6.6

BOARD PERFORMANCE EVALUATION AND IMPROVEMENT ACTION PLAN

The effectiveness of the Board affects the performance and success of the whole company, so the Board should improve its performance constantly. It should demonstrate performance and leadership in guiding management and provide valuable support to the top executives, which only a professional, effective and engaged Board can do. Board should carry out a self-evaluation and report (preferably in the annual report) a summary of key findings and performance improvement plan to the shareholders.

The self-evaluation should be guided by the Chair of the Board. The Board may, however, decide to engage an external facilitator to assist in preparing the questionnaire and in leading the Board discussions.

While the Board performance evaluation is owned and led by the Chair of the Board, appropriate involvement of top management can provide valuable insight into the effectiveness of the interaction between the Board and management. Such input should be structured, clearly defined in scope and focused on areas where management has direct experience, such as the quality of the strategic dialogue, the clarity of guidance and the effectiveness of decision-making processes. At the same time, safeguards should be in place to preserve the independence of the evaluation, ensuring that management's input complements, but does not influence or constrain, the Board's own assessment and conclusions. The questionnaire for top management will differ from the Board's questionnaire and should have an introductory part explaining the Board's expectations and how to carry out this important exercise (see the example in Annex 9).

A thorough annual self-evaluation is one of the key tools for developing the Board's performance and effectiveness continuously. The Board's work is complex and each Board member is different, so there are many aspects that the Board could and should discuss during the self-evaluation.[29]

The key success factors of a self-evaluation that produces real improvement are:

– Purpose. A genuine desire to build a high-performing Board that is equipped to anticipate, meet and overcome future challenges and to ensure alignment with the company's long-term strategy.

29 G20/OECD Principles of Corporate Governance (2023), Principle VI.E.4, which recommends that Boards regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences.

- Scope. The evaluation should cover the Board as a collective body, the Board members individually and the Chair.
- Preparation. The most important step is to create, or revise, the self-evaluation questionnaire (see Annex 8 for an example).
- A clear plan. The Chair, with the help of the Board secretary, develops and communicates the plan for the whole process and allocates the resources needed to support it.
- Open and objective discussion. Each member and the Board as a whole must be fully open and objective in discussing their own performance and that of the Board; only then can the areas for improvement be identified.

The self-evaluation process can be divided into the following stages:

1. **Planning.** Create and agree a self-evaluation plan, including the meeting schedule, specific tasks and the people involved.
2. **Questionnaire.** Develop a questionnaire covering the Board's work and engagement. It is good practice to review the existing questionnaire with the whole Board before each annual self-evaluation and to make the necessary amendments. It is important not only to give a score but also to provide comments where the score is not the highest. A separate questionnaire should be developed for top management (see the example in Annex 9).
3. **Evaluation.** Each Board member completes the questionnaire, and all evaluations and comments are consolidated. Each manager completes the management questionnaire.
4. **Results and action plan.** Board members discuss the consolidated results of both questionnaires and provide comments. After the discussion, the Board agrees on the common evaluation results and develops an improvement action plan (topic, deadline, responsible person; see Annex 10). The Board work improvement action plan may be presented to the shareholders to show them how the Board is seeking to improve its performance.
5. **Follow-up.** The Board supervises the implementation of the plan and reviews it at least twice a year (in the middle of the year and after the year-end).

It is good practice to carry out an **external evaluation** every three years, with the help of experienced consultants. Its benefits are:

- transparency, independence and greater objectivity;
- possible benchmarking against other Boards;
- a more thorough and impartial identification of strengths, skills and weaknesses, examined against the company's business goals and changing environment;

– a broader range of views and ideas on how to improve Board effectiveness including possible changes to the Board's composition.

Ultimate responsibility for the evaluation, internal or external, lies with the Chair of the Board.

The same principles are applicable to the committees' performance evaluation as they are set to the Board's evaluation.

It is recommended that the Board reports on the evaluation process to the general meeting of shareholders, describing the main outcomes, the actions taken or planned and how these affect the Board's future composition and effectiveness. The report should give a concise and clear summary of the process and its results, without disclosing information that is commercially confidential or could harm the company's interests. Such reporting allows shareholders to assess the Board's competence and, if necessary, hold it accountable at the annual general meeting, and helps to ensure that the Board operates in a way that promotes the company's long-term success. Further guidance on Board evaluation is provided in the ecoDa Board Evaluation Recommendations.[30]

KEY TAKEAWAYS

A. A professional, effective and engaged Board improves its performance constantly; an annual self-evaluation of the Board, its members, the Chair and the committees is the key tool for doing so.

B. The self-evaluation is led by the Chair with the support of the Board secretary, and its success depends on a genuine purpose, a clear scope, a well-prepared questionnaire, a clear plan and open and objective Board discussion.

C. Structured input from top management on the quality of Board–management interaction adds insight, provided that the evaluation remains independent and management's input complements rather than constrains the Board's own conclusions.

D. The process runs from planning and questionnaire through evaluation to an agreed improvement action plan with topics, deadlines and responsible persons, followed up at least twice a year.

E. An external evaluation every three years brings independence, objectivity and benchmarking; the Board reports on the process and its outcomes to the general meeting without disclosing confidential information.

30 ecoDa (2025), Board Evaluation Recommendations, available at https://www.bicg.eu/wp-content/uploads/2025/07/20250617-ecoDa-Board-Evaluation-Recommendations.pdf.

QUESTIONS FOR THE BOARD

1. *When did the Board last evaluate itself, its Chair, its members and its committees, and did the evaluation lead to an action plan with owners and deadlines?*
2. *Was the questionnaire reviewed and updated before the last evaluation, and did members add comments rather than scores alone?*
3. *Did top management contribute structured input, and were safeguards in place to keep the evaluation independent?*
4. *Has the improvement action plan been followed up during the year, and what has actually changed?*
5. *When was the last external evaluation, and did the Board report on the evaluation process and its outcomes to the shareholders?*