

2025

BOARD EVALUATION RECOMMENDATIONS FROM ECODA

INTRODUCTION

ecoDa (the European Confederation of Directors' Associations) has chosen to focus on the critical issue of board self-evaluation because we recognize it as a fundamental tool in enhancing the professionalism and effectiveness of boards across Europe. Board self-evaluation has become increasingly recognized as a vital process for ensuring that boards possess the right mix of competencies, uphold the highest standards of governance, and remain agile and responsive in the face of evolving business and regulatory landscapes.

At ecoDa, we firmly believe that implementing board self-evaluation on a European-wide scale can lead to substantial improvements in board performance, fostering greater accountability, transparency, and the ongoing development of board members. This process is key not only for strengthening governance structures but also for ensuring that boards are equipped to meet the challenges of a dynamic global marketplace.

In light of its significance, ecoDa calls on all national institutes to actively promote and support the adoption of board self-evaluation practices, both within their own organizations and across the broader board community. By embracing this practice, we can collectively elevate the standard of governance, reinforce the pivotal role of boards, and contribute to the continuous professional development of directors throughout Europe.

OBJECTIVES OF THE WORKING GROUP:

In 2024, ecoDa established a dedicated Working Group to address the critical topic of board self-evaluation. The primary objectives of this Working Group (WG) were to:

- Guide board members on how to conduct board assessments across a variety of contexts, highlighting the value of the process and identifying the key factors that influence its success and effectiveness.
- Provide board members with an objective, professional perspective on their individual and collective contributions, enabling them to gain valuable insights into areas for improvement.
- Increase awareness among member institutes about the best practices for conducting board assessments, while also shedding light on existing services and those currently being explored to support this essential practice.

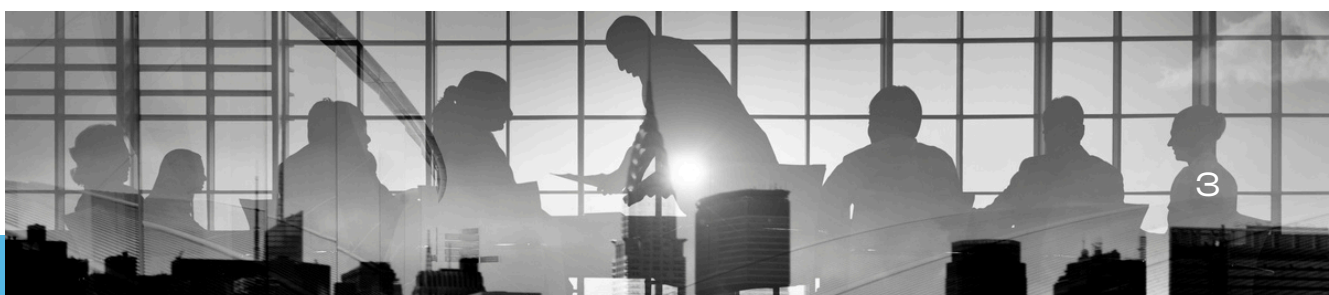
To further enrich the dialogue, the Working Group organized a series of hearings, fostering deeper engagement on the topic. This collaborative approach aimed to ensure that board self-evaluation is not only understood but effectively implemented across Europe.

Composition of the Working Group:

The WG was composed of eleven representatives from member institutes. The group met monthly from April to December 2024 and collected inputs from five external players and experts, whose insights helped inform the discussions.

Methodology:

Examples of successful board evaluations were shared, illustrating what works well and what does not. The most effective evaluations involved clear methodologies, defined roles, and a well-established framework for collecting and analyzing feedback from board members, senior management, and external stakeholders. When done correctly, evaluations not only help identify areas of improvement but also foster a culture of accountability, transparency, and continuous development within the board.



DIFFERENT TYPES OF BOARD EVALUATION:

Before examining the benefits of board evaluations, it is important to understand the different approaches commonly used to conduct them. These vary in terms of objectivity, depth, and the role of external input:

Internally Led Board Evaluation (Self-Review)

01.

In this model, the evaluation is conducted entirely by the board itself, typically led by the Chair or another board member. Board members assess their own performance and that of the board collectively.

Externally Facilitated Self-Review

02.

