

FOCUSING ON TONE AT THE TOP

A board effectiveness questionnaire



The board shapes the purpose and values of a business. For smaller listed companies, in particular, where investors are often seeking share price growth, striking the right balance between entrepreneurship and effective risk management is crucial to achieving sustainable success.

Leading boards recognise that 'business as usual' nowadays involves operating in conditions of complexity, uncertainty and continual change. They are constantly seeking to improve: sometimes through steady incremental innovation, other times by embracing the challenges of transformational change.

A board effectiveness review enables a board to stand back and assess its strengths and areas for development and this questionnaire is designed to help boards achieve that in a practical, time effective way.

To maximise the value from this review it is suggested that:

- All members of the board complete the questionnaire within a set time period (two weeks, for example).
- The board looks at its average score in each of the 12 sections and its top 5 and lowest 5 scores to individual questions in order to identify areas of strength and areas of development.
- The board considers those questions where there is a significant range of responses, especially where executive board members and independent NEDs have divergent views, and understands the reason for them.
- The board prepare an action plan, with an implementation timeline.

For more information or to discuss the findings, please contact Anthony Carey (details on the back).

The Questionnaire

Board members should complete the questionnaire by putting a score in the box by each question, depending on the extent to which they agree with the statement made:

1 Strongly disagree

2 Partly disagree

3 Partly agree

4 Strongly agree

The Quoted Companies Alliance's Corporate Governance Code

The Corporate Governance Code has been developed by the Quoted Companies Alliance (QCA) to help quoted companies put into practice appropriate corporate governance arrangements and encourage positive engagement between companies and shareholders. Focusing on 12 principles of corporate governance and a set of minimum disclosures, the QCA Code encourages companies to consider how or whether they should apply each principle to achieve good governance and provide quality explanations to their shareholders about what they have done. The QCA Code is widely recognised as an industry standard for those growing companies for which the UK Corporate Governance Code is not applicable.

Twelve principles of corporate governance

Delivering growth in long-term shareholder value

1. Setting out the vision and strategy
2. Managing and communicating risk and implementing internal control
3. Articulating strategy through corporate communications and investor relations
4. Meeting the needs and objectives of your shareholders
5. Meeting stakeholder and social responsibilities
6. Using cost effective and value added arrangements

Maintaining a flexible, efficient and effective management framework within an entrepreneurial environment

7. Developing structures and processes
8. Being responsible and accountable
9. Having balance on the board
10. Having appropriate skills and capabilities on the board
11. Evaluating board performance and development
12. Providing information and support

Characteristics of an effective board

An effective board:

1. works as a team led by the chairman
2. has a chairman who demonstrates his responsibility for corporate governance
3. develops and clearly articulates the strategy of the company
4. evaluates its performance and acts on the conclusions
5. regularly informs and engages with shareholders
6. has a balance of skills, experience and independence

For further information on board issues, you may wish to read:

Inspiring trust – Audit committee guide for small and mid-size quoted companies

This QCA report assists audit committee members to be effective in their roles, meeting the expectations of investors and complying with regulatory best practice for small and mid-size quoted companies.

Sharing value – Remuneration committee guide for small and mid-size quoted companies

This QCA report assists the members of the remuneration committee and those who support them in setting pay for executive directors and senior management in a fair and reasonable manner.

The Board Charter. For Sustainable Success.

Developed by Mazars to influence a shift from short-term to long-term thinking and strengthen the trust between business and society, the Board Charter asks tough questions of business while providing insightful guidance on the key factors that influence sustainable success.

Board culture – Its role in achieving sustainable success.

Board culture plays a key role in determining the effectiveness of the board in leading and directing the business and in its ability to achieve its full potential. This Mazars publication identifies four broad types of board – engaged, cosy, us and them, semi-detached – and looks at how to get your board working at its best.

The future board – Stewardship for sustainable success

This Mazars report consider the board's role in creating long-term success for its business. It does so by looking at the strategic challenges facing business and the future implications for boards, and includes a set of questions on "How ready is your board for the challenges ahead?".



