

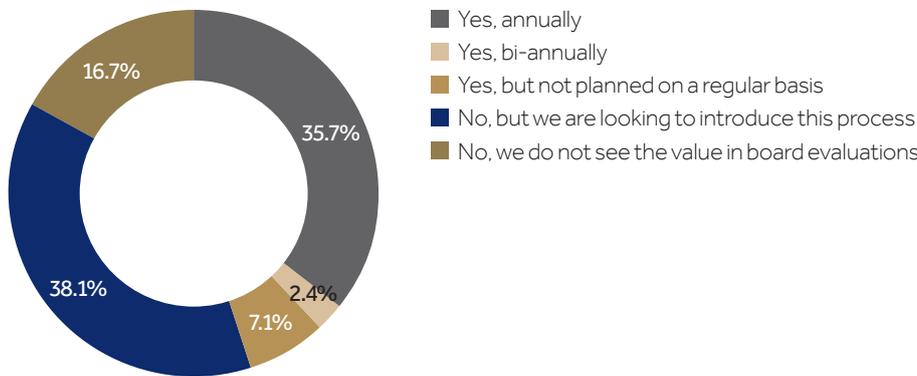
Board Evaluation and Renewal

Board composition has been subject to potentially the greatest regulatory attention and recently this has included board evaluations as a mechanism for assuring the representation of adequate skills on GCC boards. From being virtually non-existent a decade ago, the use of board evaluations in the region has grown significantly over the past 3 years. While annual or periodic board evaluations are now mandatory or recommended in the region for banks and listed companies¹⁴, they remain rare in private companies, where board renewal tends to be less formal.

36% of GCC BDI survey respondents commented that board evaluations are conducted on an annual basis and 17% noted that they are conducted periodically, while an additional 38% said that they are looking to introduce board evaluations. Over a third of respondents thought that the introduction of board evaluation was driven by global best practice and 17% commented that it was a regulatory requirement.

Figure 39. Implementation of Board Evaluations

Do you evaluate the board’s performance and effectiveness?



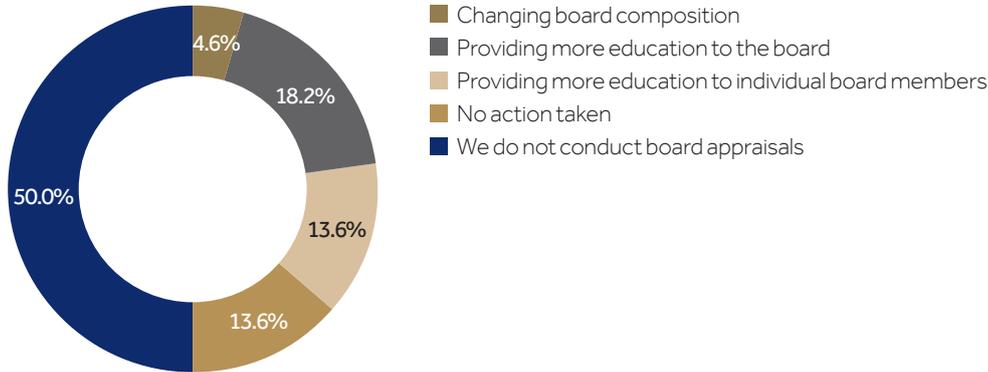
“Board evaluations should be conducted by a Company Secretary or an independent outside party. They should start with evaluating the board as a whole; individual evaluations should be introduced in subsequent years.” H.E. Abdullatif Al Othman, Chairman, Dussur and Chairman of SAIC, Saudi Arabia

Given the sensitivity of board evaluations, boards are moving towards conducting them internally first, and then externally for the entire board and subsequently for individual board members. The most common outcome of board evaluations in the GCC is not a change in board composition as, according to the survey responses, this happened in less than 5% of the cases. Instead, board assessments help boards identify skill gaps. As a result, the most prevalent outcome of board evaluations is the provision of training either to individual board members (14%) or at the level of the board as a whole (18%).

14 For example, Bahrain requires all listed companies and banks to conduct annual evaluation of the board and its committees, including the performance of individual directors.

Figure 40. Results of Board Evaluations

What follow up actions were taken, if any, as a result of the board evaluations conducted?

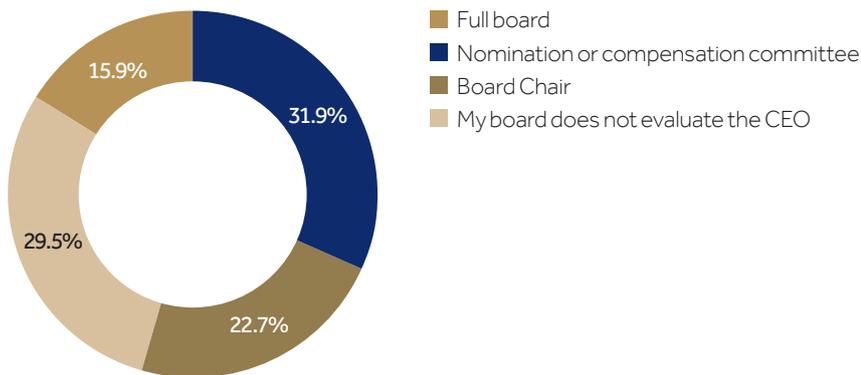


“Board evaluations serve to identify gaps and issues in the dynamics of the board and can be a useful tool to understand the profile of members the board should be seeking when board seats become vacant.” Dr Abdullah Alabdulqader, Chair, Saudi Telecommunications Company, Saudi Arabia

On the other hand, evaluations of senior management in the region are typically conducted by either the board as a whole (32%) or by the board Chair (30%), as opposed to a specialised governance organ such as the Nomination or Remuneration Committees. Boards in the region have realised that assessing CEO effectiveness and preparing plans for their succession are key to business sustainability as well as to assuring sufficient corporate memory.

Figure 41. Conduct of CEO Evaluations

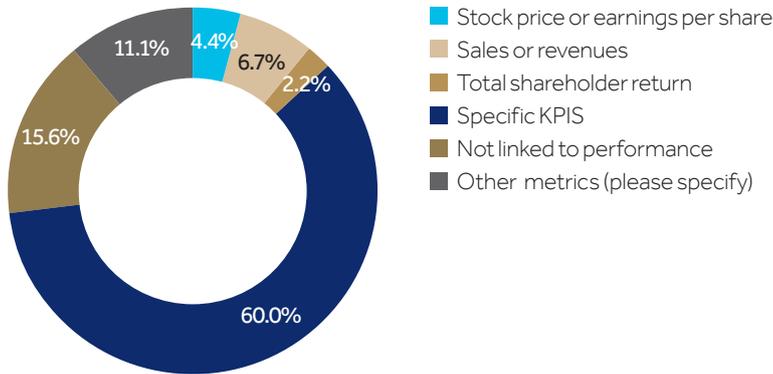
Which group or individual has the primary responsibility for the CEO evaluation?



Board Evaluation and Renewal continued

Figure 42. Pay-to-Performance Metrics

Is senior executive pay linked to performance and if so, how is performance defined?



Indeed, in terms of managing the complexities of succession planning, GCC board members note that few systematic attempts are made to manage succession planning for executives. At the same time, the majority of companies (60%) say that they have already defined custom KPIs for evaluating executives. Boards in the region remain more narrowly focused on selection, assessment and succession planning of senior executives, whereas broader talent management practices have not yet attracted attention.

Figure 43. Board’s Role in Talent Management

The Board is actively involved in the following areas of talent management in the organization (multiple answers possible)

