Effective Board Reporting

Transform decision making in the boardroom

ICSA

The Governance Institute

Developed in partnership with

BOARD INTELLIGENCE

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Foreword

When discussing high performing teams, Formula 1 often gets mentioned. Rightly so. The drivers are the ones who get the car over the line, but success is not down to their talents alone. An F1 driver is joined on the circuit by an entourage, dedicated to telemetry, feeding the driver real-time information about everything from clutch torque to the temperature of the tyres. Teams invest a significant part of their budget in the latest information gathering techniques to optimise race performance and unlock their driver's potential.

Many boards put great effort into making sure they have the right people around the table. But, as with racing drivers, the best directors need to be able to rely on more than sixth sense to steer the fortunes of the organisation; they need high quality information.

This guidance is a response to that challenge, setting out a roadmap for those who want to provide their board with the very best information and insight. It is intended to be shared with the board and senior team and has been written with each of their perspectives in mind. Since knowing how to solve the problem yourself is only part of the challenge, securing a mandate to take the rest of the organisation with you is even more important.

It is also easier said than done. The information challenge in the boardroom was highlighted in our survey of ICSA members in 2017. It revealed that the overwhelming majority of company secretaries and governance professionals, across all sectors, consider their board packs overlong and unfocused. Board papers do not enable the board to grasp quickly the essential information they need and are too inward and backward looking to enable them to chart the course ahead – similar to a Formula 1 driver coming up to a bend with static on the radio and only a rear-view mirror with which to navigate.

Of course high quality information alone cannot guarantee flawless decision making and boardroom success, just as a clear visor and telemetry cannot guarantee a driver a spot on the podium. Although, what a quality board pack can do is get the board into the right gear, focus their attention where it is needed the most and put them in pole position from which to draw on their experience and expertise. The aim of this guidance is to help you achieve this. We hope you will find it thought provoking and useful.

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Effective Board Reporting

Introduction

Why board packs matter

Effective board decision making is not simply a matter of getting the right people around the table. They need to address the right issues and ask the right questions and to do these things they need the right information. Identifying those issues and questions and obtaining that information presents significant challenges, not only for boards and governing bodies, but also for those who advise and assist them.

The demands on boards, in terms of the decisions they have to take and the considerations that they have to weigh and balance, continue to grow, as does the expectation that they should be willing and able to account for their actions. The UK Government's new regulations requiring directors of large companies to explain how they have considered the impact on various stakeholder groups when making decisions is one example of this trend.

The first challenge for boards is prioritising the issues on which they spend their time. The board's remit includes setting the organisation's strategy and overseeing its performance, governance and compliance with its legal obligations. All of these are important responsibilities, but spending more time on one of them inevitably means spending less time on the others. Getting the balance right is not easy.

The second challenge is determining what information is most relevant to the decision or action that the board needs to take and then finding it. Some boards struggle to find it because it has not been provided, others because they cannot see the wood for the trees.

Lack of clarity about what information is needed can make it tempting for those preparing board papers to include everything they can think of just in case it is needed, but this exacerbates the problem. The amount of time that board members have to read and digest board papers is fixed and finite – our research suggests it is about four hours per meeting irrespective of the length of the board pack. The longer the board papers, the more that goes unread and the greater the risk that the board members fail to spot the most important pieces of information.

Overlong or unfocused board papers also increase the time taken and costs incurred in preparing board packs – they take longer to write and collate, require more revisions and reviews and cost more to distribute. Even without these additions, the tasks of preparing, distributing and reading board papers consume a significant amount of time and money.

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The target audience

This guidance has been written to be used by all organisations, irrespective of size or sector.

While the time and money that large organisations need to expend to support their boards and committees may be greater in absolute terms, proportionately they are just as significant for smaller organisations with more limited resources. The decisions that have to be taken by the governing bodies of organisations in the public and charitable sectors are just as complex as those taken by commercial organisations and determining what information is relevant to making that decision just as challenging.

Within each organisation, the guidance is aimed at all those involved in the process, from commissioning, writing and reviewing papers through to distributing and reading them. This means whoever is responsible for overseeing and co-ordinating the process – often the company secretary or equivalent – as well as the authors, contributors and reviewers responsible for the individual papers. The chief executive and senior management also play an important role in ensuring that the board receives the information it requires.

Crucially, it also involves the board members themselves and in particular the chair. Boards must take ownership of their own agenda. Unless the board is clear about the issues it needs to address and the information it needs to do this, any improvements in the process may not be matched by improvements in decision making or oversight.

While we have used the term 'board' throughout the guidance for the sake of simplicity, it should be read as meaning all bodies responsible for leading and governing organisations, regardless of the name given to them. Similarly, while recognising that not all organisations have a company secretary or equivalent position, we have used that term to mean whoever who is responsible for supporting the board and organising its meetings.

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The structure of the guidance

The purpose of this guidance is to help organisations to assess the usefulness of their board pack and the efficiency of their processes and to identify ways in which they might be improved. The guidance does not seek to prescribe an approach, but to help organisations develop arrangements that meet their own needs and are fit for purpose.