Delivering growth in long-term shareholder value

1 Setting out the vision and strategy

- There is a concise and inspiring purpose for the business which is well communicated to employees, investors and other stakeholders.
 - We have a long-term strategy that flows from our purpose and is aligned with our capabilities.
 - We are clear on our focus and on what we will and will not take on.
 - We have an annual away-day, or equivalent, to review our strategy and agree follow up actions.
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2 Managing and communicating risk and implementing internal control

- We have a sharp focus on our principal business risks from a strategic, operational, financial and regulatory perspective.
 - There are no 'blind spots' in identifying, assessing and managing risks and all the different types of risk are considered.
 - We don't avoid the difficult issues, we learn from experience and try to imagine how we would respond if two or more risks crystallised at the same time.
 - As well as managing known risks, we aim to be agile in managing risks that are hard to anticipate.
 - There is a comprehensive system of internal control which is regularly reviewed by our internal audit process.
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3 Articulating strategy through corporate communications and investor relations

- We clearly set out our strategy in our annual report and report unbiasedly on progress made and challenges encountered and how they are being addressed.
 - We discuss our strategy with investors at analysts' meetings and at our AGM.
 - We also discuss our strategy and how we can best implement it with our employees.
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4 Meeting the needs and objectives of your shareholders

- We seek to ensure effective two-way dialogue with our key shareholders on their needs and objectives as well as on the board's proposed approach to leading and directing the business, aiming to ensure harmony between them.
 - We ensure all shareholders are treated fairly, especially where there is a dominant shareholder.
 - As a board, we know our long-term shareholders and have regular balanced feedback on their views.
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5 Meeting stakeholder and social responsibilities

- We seek to ensure effective two way dialogue with our employees and others working in the business, eg as contractors, through meetings and online forms of communication.
 - Employees are encouraged to raise concerns and there are independent whistleblowing arrangements in place.
 - We actively seek to engage with our customers and suppliers.
 - We take our human rights and anti-bribery and corruption obligations seriously including where our supply chain is concerned.
 - We have active programmes in place to minimise and, if at all possible, eliminate any negative impacts our business has on the environment or society more widely.
 - In addition, we actively consider how we can maximise our positive net impact on society.
 - The board receives regular high quality feedback on stakeholder and social responsibility issues and follows up on it.
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6 Using cost effective and value added arrangements

- Corporate governance is at the heart of the business and we apply it in a way that strengthens our entrepreneurialism and accountability.
- We regularly consider how we can enhance the impact, value and cost effectiveness of our governance approach.

Maintaining a flexible, efficient and effective management framework within an entrepreneurial environment.

7 Developing structures and processes

- The board contains at least two independent NEDs. The structure of the board committees – audit, remuneration and nominations – works well and is in line with good practice including with respect to the number and roles of the independent NEDs.
 - The board and committees meet sufficiently regularly (say at least four to six times a year) and there is reasonable sequencing of board and committee meetings.
 - There is a high level of both constructive challenge and support in the boardroom, including committees.
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8 Being responsible and accountable

- Board members are clear on their legal responsibilities and ensure they fulfil them. This includes responsibilities under the Companies Act and health and safety, anti-bribery and corruption and human rights legislation.
 - The board ensures its corporate governance and reporting is in line with good practice for a business of its size and complexity.
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9 Having balance on the board

- The board is a diverse team with regard to gender, ethnicity, skill sets, age and personality types.
 - There is no dominant individual on the board.
 - There is a good balance between the executive directors and independent NEDs with an least two independent directors on the board.
 - The overall size of the board is reasonable and allows for the necessary skills and balance without being too large.
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10 Having appropriate skills and capabilities on the board

- There are the necessary skill sets on the board. This may include sector and business, people, finance, commercial and technology backgrounds.
 - The board is well led by the chair.
 - The CEO is very effective in their role.
 - The executive directors and independent NEDs are effective in their functional roles.
 - The board works well as a team and there are good relations between key pairings. For example, the chair and CEO.
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11 Evaluating board performance and development

- The board annually reviews its performance and that of its committees.
 - The chair meets annually with directors to discuss their performance and individual development.
 - The board spends a reasonable number of hours each year on board development as a team.
 - The nominations committee regularly reviews succession plans for board and key management roles.
 - The board is refreshed on an ongoing basis and a thorough review is undertaken before board members are reappointed.
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12 Providing information and support

- The board and committees receive balanced and informative board papers covering strategy, risk, performance (with forward-looking KPIs), cash flow and other key issues.
- Papers are received on a timely basis.
- Independent NEDs are able to take independent advice when they consider it necessary.

PLEASE GET IN TOUCH...

For more information, please contact

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Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, advisory, tax and legal services. We have extensive experience working with companies from AIM-quoted through to FTSE350, and our deep knowledge and collaborative, hands-on approach allows us to help businesses succeed.

Mazars is delighted to be supporting the QCA's 25th anniversary year. We believe the work that the QCA does helps small to mid-sized quoted companies achieve their full potential by providing access to valuable insights, topical events, and guidance as well as by improving the market environment for members.

The Quoted Companies Alliance (QCA), is the independent membership organisation that champions the interests of small to mid-size quoted companies. The QCA identifies the issues that matter to its members, keeps them informed and interacts to build the understanding and connections that help them stay ahead in business.

To find out more about the QCA's campaigning activities and events, please contact Tim on 020 7600 3745.

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