

Guidelines for Tasmanian Government Businesses

Assessing Board Performance

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Guidelines for Assessing Board Performance

Introduction

As with any company, the board of a Government business is obliged to ensure that the business performs in accordance with the expectations of its Shareholders. In order to achieve this, it is important that the board has an understanding of the functions it must perform, and, importantly, whether those functions are being properly performed. The performance of the board will have a direct bearing on the overall performance of the Government business.

Although there is currently no legislative requirement for the board or the chair to review and measure the board's performance, it is now recognised in Australia that there is a need for boards to adopt mechanisms to review the performance of directors, and each Government business board should ensure that such mechanisms are established.

The following is intended as a guide, not a direction, to assist the board of a Government business with its arrangements for assessing board performance. However, where the board is of the view that the guideline, or part within, is inappropriate to its particular circumstances, it should, similar to the ASX Corporate Governance Council's "if not, why not" approach, disclose any departure in the businesses' Annual Report.

Guidelines

Assessing Board Performance

- (a) The board should establish formal and objective appraisal mechanisms which provide for regular evaluation of the performance of the board, its committees, each director and key executives.
- (b) The board should consider a staged performance evaluation approach, commencing with the full board and committee evaluations. This could be followed by assessments of the chair and individual directors.
- (c) The actual form of evaluation should be tailored to each board and developed in a way that best addresses the board's issues. Performance evaluations need to be robust and meaningful, and include appropriate follow-ups.
- (d) The performance reviews should be against both measurable and qualitative indicators.
- (e) The board should consider establishing a board nomination committee responsible for undertaking performance evaluations.
- (f) The board should ensure that performance reviews are undertaken at least annually.
- (g) The chair should provide individual face-to-face feedback arising from the performance review with each board member. A nominated board member (the chair of the board nomination committee where one has been established) should provide face-to-face feedback to the chair.
- (h) The board should consider the merits of external independent board assessments on at least a three yearly basis.
- (i) The board should publicly disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.
- (j) The board should include in the corporate governance section of the annual report of the Government business as to whether a performance evaluation has taken place in the reporting period and whether it was in accordance with the process disclosed.
- (k) The Shareholder Ministers (the Treasurer and Portfolio Minister) should be appraised by the chair and/or nomination committee chair (where established) of the outcome of each board performance review.

Disclosure Requirements

Disclosure in the corporate governance section of the annual report should include but not be limited to:

- the processes for performance evaluation of the board, its committees and individual directors, and key executives; and
- whether such performance evaluations have taken place in the reporting period and whether they were in accordance with the processes disclosed.



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