The guidance consists of four sections, each of which deals with one of the main stages in the development of a board pack:

• identifying the information the board needs;
• commissioning board papers;
• writing board papers; and
• collating and distributing the board pack.

In each section, the guidance sets out the purpose and desired outcomes of that stage of the process, identifies who needs to be involved and then discusses some of the factors and questions that organisations should consider to achieve those outcomes. Each section includes some helpful tips contributed by ICSA members who have had to grapple with the issues covered in that section. We would like to express our sincere thanks to everyone who sent in suggestions.

While the guidance is divided into sections, the issues and activities described in each are all interdependent – for example, a paper can be beautifully written, but if it misses the mark because the board was unclear about what it wanted or because the author was not given a clear briefing, then it is of little value. When planning the board pack, it is important therefore to think about all the different stages.

Other sources of assistance

In addition to the guidance, ICSA and Board Intelligence have developed two tools that are intended to assist organisations to benchmark the contents of their own board packs and the effectiveness and efficiency of the processes by which they are developed.

The first is a cost calculator, which estimates the total annual cost and time of preparing and reading board and committee papers. The second is a self-assessment tool which can be used to assess the extent to which board packs meet the board's and organisation's needs and where there might be scope for improvement.

Links to both tools and to other resources, including further ICSA guidance on some of the issues covered in this document, can be found at: icsa.org.uk/boardreporting

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12 key questions

- Is the board clear about how it wishes to divide its time between strategy, operational performance and governance and compliance matters?

- Is the board clear about which decisions it needs to take and the criteria for determining when other matters are significant enough to be brought to their attention?

- Do the forward meeting plan and individual agendas reflect the board's priorities?

- Are responsibilities for commissioning, writing, reviewing and collating the board pack clear?

- Are authors properly briefed on why the board wants the paper, what information it needs and how it should be presented?

- Do the agenda and individual papers make clear what action or input is needed from the board?

- Do papers set out all the relevant considerations and implications of which the board should be aware?

- Do you have or need standard formats for different types of board papers?

- Is training and support available to authors?

- Is the board pack easy to navigate and readily accessible for board members?

- Are the methods by which the board pack is stored and distributed secure?

- Does the board give feedback on the clarity and usefulness of the papers it receives?

Effective Board Reporting

The stages of effective board reporting

IDENTIFY

Board's priorities

Balance between strategy, performance, governance

Board's preference for style, format, level of detail

DESIGN

Meeting calendar & planning

Templates/standard format to be used

Training for the paper authors

Choice/means of distribution

IMPLEMENT

Meeting agenda

Commissioning/briefing of report authors

Writing & reviewing

Collating the papers & distributing to the board

REFINE

Reviewing forward agenda

Board's feedback on papers

Updating templates based on feedback & external developments

Effective Board Reporting

1: Identifying the information the board needs

Why does it matter?

Improving board packs is not just a matter of efficiency but of effectiveness. Any benefits arising from better processes or clearer papers will be limited if the information the board receives is not relevant to its priorities and does not enable it to exercise appropriate oversight or make properly considered decisions. It is therefore essential that there is clarity about what information the board needs, why and when. Identifying and agreeing on this information has to be an iterative process between board and management.

Neither board members nor those who advise them are clairvoyant. Board members need to explain what they consider to be their priorities, but may not be familiar with all the considerations that are relevant to addressing those priorities or with emerging issues that should be seen as priorities. Conversely, the executive will often have a lot of data at its disposal but may not be able to anticipate what specific information the board wants to have, which might result in it sharing either too much or too little. Equally there will be occasions where the specific information requested by the board may not be readily available and there needs to be a discussion of whether it must be generated or whether other information can serve the same purpose.

The board's priorities will inevitably change over time and sometimes even from meeting to meeting. Advance agenda planning and developing clear and agreed formats for board papers that bring out the most important issues can help to anticipate many challenges, but neither should been seen as a one-off exercise. Regular reviews of both are desirable to ensure board packs continue to serve their purpose.

Who needs to be involved?

Board members, particularly the chair. The board must determine its priorities, which in turn helps to determine what information it requires and in what format. It can then provide feedback to management and the secretariat on whether the information it receives is meeting its needs.

Senior management, particularly the CEO or equivalent. Management needs to help the board to determine the issues on which it needs to take a decision or express a view and, once that has been agreed, take responsibility for ensuring the board receives the information that it needs to have a considered discussion in a timely manner.

The company secretary or equivalent. The company secretary is responsible for facilitating discussion between the board and management on future priorities, the type and format of information the board requires and also for co-ordinating the planning process.

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Issues to be considered

How does the board want to spend its time?

- Is the board clear about how it wishes to split its time between setting strategy, overseeing operational performance and governance and compliance matters?
- Is the board clear about how it wishes to split its time between decision making, oversight and increasing its understanding of the environment in which the organisation operates?
- How does the board prefer to structure its discussion?

