

Guidance Note 8**Chair Appraisals****October 2019**

This Guidance Note is intended as a guide to the key elements of an annual appraisal for Chairs within the UKGI portfolio to help you when you are involved in, or conducting, an appraisal as a shareholder team and/or as a NED sitting on the board of the asset.

Chair appraisals must take place annually. However, annual appraisals of the Chair and NEDs are not a substitute for board effectiveness reviews – see [Guidance Note 1](#) – which should be conducted separately.

You must always familiarise yourself with any Departmental guidance e.g. BEIS ([here](#)) and check the relevant provisions in the asset's Framework Document and/or the requirements of any terms of appointment before beginning any appraisal process.

Remember! you must consider GDPR and data protection requirements when sharing any appraisal information. Shareholder teams should also be mindful to present a fair view (i.e. be capable of withstanding public scrutiny) when writing-up an appraisal.

Why annual Chair appraisals?

Regular appraisals of the Chair and all NEDs are a core part of the FRC Corporate Governance Code 2018 ([here](#)) - as a means of improving and monitoring the performance of the Board.

For UKGI, annual Chair appraisals are an essential mechanism for shareholder teams and asset chairs to reflect on individual Chair performance and consider where additional support, or training, may be required. It is also essential for appraisals to underpin recommendations to Departments and they should be reported to Departments.

UKGI does not (yet) have a specific template for Chair appraisals, but essentially the appraisal should:

- provide an opportunity to review objectively the overall performance of the Chair, and the Board under the Chair's leadership, and delivery of objectives promised at the last appraisal and included in the Chair's letter for the year. This needs to include things promised by Ministers/the department/UKGI as well as the Chair – which may feel uncomfortable for Departments but is a useful tool for shareholder teams to help Departments make sure they deliver what their Ministers/officials promised);
- enable discussion of objectives for the coming year for inclusion in a new Chair's letter; and
- inform and influence succession planning well ahead of any decision on reappointment being required - references to appraisals should form part of any appointment / reappointment submissions.

Who is responsible?

As a general rule, UKGI, together with the SID if appointed, will be responsible for overseeing the appraisal of the Chair annually but this will depend on agreement and/or formal delegation by the relevant Department. The Chair has overall responsibility for the appraisal process for NEDs (and should conduct an appropriate and effective process).

Timing

The Chair appraisal should take place before the start of the process to produce a new Chair's letter, so that the Chair's letter can reflect feedback from the appraisal process. The process should normally take around 4-8 weeks. It is also important when you are approaching a reappointment decision to consider whether you need to build in additional time or bring forward the annual appraisal itself.

Process - Overview

There are some core elements of any appraisal process, but the precise procedure for any individual Chair appraisal, and UKGI's role in it, will depend on the importance of the asset, the preferences of the Department and the nature of UKGI's shareholder role on that particular asset. The core steps of the process include:

- feedback from the Board (via the SID, or other board-nominated NED);
- a Chair self-assessment; and
- UKGI and departmental feedback on performance (which would usually be collated by the UKGI lead Director).

There will then be a formal interview between the Chair and (a) the SID, (b) a senior UKGI representative (either the UKGI Board member, or another UKGI Director) and (c) if desired by the Department also a departmental official or Minister.

Where possible, shareholder teams are encouraged to seek clarity at the point of appointment as to what involvement the Perm Sec, other senior departmental officials, and/or Ministers (although this would be considered unusual) wish to have in the appraisal process.

Where the UKGI Director is not the UKGI board member, shareholder teams should be careful to be consistent as far as possible (i.e. ensure the same Director conducts the appraisal year-to-year).

How to conduct a Chair's appraisal: Detailed Process

Chair appraisals are likely to involve one or more of the following steps:

- (1) The SID (or nominated NED) should be asked to gather feedback from board members (including management) on the Chair's performance. Some Departments have a framework for gathering and structuring feedback – for example, BEIS has suggested that feedback should be structured against the headings below:
 - a. Leadership
 - b. Governance
 - c. Board dynamics
 - d. Strategy
 - e. Stakeholder engagement
 - f. Financial management.
- (2) In parallel the Chair should self-assess his/her performance as a Chair, including against the annual Chair's letter.
- (3) The SID should report (in writing) to the UKGI shareholder team with the consolidated board views on the Chair's performance (which will incorporate any feedback on Board performance from the shareholder director and the asset's management team), and also draw on the Chair's self-assessment.
- (4) The UKGI shareholder team should integrate the board's feedback with the annual self-assessment against the Chair's letter and the team's own view of performance of the Chair against the Chair letter and generally. The shareholder team should also seek the views of wider UKGI, the Department, and, if desirable, other HMG stakeholders, of the Chair's and ALB's performance and produce a brief for the appraisal discussion itself.

- (5) The SID and a UKGI Director (and, if desired by the Department, a Minister or official from the department at Director level or above), must conduct an appraisal discussion with the Chair. A written report of that meeting should be produced and shared with the Chair, the Department and the UKGI shareholder team. The UKGI Director could either be the UKGI NED or another senior UKGI director as appropriate. Teams should seek guidance on a case-by-case basis with Candida or Justin.

Ends