

# KEY QUESTIONS FOR INVESTORS WHEN ASSESSING A BOARD

A companion to The Board Charter. For Sustainable Success®

**The board plays a pivotal role in shaping the purpose and values of the business and is responsible for ensuring its long-term sustainable success.**

These questions are designed to help investors assess an organisation's commitment to, and its likely effectiveness in, achieving long-term sustainability. They can be used to guide conversation with senior board members or to assess written communications that provide an overview of performance such as a company's annual report.

The questions are designed to be used alongside Mazars' Board Charter. For Sustainable Success®, a practical guide for boards seeking to embed sustainability within their business. The Charter promotes a mutually-beneficial approach – one that, if successfully implemented, has a positive impact on society as well as enhancing performance.

## 1. Purpose and strategy

Does the business have a distinctive purpose that is expressed in a clear and inspiring way? If fulfilled, will it lead to sustainable success for the benefit of the business, its shareholders, other stakeholders and wider society?

Is there a long-term strategy which has been clearly explained to investors? Does it flow directly from the purpose and make full use of the principal capabilities of the business?

## 2. Culture and values

Has the board discussed the values of the business and the culture it seeks to engender? What evidence is there that it seeks to place them at the heart of the business?

As investors, are you aware of how the board assesses whether the culture and values it espouses are deeply embedded in the business? If it does, what are the results of the assessment? Is the strategy aligned with the culture? How does it contribute to positive business performance?

## 3. Stakeholder treatment and engagement

How effectively do the chair, CEO, Senior Independent Director and committee chairs engage with investors? Do you feel they are capable, open and focused on the key issues affecting the business?

To what extent do you feel the remuneration policies for board members and senior management are geared to promoting the sustainable success of the business? How satisfied are you that the levels of remuneration are appropriate and that there is transparent disclosure?

How confident are you that the board engages effectively with its other key stakeholders – including employees, suppliers, customers, providers of debt finance and, if applicable, regulators – and treats them fairly? Are there any serious stakeholder challenges facing the business? If so, how well are they being addressed?

Does the annual report and other shareholder communications provide you with a fair, balanced and understandable insight into how the business is doing in promoting sustainable success? Do its reports both set out its successes and how it is addressing its principal challenges? Are there many surprises, eg unexpected profits warnings?

#### 4. Taxation policies

Are you satisfied that the board is committed to fair and transparent taxation policies and that the business does not engage in aggressive tax avoidance?

#### 5. Innovation

What evidence is there that the board successfully promotes innovation in the business both on an ongoing basis and by engaging in transformational change when circumstances support it? Are intellectual capabilities and financial resources used effectively to foster innovation that helps build sustainable success? How innovative is the business relative to its peer group?

#### 6. Reputation and 'licence to operate'

How good is the reputation of the business in each of its key marketplaces – with investors, providers of debt finance, employees, customers, suppliers and, if applicable, regulators? What evidence is there that the board places strong emphasis on its reputation and 'licence to operate'? Have there been any major incidents leading to its reputation and 'licence to operate' being challenged? If so, how well did it respond to them? How does its reputation compare with that of members of its peer group?

#### 7. 'Tone from the top'

How do you perceive the 'tone from the top' as set by the chair, CEO and the board as a whole? What do you feel primarily motivates them? Do they place a clear emphasis on sustainable success rather than just short-term performance? How do you judge their sense of integrity?

#### 8. Skills and experience

How strong and balanced is the board in terms of the skills and experience of the key players at both executive and non-executive level? Are there any obvious skills gaps or weak performers? How good is succession planning? How diverse is the board – in gender terms and across other dimensions as well?

#### 9. 'Engaged' board culture

How strong does the level of challenge and support respectively appear to be on the board? Does it seem to be an 'engaged' board with both at a high level or do either or both challenge and support need to be strengthened? How good do the formal and informal board processes appear to be? Do the NEDs seem to have a deep understanding of the business?

#### 10. Board and management structures

Are the structures in line with those expected by good governance practices? Does the board have a clear approach to how it can best deal with issues related to ethics and sustainable success, eg by a separate committee or integrated into the main board structure?

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