All of these activities are essential if the board is to fulfil its remit effectively, but getting a steer from the board as to the relative importance it places on each reduces the risk that some of them get crowded out of the agenda.
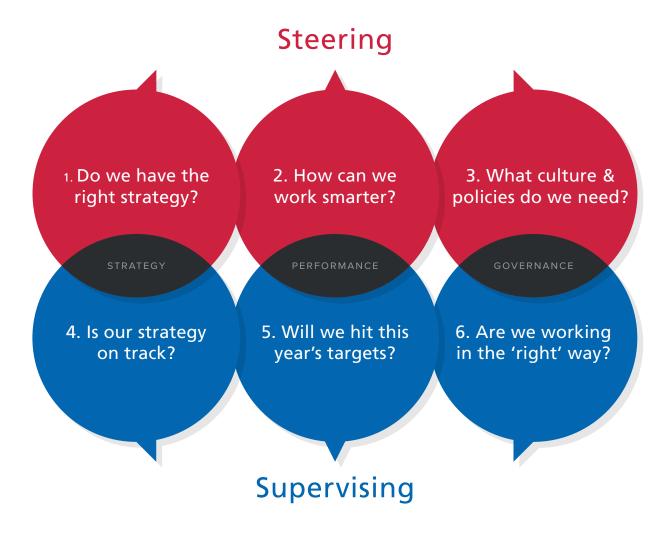
Wherever possible, the board's priorities should be reflected in the agenda for individual meetings and for the year ahead. Future agenda planning is an important responsibility of the chair and company secretary or equivalent. While the balance between the different activities is likely to vary from meeting to meeting, with some advance planning it should be possible to maintain the overall balance.

One way of doing this is to identify categories in which to place the different types of decisions, approvals and discussions the board thinks are needed and designing the forward schedule and the agenda for individual meetings to achieve an appropriate balance between those categories. The balance will not necessarily be the same at all meetings; for example, many organisations choose to have one meeting a year devoted purely to strategy.

When planning ahead, we divide the draft agenda for each meeting into two parts that we label 'performance' and 'conformance' and always try to get a balance between them. It helps make sure that we do not neglect the need for the board to look ahead.

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Board Intelligence use the 'Six Conversations' model to help boards clarify their priorities. It identifies six questions that boards should discuss, reflecting the 'steering' and 'supervising' aspects of the board's role.

The Six Conversations Model

Steering

1. Do we have the right strategy?

2. How can we work smarter?

3. What culture & policies do we need?

STRATEGY   PERFORMANCE   GOVERNANCE

4. Is our strategy on track?

5. Will we hit this year's targets?

6. Are we working in the 'right' way?

Supervising

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What decisions does the board need to take?

- Is the board clear about the decisions it needs to take and those which can be delegated to committees or management? Is there a schedule of matters reserved for the board?
- Are there any regulatory requirements that mean certain decisions must be taken by the board?
- Are there clear criteria and thresholds for determining when other issues should be brought to the board for its approval?
- Is there a policy for determining at what stage major new proposals are first brought to the board – for example, for decision or for early stage discussion?
- Are there policies to reduce the risk of 'upward drift' of decision making to the board where it is not necessary?

Having general policies about when the board needs to be involved in the decision-making process helps to make sure that important matters are brought to its attention at the right time and reduces the danger of the board becoming caught up in operational issues. These policies should be determined by the board, not by management.

It is good practice for organisations to have an agreed list of decisions that must be taken by the board. ICSA's guidance on *Matters reserved for the board*[1] provides advice on how to produce such a schedule. In addition, the board and management should also agree on what decisions do not need to be brought to the board, both in terms of subject matter and significance; for example, items of expenditure below an agreed financial threshold.

However, no policy can anticipate all circumstances. Where management believes there is a need for board involvement in a specific case, it is good practice for this to be agreed with the chair and company secretary before adding it to the agenda.

> We have introduced a submission form for agenda item requests, requiring management to explain why the issue needs to be put to the board. As part of the form they have to include proposed wording for recommendations, to help us understand what the board is being asked to do.

> Generally we are quite strict about not adding extra items to the board's 'to do' list, because once they get on there it is very hard to get them off again or to stop management asking for similar items to be added to the agenda. The exception is if our CEO feels very strongly that a particular issue needs to be discussed. Our chair's view is that, in those cases, he should trust the CEO's judgement.

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1   Available from icsa.org.uk/boardreporting

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What other matters does the board need to be informed about?

- How frequently does the board need information about those activities and indicators that it needs to oversee or keep under review?
- Are there policies for determining when emerging major risks or other 'red flags' should be brought to the board's attention?

While the board needs to exercise oversight over a wide range of matters, it does not necessarily need to review all of them at every meeting. Agreement on how regularly each area should be reported to the board can help to reduce overcrowding of agendas and the overall length of board packs for individual meetings.

Conversely, there will be occasions when issues that are not scheduled to be put to the board become more urgent. In these cases, they should be escalated to the board at the earliest opportunity rather than held back for the next scheduled discussion; again, this should ideally be discussed with the chair and company secretary.

When does the board need to receive information?

- Is there a forward plan of when the board will meet and what will be discussed at each meeting?
- Do the forward meeting plan and individual agendas reflect the board's priorities?
- What other bodies need to be involved in the approval process?

It is good practice to plan well ahead to ensure that board members will be available and to give those who will need to prepare papers as much advance notice as possible. This should involve setting provisional agendas, not just meeting dates. These provisional agendas should reflect board priorities.