This hybrid model combines internal ownership with external support. An external consultant or facilitator designs the evaluation framework, gathers feedback (often through surveys or interviews), and guides the board through the process, but the board retains responsibility for the analysis and conclusions.

Fully External Review

03.

In this approach, an independent third party conducts the entire evaluation, including design, data collection, analysis, and reporting. This can provide the most objective assessment.

A self-board review does not eliminate the need for external facilitation (Externally Facilitated Self-Review). In fact, external facilitators bring crucial objectivity and independence to the process, which helps prevent conflicts of interest and ensures a more candid and accurate assessment. While internal evaluations (self-review) allow for greater familiarity and involvement of board members, fully external review provide a neutral perspective that can address deeper issues, particularly board dynamics, that might otherwise go unnoticed.

Conflicts of interest can arise in both internal and external evaluation processes and must be managed carefully to maintain credibility and independence.

- External evaluators may have pre-existing relationships with the organization, as recruiters, strategy consultants, or legal advisors, which could compromise the objectivity of their assessment. Recruitment firms conducting evaluations, for example, may face implicit pressure to deliver favorable findings if they are also placing board members.
- Within internal evaluations, attention should be paid to who leads and supports the process. Their involvement must be carefully scoped to avoid role confusion or perceived bias.

Typically, a self-review process takes about three weeks to complete, given its internal focus and relatively straightforward structure. On the other hand, an external review is a more comprehensive and in-depth process that typically spans about three months, allowing sufficient time for external facilitators to gain insights into the board's dynamics, skills, and governance practices.

01

WHY BOARD EVALUATIONS (OF ALL KINDS) CAN BE USEFUL :

Board evaluations offer a wide range of benefits that can significantly enhance the performance and governance of an organization. These advantages include:

- **Improving overall board effectiveness:** Regular evaluations help identify areas for improvement and ensure that the board is operating at its full potential.
- **Enhancing individual and collective contributions:** By assessing the performance of both individual board members and the collective body, evaluations promote a culture of continuous improvement.
- **Strengthening key board dynamics and communication:** Evaluations highlight the dynamics within the board, fostering better communication, collaboration, and decision-making.
- **Assessing the board's mix of competencies and identifying any gaps:** Evaluations provide a clear picture of the board's strengths and weaknesses, ensuring that the right mix of skills is present to address current and future challenges.
- **Addressing and preventing potential conflicts:** Through a candid assessment process, potential conflicts or issues can be identified early, allowing for proactive resolution before they escalate.
- **Identifying training or skills development needs:** Board evaluations help pinpoint areas where board members may require further development, enabling targeted training initiatives.
- **Ensuring proper processes are applied in the board and committees:** Evaluations provide an opportunity to review and enhance governance processes, ensuring they are efficient and effective.
- **Demonstrating a commitment to good governance to investors and stakeholders:** By conducting evaluations, the board signals its dedication to maintaining high standards of governance, building trust with investors and other stakeholders.
- **Upgrading the professionalism of board members:** Evaluation helps raise the bar for board members, encouraging a higher level of professionalism and accountability.
- **Sharing inside the board a common view of current and next priorities:** Evaluations facilitate alignment within the board, ensuring that all members are on the same page regarding strategic objectives and priorities.

While the advantages of board evaluations are widely acknowledged, the outcomes can vary depending on several factors, which are outlined below.

02

FACTORS AFFECTING BOARD EVALUATIONS (OF ALL KINDS):

The Working Group identified several key factors that influence the effectiveness of board evaluations. These factors play a crucial role in determining how valuable and impactful the evaluation process will be:

