

Respondents from the following companies in the UK FTSE participated in the study:

3i Group
Acal
Admiral Group
Anglo American
Associated British Foods
AstraZeneca
Auto Trader Group
Aviva
Barclays
Barratt Developments
BBA Aviation
Beazley
Bellway
Berkeley Group Holdings (The)
Biffa
Bloomsbury Publishing
BP
British American Tobacco
British Land
BT Group
BTG
Bunzl
Burberry Group
Cairn Energy
Caledonia Investments
Cambian Group
Capita
Capital & Counties Properties
Capital & Regional
Card Factory
Carr's Group
Centrica
Charles Taylor
Chemring Group
Close Brothers Group
CLS Holdings
CMC Markets
Coats Group
Cobham
Compass Group
Computacenter
ConvaTec Group
Cranswick
DCC
De La Rue
Debenhams
Dechra Pharmaceuticals
Dignity
Dixons Carphone
DS Smith
EI Group
Electra Private Equity
EnQuest
Experian
FDM Group
Ferguson
Ferrexpo
Findel
FirstGroup
Forterra
G4S
GKN
GlaxoSmithKline
Grainger
Greencore Group
Halfords Group
Hargreaves Lansdown
Hastings Group Holdings
Headlam Group
Helical
Henry Boot
Hilton Food Group
Hiscox
Homeserve
HSBC Holdings
Imperial Brands
Intermediate Capital Group
International Consolidated Airlines Group
International Public Partnerships
Interserve
ITV
J Sainsbury
Jardine Lloyd Thompson Group
John Laing Group
Johnson Matthey
Jupiter Fund Management
KCOM Group
Kier Group
Kingfisher
Ladbrokes Coral Group
Laird
Lancashire Holdings
Land Securities Group
Legal & General Group
Lloyds Banking Group
LondonMetric Property
Lonmin
Man Group
Marks & Spencer Group

Marshalls
Marston’s
McCarthy & Stone
McColl's Retail Group
Mears Group
Medica Group
Meggitt
Merlin Entertainments
Micro Focus International
Mitchells & Butlers
Mondi
Moneysupermarket.com Group
Morgan Advanced Materials
Moss Bros Group
National Grid
NEX Group
NMC Health
Norcros
Old Mutual
On The Beach Group
Onesavings Bank
Ophir Energy
Oxford Instruments
PageGroup
Paragon Banking Group
Pearson
Pennon Group
Polymetal International
Polypipe Group
Premier Foods
Prudential
QinetiQ Group
Randgold Resources
Rank Group (The)
Rathbone Brothers
Raven Russia
Reckitt Benckiser Group
Redefine International
Redrow
RELX
Ricardo
Rio Tinto
RIT Capital Partners
Riverstone Energy
Rolls-Royce Holdings
Royal Bank of Scotland Group (The)
RPC Group
S & U
Saga
Sanne Group
SDL
Segro
Serco Group
Severfield
Severn Trent
Shaftesbury
Shire
Sirius Minerals
Sky
Smith & Nephew
Smith (DS)
Smiths Group
Smurfit Kappa Group
Spectris
Spirax-Sarco Engineering
Spirent Communications
Sports Direct International
SSE
SSP Group
St James's Place
Standard Chartered
Standard Life Aberdeen
SuperGroup
Synthomer
Tate & Lyle
Taylor Wimpey
TBC Bank Group
Ted Baker
Thomas Cook Group
TP ICAP
Travis Perkins
Treatt
Trifast
TT Electronics
Tyman
U and I Group
UBM
United Utilities Group
Vectura Group
Vesuvius
Vodafone Group
Vp
Weir Group
WH Smith
Wizz Air Holdings
Wm Morrison Supermarkets
Workspace Group
Worldpay Group
Xaar
Xafinity
XP Power
Zotefoams
ZPG

Respondents from the following non-UK companies participated in the study:

Abu Dhabi Commercial Bank
APA Group
Canadian Tire
Cie de Saint-Gobain
CLP Holdings
Credit Suisse Group
DNB
E.ON
Eni
Goldcorp
Henderson Land
Hong Kong Exchanges & Clearing
Iberdrola
Lend Lease Group
Link REIT
Macquarie Group
Manulife Financial
MTR
Neste
Nestlé
Novartis
Novo Nordisk
Quebecor
SES
Silver Wheaton
Singapore Technologies Engineering
Skanska
Swiss Re
Teck Resources
Towngas
TransAlta
TransCanada

Respondents from the following institutional investors participated in the study:

Aberdeen Standard Investments
Fidelity Worldwide Investment
M&G Investments
Old Mutual Global Investors
Railpen Investments
Schroders Investment Management
Standard Life Investments
UBS Asset Management

About the APPCGG and Lintstock

APPCGG

The All Party Parliamentary Corporate Governance Group was formed in 2004 to develop and enhance the understanding of corporate governance at Westminster and to influence future policy making in this area. The focus is on promoting the responsible leadership of business, so that the interests of shareholders and other stakeholders are properly protected.

Committed to supporting, rather than impeding, business growth, the Group's aim is the promotion of best practice in corporate governance. The Group acknowledges that there is no cast-iron template applicable to every business, and promotes the recognition that there are many ways for companies to create prosperity for their employees and shareholders.

W: www.appcgg.co.uk

Lintstock

Established in 2002, Lintstock is a London-based corporate advisory firm that provides objective and independent counsel to leading European companies. Our services enable clients to reduce operational and reputational risks, meet the needs of financial regulators, enhance their profile with investors and add value to their equity operations.

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