While agendas for individual meetings cannot be finalised until closer to the date, many items linked to the organisation's business or reporting cycle can be scheduled well in advance; this is particularly important for items requiring board approval. Advance planning is also a good way of assessing whether the board's preferences for how it spends its time are being met during the planning period and, if not, remedy that while there is still time to do so.

This planning process should include considering whether the number and length of board meetings is adequate for what the board needs to do. However, it is important to be realistic about the time board members will be able to commit, particularly non-executive and volunteer members. If the work to be done still exceeds the time available, then it may be necessary to be more rigorous when deciding whether certain issues really need to go to the board.

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The advance schedule should also include setting the dates and provisional agendas of other bodies in the organisation that need to approve or discuss certain matters before they are considered by the board in order to avoid unnecessary delays. Individuals responsible for major projects and other significant new developments should be briefed on the approvals process they will need to go through at the beginning of the project, so they can factor it in to their planning.

> It is important to plan at least a year ahead. In our case we have an 18-month calendar of meetings, which we review and update every six months

In what form does the board want to receive information?

- Do board members have a preference for how information is presented?
- Do board members provide feedback on the information they receive?
- Do all agenda items require a board paper or are there other ways for the information to be conveyed?
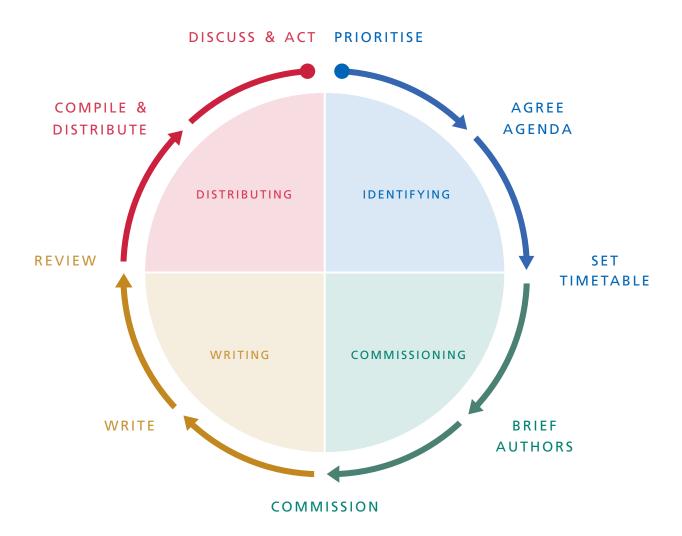
Before considering any changes to the style and content of board packs, it can be useful to benchmark board members' views on the information they currently receive to identify where there is scope for improvement. The self-assessment tool developed by Board Intelligence and ICSA provides one possible means of doing so.

It is also useful to get regular feedback from the board members about the papers they receive to ensure they continue to meet their needs, for example in a 'wash up' session at the end of each meeting. Where boards carry out an annual review of their effectiveness, this might also be an opportunity to consider the usefulness of the board pack.

> We set aside time at the end of every meeting to evaluate how effective it has been and what could be improved. That includes discussing the quality of the board papers.

> Feedback from the board is important, but we found it led to requests for specific data that resulted in the board pack ballooning in length. So now we ask them to explain the questions that are on their mind which the papers do not answer and we then work out how to answer them.

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Board Meeting Reporting Cycle

2: Commissioning board papers

Why does it matter?

Careful planning is essential to the effectiveness of any board meeting. This starts with the agenda – identifying and agreeing the essential business that must be carried out at the meeting; ensuring that sufficient time is allowed for discussion of the most important issues; and striking a balance between the board's different responsibilities, for example to ensure there is discussion of strategic as well as operational and governance matters.

The agenda determines what papers the board should receive, not vice versa; proper preparation is as important for the board pack as it is for other aspects of the meeting. Without it, there is a risk that individual papers will be unclear or unfocused, with recommendations that have either not been adequately tested or are not clearly supported by the information provided and that the length and level of detail in the pack as a whole will not reflect the relative priority of the items on the agenda.

It is therefore important that the authors of individual papers understand clearly what they are being asked to advise the board on and why; that adequate time is allowed for papers to be written and, where necessary, recommendations to the board to be agreed; and that time is allowed for the board pack as a whole to be reviewed for clarity and balance before being sent to the board.

Who needs to be involved?

Board members. The board must determine its priorities for the meeting, agreeing the agenda and being clear about why each item is on the agenda and what information it needs to support the discussion on that issue. This process should be led by the chair, usually with the assistance of the company secretary or equivalent.

Senior management. As well as helping the board to determine the agenda and supporting papers for the meeting, management will usually be involved in the production of some or all of the papers – either as authors, reviewers or sponsors (i.e. the person responsible for signing off the paper before it goes to the board).

Authors and reviewers. Their responsibility is to produce papers that meet the brief given to them by the board. In order to do so, they need to ensure that they understand clearly what that brief is, rather than attempt to second guess the board's needs.