- **Governance of the Assessment Process:** Establishing clear roles and responsibilities is vital for an effective evaluation process. This includes decisions regarding whether the assessment is internal or external, and the involvement of key players such as board members, senior management, and external facilitators.
- **Methodology Used:** While there was general consensus on the methodologies employed in board evaluations, their effectiveness largely depends on the specific context and whether the assessment is conducted internally or externally. External evaluations tend to be more effective, particularly in addressing board dynamics and generating actionable plans. It is recommended that external assessors participate in at least one board meeting to gain deeper insights.
- **Areas Covered:** The most critical areas for evaluation include board composition, skills, governance practices, board dynamics, the quality of information provided to board members, and the board agenda. Succession planning is another important area that should be explored, although it is not always consistently practiced. These areas ensure that the evaluation captures the most relevant aspects of the board's functionality and performance.
- **Main Actors:** All board members should provide feedback as part of the evaluation process, but input from senior management and stakeholders also adds significant value. Key roles such as the Chair, Lead Independent Director (LID) – especially in some jurisdictions, and corporate secretary are central to ensuring the evaluation process is effective. External facilitators can also enhance the evaluation by offering a neutral perspective and a more detailed, granular approach.
- **Internal vs External Evaluation:** While internal self-assessments can be useful in some contexts, external evaluations are generally preferred for their objectivity, independence, and depth, especially when it comes to assessing board dynamics. External evaluations also play a critical role in identifying gaps in board skills and can serve as a catalyst for governance reforms. However, the value of internal evaluations should not be underestimated. Internal assessments can be highly effective when the methodologies are well-structured and the board is committed to the process. When conducted with a focus on transparency, objectivity, and a strong determination to improve, internal evaluations can complement external assessments and contribute significantly to the overall effectiveness of the board.

- **Time and Cost:** Striking a balance between the time and cost required for an evaluation is crucial. The process must ensure confidentiality while delivering valuable insights into board dynamics and providing an actionable plan for improvement. It should be efficient without sacrificing quality.
- **Investor Views:** Investors typically focus on board skills, diversity, efficiency, and engagement when assessing governance. These elements are essential for building investor confidence and maintaining strong relationships with key stakeholders.
- **Experiences by Member Institutes:** Some member institutes already offer board assessment services, while others are in the process of developing tailored services for specific industries. These services are often provided in collaboration with external advisors, ensuring that evaluations are both comprehensive and professionally facilitated.

By understanding and addressing these factors, boards can maximize the value of their evaluation processes, improving governance and overall board performance.

03

GENERAL RECOMMENDATIONS:

The WG formulated several recommendations to assist board members of all types of organizations in conducting board self-evaluations. These recommendations aim to help them appreciate the value of external versus internal evaluations and set clear expectations for the exercise.

- Board assessments (Self-Review or Externally Facilitated Self-Review) should be conducted yearly, with a fully external review every three years (a three-year cycle).
- Clearly define the purpose of the board evaluation (of all kinds). Determine whether the review is needed only for compliance purposes or to address the onboarding of new members. Past recommendations should systematically be part of the evaluation process.
- Start with a full-fledged external evaluation before conducting a self-evaluation. This initial external evaluation sets a benchmark for the board's performance and provides an independent view of its strengths and areas for improvement.
- If an external facilitator is chosen for the self-review, ensure a rigorous selection process to ensure their competence and independence. The right external evaluator should possess a deep understanding of board governance, as well as the ability to bring an unbiased, constructive perspective to the process.

04

SPECIFIC RECOMMENDATIONS FOR SELF-REVIEW:

4.1 Process of Board Self-Review:

- ✓ **Preparation:** Allocate time to discuss the scope, setup, methodology, and communication before beginning the process. It's essential to establish clear agreements on who is informed about what during the evaluation.
- ✓ **The Chair should lead the process, supported by the corporate secretary, and eventually the LID, if needed, can assist with specific evaluations (e.g., evaluating the Chair).**
- ✓ **Competency Matrix:** Use a competency matrix to assess board skills, focusing on essential competencies rather than "trending" skills.
- ✓ **Action Plan of Board Work Improvement:** An action plan following the evaluation is crucial to ensuring its effectiveness. The real value of the evaluation process lies in how the action plan is executed, driving tangible improvements in governance and board performance.
- ✓ **Anonymity and Feedback:** Ensure full anonymity for NEDs and other board members to encourage open feedback. The Chair should not have editorial rights over the feedback to maintain objectivity.
- ✓ **Review Transcripts:** A careful review of transcripts or feedback summaries is essential to ensure that overly direct or harsh comments do not unintentionally escalate issues or create unnecessary tensions within the board.
- ✓ **Benchmarks:** Consider accessing benchmarks from peer organizations, either within the same sector or companies of similar size, to compare the board's performance against industry standards. While some benchmarks may be confidential, public information on peer organizations can still provide valuable insights for comparison.
- ✓ **Regular Updates:** Review survey questions regularly to ensure they address contemporary topics like HR and technology. This helps keep the evaluation process relevant and in tune with evolving governance needs.

