

FTSE boards 'marking their own homework'

Less than a quarter of FTSE 100 companies in the UK used external advisers when performing board performance evaluations in 2005 and 2006, according to a new survey by the UK Institute of Chartered Secretaries and Administrators (ICSA) Corporate Services.

The report, entitled *Board Performance Evaluation: Review of 2006 Annual Reports of UK Listed Companies*, found that, out of the 92 companies surveyed, only 19 chose to undertake some form of externally-developed or managed evaluation process. The companies who did choose to use an external evaluator included firms as varied as BAE Systems, Barclays, J Sainsbury and Unilever.

Of the companies surveyed, all but four are undertaking some kind of board evaluation in line with Principle A6 of the UK Combined Code – a promising number, says the report. It adds that, although the ICSA does not take issue with boards using internally-managed evaluation processes, it is concerned whether evaluations are sufficiently rigorous. Companies should, it argues, periodically engage external facilitators to benchmark board performance – otherwise, firms run the risk of evaluations becoming akin to 'children marking their own homework'.

Geoffrey Shephard, Director of the ICSA Board Performance Unit, says: 'This report demonstrates that too many companies are still nervous about undertaking an external review of their board.

'Further work needs to be done to encourage them to do so,' he concludes.

The report also warns that several of the companies reviewed 'appear not to appreciate the important distinction' between chief executives reviewing the performance of executive directors as members of the management team, and reviewing their performance as members of the board. The ICSA suggests that this remains an area where UK companies should be looking to develop further.

The report, *Board Performance Evaluation: Review of 2006 Annual Reports of UK Listed Companies* can be requested by e-mailing boardperformance@icsa.co.uk.