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The company secretary or equivalent. The company secretary will usually be responsible for co-ordinating the preparation of the board pack. This will involve commissioning papers, ensuring that authors and sponsors are clear about what the board requires, setting the timetable and tracking progress. The company secretary is also well-placed to undertake quality assurance of the style and presentation of individual papers.

Issues to be considered

Setting the agenda

- What are the most important issues to be addressed at the meeting and are they prioritised in the agenda?
- Is the board clear about what information it needs to inform its discussion of a particular agenda item?

The way in which the agenda of a meeting is structured can have a significant impact on its effectiveness. The agenda needs to be designed so that there is time for adequate discussion of the priority matters for that meeting and so that the discussion reflects the board's view on how it wishes to divide its time between its different responsibilities.

Some organisations use a standard structure for their agendas. ICSA has developed 'specimen strategic agendas' for the boards of charities and NHS foundation trusts[2] , which other organisations might also find useful when designing their own agendas.

It should be the responsibility of the chair to decide on the running order of the agenda, advised by management and the company secretary. For scheduled meetings, the agenda and papers will be largely determined by what is in the forward plan, but it is important to review the agenda for each meeting in advance in case there are important matters that have come up between meetings that need the board's attention.

The positioning of an item in the agenda and the reason it is there – for example, for decision, discussion or information – should also have a bearing on the length and level of detail of the paper and whether there is a need for a paper at all. Where papers are required, the board should be clear what questions it wants to be able to answer. Where necessary, the chair should discuss with the author or sponsor what information is available that can help them to do so in order to ensure that this is reflected in the paper.

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2   Available from icsa.org.uk/boardreporting

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Our company secretary has introduced a pre-meeting with the chair and CEO to review the minutes of the last meeting and to prepare an agenda. We discuss the papers needed to support an agenda item and the likely decisions that will need to be taken at the meeting.

Setting the agenda

• Who is responsible for co-ordinating the commissioning and collating of the board pack?
• Who has overall responsibility for ensuring that all papers are of the necessary quality to be put to the board – including the right to reject papers?
• Who is responsible for ensuring that each individual paper is produced on time and to the necessary quality?

The exact division of responsibilities for producing the board pack will depend on the size and structure of the organisation and the resources available to support the board. There are four distinct roles, however, that should be identified and allocated when commissioning and preparing the board pack, some of which may appropriately be allocated to the same individual. These are:

• The co-ordinator – the person with overall responsibility for commissioning papers, setting deadlines, monitoring progress and collating the pack. They will also often be responsible for ensuring that people producing papers are properly briefed on what is expected of them. This would usually be the company secretary or equivalent where there is one.

• The gatekeeper – the person or body responsible for ensuring that all board papers have met their brief, followed any expected formats and are of good enough quality to be put to the board. This might be the company secretary, as part of their co-ordinating function, or a member of the board or management. In cases where papers require approval from a board or management committee, the committee may effectively carry out this role.

I am the gatekeeper for my colleagues, checking draft reports and working with them when I feel that they could be clearer – for example about what it is they would like the trustees to do with the information or recommendation contained in their reports. The combination of standard report formats and gatekeeping has definitely improved the quality of our board papers.

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- The sponsor – the person who ensures that the paper for which they are responsible is produced on time, to the necessary quality and has gone through any formal review or approval processes that might be required. They may or may not be the author of the paper; where they are not, they should be involved in briefing the author and acting as a gatekeeper. Sponsors may often be members of senior management or the board – for example, chairs of board committees.

- The author – the person who writes the paper and who co-ordinates contributions from other parts of the organisation where they are needed.

Anecdotal evidence suggests that, of these four roles, the gatekeeping function is often the one that is least resourced and whose remit and authority is least clear. Organisations should consider having policies that clarify and reinforce this role, for example by giving the gatekeeper the authority to require papers that are not of the necessary standard to be revised or to decide how to deal with late papers.

> We have been given delegated authority from the CEO to review and endorse board papers or send them back for further work if we think it is needed. We have also been given the authority to refuse to accept late papers, unless it relates to a genuinely urgent issue.

Setting the agenda

- Who is responsible for ensuring that authors of individual papers are properly briefed?
- Does the briefing make it clear why the board wants the paper and what information it needs to inform its decision or discussion?

The responsibility for briefing authors should rest with the person co-ordinating the preparations for the meeting, with the sponsor of the paper or both. However it is done, the person giving the briefing should preferably be someone who was party to the discussion that led to the paper being requested, so that they are able to give a first-hand account of what is needed rather than relying on possibly inaccurate second- or third-hand accounts.

> Part of our process is for the company secretary to brief all new presenters to the board. I see this as part of my responsibility as the 'bridge' between executives and non-executives; helping the board get the information that they need and helping the executives have the best chance of putting their case before the board to get the decision they are seeking.

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The more specific the briefing, the more likely it is that the paper will meet the needs and expectations of the board. If authors are unclear about what is required, they will be more inclined to include everything they can think of 'just in case', increasing the length of the paper and transferring responsibility for making sense of it from the author to the reader.

As well as covering the timetable and any standard requirements such as templates and style guides – which are addressed in the next section of the guidance – the briefing should enable the author to answer the questions: Why does the board need this paper? What specific information does the board need to know and where do I get it from? What do I need from the board in return to enable me to take follow-up action?

