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Corporate Governance

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Corporate Governance 2.0 would approach the issue of board composition in a tailored manner, focusing more on making sure that boards really engage in meaningful selection and evaluation processes rather than ticking boxes.

Many boards have internal evaluations conducted by the chairman or lead director. These evaluations are well-intentioned, but directors may be unwilling to disclose perceived weaknesses to the person most responsible for the effective functioning of the board. A Corporate Governance 2.0 approach would engage an independent third party to design a process for the reviews. The process would include grading directors on company-specific attributes so that the evaluation stays relevant.

Also, director evaluations... would be shared with the director, with comments reported verbatim when necessary to make clear any opportunities for improvement. They would also go to the chairman or lead director, to provide objective evidence with which to have difficult conversations with underperforming directors.

Meaningful board evaluations would also have more-subtle effects on board composition and boardroom dynamics. Foreseeing a rigorous review process, underperforming directors would voluntarily not stand for reelection. In fact, directors would work hard to make sure they were not perceived as underperforming.

From "Corporate Governance 2.0"

ET ND
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