4.2. Focus on Board Dynamics:

A self-evaluation should focus on improving board dynamics, not just ticking boxes. This can be achieved through qualitative, tailor-made questions that provide insight into board functioning. The evaluation should aim to improve how the board members interact, communicate, and work as a cohesive team. By addressing board dynamics, the process will not only assess individual contributions but also identify and resolve any underlying issues that may be hindering the board's overall performance.

✓ Board dynamics should be a focal point of any self-evaluation to improve overall performance.

4.3. Interaction with Management:

✓ It is recommended that management, beyond just the CEO, is involved in the evaluation process. The survey for management may differ from the one used for board members, but it should still capture relevant insights. It is recommended that management, not just the CEO, be involved in the board evaluation process. Including a broader spectrum of the management team allows for a more comprehensive understanding of the board's performance and its impact on the organization.

✓ Encourage broader participation from the management team in the evaluation. Their feedback is invaluable for understanding how the board's actions and decisions affect the day-to-day operations and strategic direction of the organization.

4.4. Self-Evaluation of Committees:

Committees must also undergo evaluation. Each committee plays a unique role in the governance structure. It's important to recognize that there are no universal questions for committees—each set of questions must be tailored to the committee's specific roles and composition.

✓ Each committee should have a unique evaluation process based on its specific responsibilities. This ensures that the evaluation is relevant, targeted, and provides meaningful insights into the committee's performance, helping to strengthen its contribution to the overall governance of the organization.

4.5. Recommendations for the Chair:

By taking the lead in the self-evaluation process, the Chair sets the tone for a transparent, constructive, and valuable exercise that benefits the board's performance and governance.

- ✓ The Chair should take the lead in initiating the board's self-evaluation, ensuring the purpose is clearly defined and well-articulated.
- ✓ The Chair should clearly communicate the rationale and benefits of the process to motivate board members to participate and take the evaluation seriously.
- ✓ It's a good practice to collect feedback from the Chair when their mandate ends to identify areas for improvement and to assess their leadership during their tenure. The feedback on the results should be given to all board members.

4.6. Recommendations for Shareholders:

Shareholders should be more demanding when it comes to board self-evaluation and external evaluation to ensure transparency and effectiveness in governance. By being more demanding, shareholders can drive the transparency and accountability needed to strengthen governance practices, ultimately benefiting the company's long-term performance and reputation.

- ✓ Encourage shareholders to actively support and hold boards accountable for the self-evaluation process, as it is crucial for maintaining good governance.
- ✓ Turn to governance experts rather than a recruitment firms, when an external assessment is carried out.

CONCLUSION

This report emphasizes the value of board assessments in improving governance and professionalism. While both external and internal evaluations have their merits, a thoughtful approach involving clear purpose, well-defined methodology, and actionable outcomes is crucial to the success of the board evaluation process. The WG's recommendations provide a comprehensive roadmap for organizations aiming to enhance their board evaluations, ensuring better governance, improved board performance, and greater shareholder and stakeholder confidence.

These recommendations are designed not only to ensure that board evaluations go beyond a mere box-ticking exercise but also to bring real value between two external evaluations. By following these guidelines, organizations can prevent self-evaluations from becoming superficial or routine and instead use them as a tool for continuous improvement.

Importantly, the recommendations make it clear that internal evaluations do not preclude the involvement of an external facilitator. On the contrary, external facilitators add significant value by providing objective, independent insights, even when internal evaluations are being conducted. This combination of internal self-assessment and external expertise ensures a comprehensive and effective evaluation process.

APPENDIX

- [The FRC's 2004 updated version of the UKCG Code, 2024](#)
- [Global Network of Directors Institute, Board performance Evaluation Guideline, 2023](#)
- [Harvard Law School Forum on Corporate Governance. Conducting Effective Board Assessment, 2022](#)
- [Harvard Law School Forum on Corporate Governance, Effective Board Evaluation, EY Center for Board Matters, 2018](#)

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WHAT IS ECODA ?

ecoDa is an independent and unique umbrella organization representing the main national institutes of directors across Europe. Our member institutes collectively encompass around 50,000 individual board members from 21 countries, serving on the boards of companies of all sizes and sectors. Our main focus is corporate governance. All our member institutes are each recognised as the leading institute for directors and governance in their respective country. ecoDa is a member of the Global Network of Directors Institutes (GNDI).

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