

# DO'S AND DON'TS OF BOARD EVALUATIONS

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## The Do's

- 1-Do** keep an open mind on the idea of board evaluations.
- 2-Do** recognize that board evaluation is considered a “best practice” and some banking regulators consider it in the examination process, particularly for large institutions.
- 3-Do** adopt a director “job” description and identify the characteristics of an effective board member and board before conducting a board evaluation.
- 4-Do** adopt a written policy on board evaluations that addresses both substance and process.
- 5-Do** try to draft your own questionnaire (rather than an off-the-shelf form) that is tailored to your board’s needs.
- 6-Do** decide on what kind of board evaluation is in the best interests of the board and bank – self-evaluation, evaluation of other board members, and/or evaluation of the board as a whole, and on whether the board evaluation should be internal or external.
- 7-Do** address important subjects in board evaluations and questionnaires (e.g., understanding of responsibilities, independence, composition of board and committees, strategic planning, board nomination process and succession planning, financial acumen, business development, communication, oversight of risk, audit committee effectiveness, board/management relationship, information dissemination and board reports, level of participation, how effectiveness of board can be improved, level of knowledge, and continuing education.
- 8-Do** establish a board and committee structure such as the use of the nomination and/or corporate governance committee) to assure that a board evaluation will be orderly and effective.
- 9-Do** consider retaining qualified third parties to conduct a board evaluation, and be careful in the selection process.
- 10-Do** perform board evaluations that are fair and transparent.
- 11-Do** participate fully in the board evaluation process.

**12-Do** follow up with the results of board evaluations.

**13-Do** consider the linkage between board evaluations and board nominations

**14- Do** recognize that whatever you do, you are being watched (or the old Woody Allen remark: “Just because I’m paranoid doesn’t mean that I’m not being followed.”)

### **The Don’ts**

**1-Don’t** conduct a board evaluation unless the board has a clear notion of what standards (expectations) the board will apply to an evaluation.

**2-Don’t** be unduly swayed by supposed “best practices” by corporate governance “gurus.” Your decision on whether to conduct a board evaluation and how to conduct it should be your own.

**3-Don’t** be afraid of expressing yourself candidly.

**4-Don’t** believe that board evaluations will always be helpful regardless of how they are conducted.

**5-Don’t** lie or be withholding in questionnaires or interviews.

**6-Don’t** be afraid to criticize, but keep the criticism positive (“This is how to do better”).

**7-Don’t** criticize someone who you don’t like because you don’t like him or her.

**8-Don’t** leave board evaluations incomplete by not correcting weaknesses that have been identified.

**9-Don’t** conduct a board evaluation just to go through the motions.

**10-Don’t** do a board evaluation just because you have heard that it is a corporate best practice.

**11-Don’t** do a board evaluation unless your board is prepared to act on the findings.

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