

5 Keys to Powering Governance Excellence with Board Evaluations

Effective boards often have a constant desire to improve. This requires continual reflection, candid discussion, and, most importantly, focused action. A strategically designed board evaluation process can foster board effectiveness.

Board evaluations are used to assess and report on individual director and group performance. Analysis of results showcase strengths and highlight gaps in performance, which may ultimately help promote deeper board engagement and encourage directors to utilize their unique perspectives to enhance board performance. Board evaluations also show management, employees, and investors that directors care about the performance of the organization and its stakeholders.

A well-planned and well-executed board evaluation process:

- Encourages strategic thinking
- Identifies opportunities for improvement and education
- Promotes board and management alignment
- Cultivates a healthy organizational culture
- Enhances strength of oversight and governance practices
- Fosters deeper board and management interaction
- Highlights board composition needs
- Creates stronger, more collaborative relationships among directors
- Drives board focus on important strategic and governance matters

Reimagining the Evaluation Process

The board evaluation process, from inception to execution, can be complex and time intensive. For an evaluation to be an effective and valuable use of directors' time, it is important that the objectives for the process are clear, the substance of the evaluations are appropriately tailored, and a process for reviewing feedback and developing actions is established.

This focused approach helps ensure that boards can provide a swift response to new internal developments and opportunities, market dynamics, and even political, economic, and social environments. If too much time passes between gathering feedback and aligning on resultant actions, the findings and feedback may become irrelevant, and directors may view the process as an ineffective use of their time and efforts.

Boards that are committed to governance excellence establish a proper cadence for conducting fulsome evaluations to understand performance. With the appropriate process and when conducted at the right time, the evaluation should incorporate the following components:

- Board Evaluation
- Committee Evaluations
- Director Peer and Self-Evaluations
- CEO and Management Evaluations
- Board Candidate Evaluations

Developing the right "what" and "when" of the board evaluation process will provide the board with a holistic view of its effectiveness and help it maintain a healthy approach to governance. A written evaluation is an efficient method for gaining directors' insights and provides opportunities to benchmark data and progress year over year.

Adding interviews can enhance director engagement by prompting directors to think more deeply about the board, committee, or directors' performance. Asking directors dynamic and thought-provoking questions can uncover nuanced insights. These detailed and contextual perspectives can lead to candid board discussions on opportunities that may enhance the board's cohesion and drive alignment on areas for action that will show the board's commitment to effective governance.

Why Partner with a Third Party for Board Evaluations?

Having a third-party facilitator with experience in board evaluations and governance best practices can help ensure customized—and streamlined—design and facilitation.

Nasdaq Governance Solutions' Board Engagement team works with public, private, and non-profit organizations to design and implement board evaluations that help to improve board and management alignment, while also promoting a culture of

communication, collaboration, and continuous improvement.

Effective third-party facilitators are also skilled in fostering candid and productive discussions. They build trust and promote transparency throughout the process, which encourages directors to share their honest experiences and ideas and appropriately express their concerns to advance positive outcomes.

Here are five potential benefits of working with the Board Engagement team throughout the evaluation process:

01

Customization: Board Engagement team members know good governance through their experience working with boards and being on boards themselves. The team takes a customized approach so your evaluation process—and even specific questions—are tailored with your governance goals and objectives in mind. By fine-tuning written evaluations and follow-up interview questions to individual directors, you will receive refined input based on directors' unique experiences and areas of expertise, driving more value from your board.

02

Anonymity: The evaluation process should be structured to encourage candor and thoughtfulness. Having a third-party partner handle the end-to-end evaluation process provides directors with the ability to be frank, because anonymity is built into every phase, from feedback collection through reporting and results discussion.

03

Ease-of-Use and Participation: The Board Engagement team's process is augmented by the use of technology. Evaluations are accessible in the Nasdaq EnGauge™ platform and delivered via email or through the Nasdaq Boardvantage® board portal. Automated reminders can be sent to directors, which helps optimize engagement and ensure full participation.

04

Add Depth to Responses: Evaluations are useful if they provide actionable insights. The Board Engagement team strategically designs questions for the written evaluation that cultivate director-level thinking on relevant governance topics. This feedback can inform follow-up interviews, which add more depth to the process. The breadth of data and commentary provides a deeper level of analysis that turns feedback into productive discussions and agreed-upon actions. These conversations are a starting point for aspirational ideas that may become work plans to help drive growth and stakeholder value.

05

Visualize a Path Forward: Evaluation data and feedback should not only be anonymized, they should be clear and digestible. Informative infographics, qualitative and quantitative analyses, and year-over-year comparative data drive understanding and promote an actionable process. As part of its customized approach, the Board Engagement team provides a variety of rich visual analysis tools such as:

- Heat maps that show a visual representation of directors' responses
- SWOT diagrams that identify strengths, weaknesses, opportunities, and threats based on feedback
- Action points with a high-level summary of directors' perspectives and priorities
- Skills matrixes that present a holistic view of the board's diversity, expertise, and experience

Turn Evaluations into Opportunity

Regardless of size or industry, Nasdaq Governance Solutions' Board Engagement team has helped organizations turn board evaluations into strategic assets. The team acts as a true partner throughout the process, helping boards craft and execute evaluations, facilitate follow-up conversations, visualize key findings, and turn evaluation results into productive takeaways that can be acted upon. Additionally, the team is experienced at hosting results discussions and Q&A sessions on comparative trends and

governance practices, so boards can agree on key action areas and focus on promoting commitment to good governance practices.

An effective board evaluation process should be customized to align with the organization's governance goals, encourage candor, maintain directors' anonymity, and drive strategic discussions on action areas. Moreover, board evaluations can help directors achieve excellence and lead the organization into the future.

Get more value out of your board evaluations and set the foundation for governance excellence with Nasdaq Governance Solutions. To learn more about the Board Engagement team's process and the Nasdaq EnGauge platform, visit: nasdaq.com/solutions/board-evaluations.

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