> When setting the brief, we find it helps to express it in terms of the questions that the paper should answer – for example, rather than just requesting an update on a major project, we ask: 'Is it running to time and on budget? And if it fails to come in on time, what is the contingency plan?'. This tells authors exactly what is needed and forces them to be precise.

Setting and meeting deadlines

- How far in advance of the meeting do the papers need to be circulated?
- How often and by whom do individual papers need to be reviewed? Do any papers require discussion or approval by another body in the organisation before going to the board?
- Is time allowed for the gatekeeper to review papers before they are finalised?
- Is there a system for monitoring progress and issuing reminders?
- Is there a policy for dealing with late papers?

The papers in the board pack will often have been on very different journeys to get there depending on, for example, whether they require prior review or approval, whether they are regular reports which can be planned well in advance or are reporting on new developments and whether the information to be included in the report is readily available or needs to be identified.

These factors should be taken into account when commissioning papers and setting deadlines for review and completion. It is good practice for the person responsible for co-ordinating the production of the board pack to talk to the author or sponsor of individual papers as early as possible to identify whether there are processes or constraints that they need to factor in to the timetable – for example, the need to go through approval processes or to obtain data that is not currently available.

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Different papers may need to follow a different timetable while they are being prepared. However, there are two deadlines that should be common to all papers wherever possible: the date by which they must be sent to the gatekeeper for any necessary quality assurance and the date on which they are sent to the board. Organisations have different deadlines for sending out board papers, but it should usually be no less than seven days before the board meeting except in exceptional circumstances.

Late submission of papers is a common complaint. While some organisations have a policy to reject all papers not received by the deadline, most see this as a 'nuclear option' and one that is difficult to enforce. Well-planned timetables and regular reminders can reduce the frequency with which papers are late, but consideration could also be given to policies that incentivise people to submit their papers on time.

> The trick is to find a way to incentivise people to get papers done on time and to a good standard. In our case, we have linked it to their performance reviews. For regular reporters, the timeliness and quality of their reports is one of the measures we use to assess their performance.

> We used to have a persistent problem with late papers. Then for one meeting, with the backing of the chair, we refused to circulate all the papers that were submitted after the deadline. Funnily enough, people now somehow seem able to get them in on time.

3: Writing board papers

Why does it matter?

Board members have a wide range of responsibilities that are reflected in the meeting agendas and papers. In the same meeting, for example, they might be asked to debate the impact of economic developments, give the go ahead for major items of expenditure, review the performance of management and approve detailed regulatory returns.

Non-executive and voluntary members in particular will have a limited amount of time in which to prepare for meetings and may often have little prior knowledge of the matter they are being asked to consider.

It is therefore essential that the papers on which they will be relying are clearly presented and written, so that board members do not need to waste their limited time attempting to work out what they are being asked to do or searching through long and dense documents trying to determine what the most important factors that they need to consider are.

Clear and consistent formatting of papers can help considerably, as it means board members know where to look when presented with a new subject. The style in which papers are written can also make a big difference. Even so, for each individual paper, authors and sponsors will need to make judgements about what information is essential and what is not and how to ensure that the paper is succinct but also sufficient for the board's needs.

Who needs to be involved?

Board members and senior management. Some board members and senior managers – for example, the CEO, the finance director and chairs of board committees – will be involved in preparing individual papers, either as authors, sponsors or reviewers. In addition, the board as a whole should be involved in approving any standard formats for board papers and should also provide feedback on whether the papers they receive meet their needs.

Authors, reviewers and sponsors. Their responsibility is to produce papers that meet the brief given to them by the board. In doing so, they will need to exercise judgement as to what specific information needs to be included in the paper in order for the board to have a considered discussion of the issue.

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The company secretary or equivalent. The company secretary is usually the 'guardian' of the house style and format for writing board papers and, in that capacity, plays an important role in supporting those writing and presenting board papers. In addition, the company secretary will often be responsible for writing certain board papers – for example, minutes of previous meetings and reports on compliance matters – and needs to make sure that they follow their own advice.

Issues to be considered

The structure of board papers

- Do you have or need standard formats or templates for board papers?
- If you do, are they the same or tailored for different types of paper?
- Does the paper make clear what action or input is needed from the board?
- Do you include an executive summary or covering paper with all board papers?
- Do you impose limits on the length of board papers?

Many organisations use standard formats or templates as the basis for their board papers. This has benefits for both board members and other readers, as well as for the authors. By receiving papers in a consistent format board members 'know where to look', saving them time and making it easier for them to identify the key information. Similarly, templates help to remind authors what information and questions to include.

It may be necessary to tailor these templates for the different types of paper being prepared for the board. For example, the format that is most suitable for reporting on progress on a major project will not necessarily be equally suitable when the board is approving the financial statements or assessing the implications of external developments on the organisation. Some organisations develop their own templates; others seek help from an external adviser – of whom Board Intelligence are one – who can provide a full range of templates covering the scope of what most boards will need.

