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Guidance Note 8

Chair Appraisals

Updated March 2023

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 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 UK 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.

Activity 27 of the Portfolio Operating Principles sets the responsibility of UKGI to oversee and collate an annual appraisal of the Chair, at a minimum 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 performance against the objectives of the previous Chair's letter and help to set 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?

UKGI are responsible within government for collating all elements of the Chair's appraisal annually. The SID is responsible for collecting input from Board members and key individuals within the Asset with regards to the Chair's effectiveness at Board level. This is fed into UKGI. The process is set out below. The Chair has



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overall responsibility for the appraisal process for NEDs (and should conduct an appropriate and effective process).

Timing

The Chair appraisal should take place at the end of the reporting year. This allows the Asset/Chair to report against the objectives set out in the previous Chair's letter. It should also allow input into the process to produce a new Chair's letter, so that the Chair's letter can reflect feedback from the appraisal process. The timeline for the process will be set by how long it takes for the Asset/Chair to produce a report against the previous Chair's letter following the end of the reporting year, and how long it takes UKGI to gather input from other stakeholders. Normally this process would take 4-8 weeks.

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 complexities 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) this should be discussed between the SID and the Chair before formal written feedback is provided into UKGI;
- a written Chair self-assessment against the Chair's letter; and
- UKGI and departmental feedback on performance (which would usually be collated by the UKGI lead Director).

A Board effectiveness review may consider the effectiveness of the Chair as part of its remit, gathering input from key stakeholders. This can be a means by which the SID gathers feedback on the Chair's performance from the Board itself, working alongside an external provider as appropriate.

UKGI should collate all of the above inputs. All should be documented. There will then be a formal appraisal meeting conducted with the Chair. It is UKGI's preference that this takes place with a senior Departmental official (DG or Permanent Secretary), or in exceptional circumstances, with a Minister. Alternatively, a senior UKGI representative can conduct the appraisal meeting. This should not be done by the UKGI NED at the Asset as this is inappropriate given the Chair/NED relationship at Board level. Instead, this should be undertaken by another UKGI Director or the UKGI Chief Executive. In some circumstances, such as for Assets with very limited policy engagement, the SID may conduct the appraisal meeting with the Chair. It is UKGI's preference however for a representative of HMG, as shareholder, to conduct the appraisal.

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. UKGI should establish a consistent and robust process and define this within the Framework Document or other constitutional documentation.

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



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- (2) 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.
- (3) This SID should discuss the findings and feedback gathered with the Chair. The SID should then report (in writing) to the UKGI shareholder team with the consolidated board views on the Chair's performance.
- (4) In parallel the Chair should self-assess his/her performance as a Chair. This should include an assessment against the objectives set out in the annual Chair's letter.
- (5) 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.
- (6) There should then be an appraisal meeting between the designated HMG official (see Process – Overview) and the Chair to discuss these findings with the Chair (preferably in person) A written report of that meeting should be produced and shared with the Chair, the Department and the UKGI shareholder team. The written report will form the basis of any re-appointment decision.