



BANK LICENSING, SUPERVISION & SURVEILLANCE

**BOARD & DIRECTOR EVALUATION FRAMEWORK
FOR FINANCIAL INSTITUTIONS**

INTRODUCTION

1. Board and director evaluation involves board members undertaking a constructive but critical review of their own performance, identifying strengths, weaknesses and implementing plans for further professional development. The provision of feedback on board performance and governance processes is the most crucial element of director evaluation.
2. To enable directors of banking institutions to evaluate their individual performance as well as the collective performance of the Board, the Reserve Bank has developed a framework for evaluating board effectiveness. Key evaluation factors in the Framework are the functions of the board, board strategy and effectiveness, board structure and committees, Chairperson's and peer director's performance.
3. This framework should be regarded as the minimum standard and banking institutions are encouraged to develop more comprehensive frameworks for internal administration.
4. You are required to complete all sections of the Board Self Evaluation Form honestly and sincerely. Please provide comments to explain the ratings allocated.
5. A rating scale of "1" to "5" is employed, wherein "1" denotes a strong rating and "5" a critical condition.

BOARD AND DIRECTOR EVALUATIONS

EXECUTIVE SUMMARY

The Chairperson should prepare an Executive Summary, whose contents are detailed below.

- 1. EVALUATION METHODOLOGY:** Indicate how the evaluation process was undertaken e.g. the board may nominate a committee, or consultant to administer the evaluation process.
- 2. SUMMARY RESULTS:** Summarise the results of the evaluation process, that is summary of overall board performance, summary of Chairperson's performance and summary of individual director's performance.
- 3. PLANNED REMEDIAL ACTIONS:** Highlight weaknesses/Irregularities noted and the action plans to address them.

1. BOARD SELF EVALUATION FORM

Note:

This is a form for the overall assessment of the quality of board oversight. The form should be completed by every director, the results of which provide input to the overall assessment.

Rating Scale: 1. Strong, 2. Satisfactory, 3. Fair, 4. Weak, 5. Critical *(Director to tick on the selected rating and provide comments)*

EVALUATION FACTOR	RATINGS					COMMENTS
	1	2	3	4	5	
Board and Strategy Effectiveness: The Board...						
1. has developed a strategic plan and is planning adequately for the future.						
2. evaluates the strategic plan periodically to assess the institution's performance, considers new opportunities and responds to unanticipated external developments.						
3. focuses its attention on long-term policy issues rather than short-term administrative matters.						
4. discusses thoroughly the annual budget of the organisation and its implications before approving it.						
Board Structure and Committees						
5. The bank has an appropriate board size and structure.						
6. The board currently contains a sufficient range of expertise to make it an effective governing body.						
7. The composition of the board complies with the provisions of the Banking Act, Banking Regulations and the Corporate Governance Guideline.						

EVALUATION FACTOR	RATINGS					COMMENTS
	1	2	3	4	5	
8. The board has the proper number of committees as required by legislation and guidelines, with well defined terms of reference and reporting requirements.						
9. The committees are appropriately constituted.						
Board Meetings and Procedures						
10. The number of board meetings during the year is adequate.						
11. Board members receive accurate minutes and board packs; written agendas and meeting notices; and relevant material to prepare in advance of meetings.						
12. Non-committee members are kept informed as to various board committee actions.						
13. All proceedings and resolutions of the board are recorded accurately, adequately and on a timely basis.						
14. Board meetings are conducted in a manner that encourages open communication and meaningful participation.						
15. Sufficient time is provided during board meetings for thoughtful discussion in addition to management dialogue.						
16. All board decisions, other than those that have been delegated to the executive committee, are made in the board room.						
Board and Management Relations: The Board...						
17. sets the overall tone and direction of the bank and establishes guidelines on the nature and amount of risk the bank may take.						

EVALUATION FACTOR	RATINGS					COMMENTS
	1	2	3	4	5	
18. has approved comprehensive policies and procedures for all material activities and risks in the organisation.						
19. participates in the annual evaluation of the Chief Executive Officer and approves the final document before it is presented to him/her.						
20. has a range of appropriate performance indicators that are used to monitor the performance of management.						
21. is well informed on all issues (short and long-term) facing the institution.						
22. ensures that information adequately flows between the board and management on ongoing basis.						
23. adequately reviews proposed departures from the long- and short-term business plans of the bank before they take place.						
Succession Planning and Training						
24. The bank's induction and on-going training program assist board members in the execution of their duties.						
25. The board has a succession plan for the Chairperson and the Chief Executive Officer / Managing Director.						
26. The board has effective mechanisms that allow for taking corrective action against staff and management.						

	Strong	Satisfactory	Fair	Weak	Critical
OVERALL RATING OF BOARD PERFORMANCE					
COMMENTS				

SUGGEST THREE THINGS THAT COULD IMPROVE YOUR BOARD'S PERFORMANCE:

a)

b)

c)

Name of Director: **Signature:**..... **Date:**

2. CHAIRPERSON ASSESSMENT FORM

Note - This is an assessment form for evaluation of the Chairperson of the board. The form may be completed by every member of the board or a committee nominated by the board.

Rating Scale: 1. Strong, 2. Satisfactory, 3. Fair, 4. Weak, 5. Critical *(Director to tick on the selected rating and provide comments)*

EVALUATION FACTOR	RATINGS					COMMENTS
	1	2	3	4	5	
Managing Relationships: The Chairperson...						
1. actively manages shareholder, board, management and employee relationships and interests.						
2. meets with potential providers of equity and debt capital.						
3. manages shareholder meetings effectively and promotes a sense of participation in all shareholders and promotes shareholder confidence in the board.						
Leadership: The Chairperson...						
4. is an effective leader.						
5. promotes effective participation of all board members in the decision making process.						
6. takes action to correct deficiencies noted.						
7. promotes the image of the financial institution.						
8. is involved in determining board information packages.						
9. promotes continuing training and development of directors.						

OVERALL COMMENTS:

.....
.....
.....
.....
.....
.....

Name of Director/Chairperson of the committee: **Signature:**..... **Date:**

3. INDIVIDUAL DIRECTOR ASSESSMENT FORM

Note - This form is completed by every director and involves a peer review of each individual director performance.

Institution:.....

Director Details (*The Appraisee*):

Name of Director being appraised

Designation

Rating Scale: 1. Strong, 2. Satisfactory, 3. Fair, 4. Weak, 5. Critical (*Director to tick on the selected rating and provide comments*)

EVALUATION FACTOR	RATINGS					COMMENTS
	1	2	3	4	5	
Corporate Governance: The Director...						
1. has ability to remain focused at a governance level in board meetings.						
2. contributes to the strategic planning process.						
3. understands governance, regulatory, legal, financial, fiduciary and ethical requirements of the board.						
4. adheres to high standards of personal integrity and gives high priority to ethical standards.						
5. practices confidentiality.						

EVALUATION FACTOR	RATINGS					COMMENTS
	1	2	3	4	5	
Commitment and Competence: The Director...						
6. adds good value to the institution.						
7. has ability to see the implications of broad organisational issues.						
8. keeps abreast with latest developments in the sector.						
9. has adequate knowledge of the institution's key activities, financial condition and key developments.						
10. communicates convincingly yet diplomatically.						
11. contributes to board deliberations or committee work.						
12. comes prepared for meetings.						

OVERALL COMMENTS

.....

.....

.....

.....

Name of Director/Chairperson of the committee: **Signature:**..... **Date:**