Certain type of papers, such as minutes of board meetings or regular reports from committees or individuals – for example, the audit committee or finance director – will usually have their own standard formats. Authors of board minutes may find ICSA's *Minute taking*[3] guidance a useful source of advice.

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3   Available from icsa.org.uk/boardreporting

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There are however certain features that ought to be included in all papers. These include an explanation of what issue the paper deals with and an indication of what the board is being asked to do with it – for example, make a decision or provide feedback to management – as well as a brief reminder of any previous discussion the board has had on the issue and any decisions made. Executive summaries are a good way of setting out this essential information.

> We now ask for a short covering note with all papers. On no more than one side of A4, the note summarises what is being proposed, highlights in bold the recommendations being made and sets out what approval or other input was being sought. This is followed by a more detailed report which board members read having already understood what is being asked of them. We find this has produced more focused, tighter and better discussions.

If the board is being asked to make a decision, it may be helpful to include a draft resolution in the paper. These papers should also explain what other options were considered (where they were available), the main benefits and risks associated with the recommended course of action, as well as the cost implications.

> We have introduced a standard template for all our board papers. This includes sections explaining how the recommendation supports our strategy, identifying major risks, assessing the value for money and drawing out health and safety implications (an important issue in our sector).

Whether using 'off the shelf' templates or developing your own, it is good practice to test them out with board members to check whether they think the format is clear and contains the right sort of information and to keep the format under review – for example, when there are changes in the regulatory requirements affecting the organisation or when new board members join.

> I took the lead in introducing a new set of templates and summary sheets but I set up a small working group of governors and senior managers to make sure we got their buy-in as well. I subsequently used the same group to review the effectiveness of these templates.

Some organisations choose to limit the length of their board papers. There can be benefits in doing so. It forces authors to think about what information is most important for the board to know and it makes it easier for board members to find that information. It also reduces the overall length of the board pack. However, if applied too rigidly there may be instances where the issue covered in the paper is very complex and the board does not get all the relevant information that it should, so some flexibility may be required.

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Some issues that go to the board need to be discussed by committees or other bodies first. The papers for those discussions may need to go into a greater level of detail than is necessary for the board. In these cases, writing the paper in such a way that the same material can be used for multiple papers can save considerable time and effort, for example, by putting the detail in appendices rather than in the main body of the paper.

In our company, we have a lot of matters that need to go through other approval processes before being taken to the board. So we encourage authors to use what we call 'rocket ship reporting'. The front part of the paper should stand on its own and contain all the essential information and analysis. The back part should include the additional detail that management and committees need to decide their recommendation to the board. When the paper goes to the board, that part gets detached. This keeps the amount of rewriting to a minimum.

Content and style

- Do papers give a balanced and candid view of the current position and future prospects?
- Do papers spell out the implications for the organisations and major stakeholders?
- How do you get confidence that the data provided in papers is accurate?
- Are papers written in a language that can be understood by non-experts?
- Do you have or need a 'style guide'? If so, does it cover the use of graphics and data as well as writing style?
- Is training and support available to authors?

Standard formats and templates can help authors work out what needs to be included in their papers, but even when these are all available, the author of the paper will still need to exercise judgement and discretion in deciding what should be included.

Authors should try to put themselves in the mind of the reader. The aspects of the subject that may be of most immediate relevance to the author – for example operational matters that take up a lot of their time – may not be ones that the board needs to know about in detail. It is also important to remember that most board members are part-timers with only limited time to spend on reading and reflecting on papers.

Our advice to authors is simple: do not tell me everything you know, just tell me what I need to know.

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If board members are to be able to make informed judgements, it is also important that the possible implications for the organisation and the possible impact on important stakeholders – such as employees, members, clients, customers and local communities – are spelt out. Any temptation to 'hide bad news' should be resisted.

The survey that led to this guidance being written found that many company secretaries felt their organisation's board packs were too backward and inward looking. While historical and internal data is important for the board's oversight role, it does not provide the full picture. Papers that interpret as well as report historical data or that alert board members to relevant external developments and explain the implications of both for the future success of the organisation, can help them have a much more well-informed discussion.

Papers should be written in a style that makes them easy to read to enable board members to understand the contents more quickly. Wherever possible the use of jargon, acronyms and technical language should be avoided. More often than not, board members will not have the specialist knowledge needed to interpret them or may be involved with a number of different organisations, all of which will have their own jargon.

> I always check the papers for jargon and acronyms. If the company secretary cannot understand the paper then the non-executives will not be able to either. It is not helpful to send them papers that are full of language that is outside their area of expertise.

Using graphics such as charts and dashboards in board papers can be a good way of conveying information succinctly, but unless they are clearly presented and explained they can end up confusing rather than illuminating matters. The relevance test applies to graphics as much as it does to the rest of the paper. Just because a chart can convey a lot of additional information, does not mean that it will or that it is needed.

Presentation formats such as slides can be used to supplement or replace 'traditional' board papers. Where they are, they must be written in a way that enables the board members to understand the information being conveyed and what they are being asked to do with it without needing someone to explain it to them. Otherwise it is difficult for them to prepare properly before the meeting and wastes valuable time at the meeting that could be better used for discussion and debate.

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We get asked for a template for slide presentations to the board. Our advice is that the principles are the same as for papers – they should be short and easy to understand. Most importantly, when speaking about the slides do not read out every line. It serves no useful purpose and wastes the board's time. Just highlight the main points and be prepared for questions.

Many organisations have developed 'style guides' to cover issues such as writing styles and the use of slides and graphics, as well as any standard formats and templates. Training for authors on how to write and present papers can also be useful, particularly for first time authors and presenters and those who will be expected to report regularly to the board. Online training courses can also be helpful, for example when you are trying to reach a large or geographically dispersed workforce.

It is important that the company secretary be willing and available to give support to those producing papers, but it is worth thinking about whether other support might be useful as well. For example, at one organisation I worked for we brought in a specialist to train paper authors on the art of writing well.

4: Collating and distributing the board pack

Why does it matter?

Board members expect their board packs to be timely, clear and accessible. They need to receive their papers early enough to allow them to read and reflect on the contents. The pack as a whole needs to be clearly presented and signposted, just as individual papers do, so that board members do not have to spend time working out which paper belongs with which agenda item; they want to be able to access the papers at a time and by a means that fits with their own schedule. The manner in which the board pack is collated and distributed can be either a help or a hindrance to the board.

There are other important considerations that should not be overlooked. They include cost and cost-effectiveness and the amount of time required of the company secretary or whoever is responsible for the process – time that might more usefully be spent on other matters. Another consideration is information security. Board papers are often full of highly sensitive commercial or personal data and are often distributed to people operating outside the organisation's normal control systems.

Who needs to be involved?

Board members. Board members should provide feedback on whether the manner in which board packs are presented and received meets their needs. They also need to be aware of their own responsibility to ensure the security of the information they receive.

Senior management. As well as any involvement in individual papers, management should also be involved in setting any policies related to this process and assessing the cost and security aspects of the distribution methods used by the organisation.

Authors, reviewers and sponsors. Those responsible for writing and signing off individual papers are also responsible for ensuring that the company secretary receives them by the agreed deadline so that they can be included in the board pack.

The company secretary or equivalent. The company secretary will normally be responsible for co-ordinating the collation, storage and distribution of the board pack.

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Issues to be considered

• Is the board pack easy to navigate and readily accessible for board members?
• Are the methods by which the board pack is stored and distributed secure?

Section 2 described how a well-thought-out and clearly laid out agenda can greatly increase the prospect of an effective board discussion, by ensuring board members know why each item is on the agenda and helping them to get the most out of the papers. The same is true of the way in which the board pack is physically put together and presented to directors.

The principles that apply to preparing the agenda and individual papers apply to the board pack as a whole. Consistent presentation of board packs across different meetings helps board members to find the information they need more easily, as does having a clear and simple 'navigation system', whether that takes the form of an annotated agenda, visual aids or the menus on a digital data management system. Where digital systems are used, it is just as important to be disciplined about the relevance of the information being provided.

> We have introduced a 'significant matters' report at the front of the board pack. It gives an overview of a subject that is going to discussed in more detail in the meeting and points to where supporting materials are available in the 'reading room' of the board portal.

> Our board portal is more efficient and secure than what went before, but there is a tendency when you first go digital to allow the information floodgates to be opened. Without printing the pack you do not always see how large it has grown and it can quickly get out of hand. So you need to be disciplined about that and about deadlines too.

There are many methods by which papers can be distributed, from printing and posting them to using online file hosting services and board portals. While the primary objective when choosing which method to use is to ensure that the papers reach board members in a time and manner that enables them to be fully prepared for the meeting, efficiency and security are also important considerations.

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The time taken to collate and distribute papers can be significant – as can the associated costs – and none of the options are cost free. A distribution process that relies on printing and posting papers, for example, can be costly and time-consuming when papers have to be sent to a large number of people. The decision on which method is most suitable for the organisation will depend on the resources available and how complex its needs are, but when assessing different options both the ongoing and upfront costs should be considered.

> I work for the parent company of a group with 12 subsidiaries. For a number of years we have used a virtual data room that enables authors to upload reports directly and board members to access them. Two years ago we extended it to all the subsidiaries and, while there are still plenty of organisational challenges, we have seen a noticeable improvement in the preparation, production and use of board packs. There can be real benefits for an organisation as complex as ours.

The security of commercial and personal data is an important consideration, all the more so since the EU's General Data Protection Regulation came into effect in May 2018. Organisations should have policies in place to ensure that papers containing sensitive information are kept secure when necessary and should enforce them vigilantly. These policies should cover not only the distribution of papers, but also storage and retention – including how long papers should be retained before being destroyed.

Importantly, data security policies should also cover the responsibilities of board members, especially those who do not work within the organisation. They are often the weakest part of the system, for example, if they use email addresses that are poorly protected or if they are in the habit of carrying printed papers around with them.

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ICSA: The Governance Institute is the professional body for governance. We have members in all sectors and are required by our Royal Charter to lead 'effective governance and efficient administration of commerce, industry and public affairs'. With over 125 years' experience, we work with regulators and policy makers to champion high standards of governance and provide qualifications, training and guidance.

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