

Board papers

Meeting effectiveness

Board members gain a great deal of information about the decisions they need to make through the papers they receive prior to a board meeting. Papers cover a variety of functions, from providing general information to a call for action.

Board papers are often prepared by non-board members who may not be familiar with the board's requirements, which means a thorough control process can improve the quality of reports. Such a process also allows the senior executives to consider and coordinate information so that they are better prepared to answer questions that arise from the board discussions.

The information contained in board papers should be consistent, coherent and complete. Board papers are part of the official records of the company and a complete set should be maintained for future reference.

As set out in s 180 of the *Corporations Act 2001*, directors have a statutory duty of care to have read the board papers to be able to contribute effectively to board meetings. The *Centro* case highlights the need for boards to carefully manage the board paper process and focus on the manner in which information is provided to the board. Boards need to ensure that they receive meaningful information and not merely data. In the *Centro* case (*ASIC v Healey* (2011) FCA 717 at 226), Justice Middleton noted:

"A board can control the information it receives. If there was an information overload, it could have been prevented. If there was a huge amount of information, then more time may need to be taken to read and understand it".

The board is partly to blame if it is not receiving the board papers in a format that makes them comprehensible for directors, as the board is responsible for:

- Setting expectations and providing directions to management on:
 - the content of reports;
 - the format of reports;
 - the timing and timeliness of board papers;
 - the amount of information provided;
- Ensuring it has sufficient information with which to make decisions;
- Ensuring management has in place the processes and controls to ensure the integrity of the information provided; and
- Setting KPIs for management to report against.

Points to consider

- Standardisation aids clarity and speed of reading and allows board members to focus on the key points. Uniformity and consistency can be achieved by using a board paper template, as shown in the sample that follows. A template such as this provides the headings within which the writers of board papers should work. This type of template will, of course, need some modification for papers that are for noting or discussion rather for decision-making purposes. However, the paper can still include a draft resolution and recommendation, such as: 'It is recommended that the information is noted'.
- Consider providing specifications for length, content and order of papers. For example: 'The executive summary shall be no longer than half a sheet of A4 with text of normal size and spacing', or 'No board paper shall exceed 10 pages and all papers should contain a glossary of any technical terms'.
- Consider circulating a sign-off sheet so that board members can see that the paper has been reviewed by various staff members. This helps improve coordination in large organisations and alerts staff to the issues.
- The CEO is responsible for any paper prepared by the executive team, regardless of whether he or she signs the signing sheet.
- Will the paper be supported by a verbal presentation and will supporting information be supplied at the meeting?
- Clarify the storage of papers after the meeting, including whether board members are allowed to retain the papers or if they need to be returned to the company secretary for secure disposal.
- Consider the delivery method of the paper, which could include the hardcopy or an electronic delivery mechanism. Technology offers a greater range of presentation style but creates other issues such as the security of the servers used to transmit the data, which must be managed.

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Annotated sample board paper¹

BOARD PAPER

Agenda Item: #
Agenda Item: [Insert Title]
Paper Type: [For Decision], [For Discussion] OR [For Noting]
Sponsor: [Insert Name and Title]

Draft Resolution: [Insert exact wording of proposed resolution that the board is asked to pass.
 The draft resolution must be clear and concise.]

Executive Summary:

In this section, explain in no more than four lines what the paper is about and what it is endeavouring to achieve. The paragraph should be clear and concise and should state whether the paper is being submitted for the board’s information or is seeking the board’s approval for a contract, action, etc.

Background:

Outline in no more than 12 lines the background to what is being proposed to the board providing the information necessary to understand the proposal for a non-executive director who does not have the background knowledge of an executive who has been managing the day-to-day affairs of a particular matter.

Summarise any previous board consideration of the specific proposal. If it is not possible to explain the background to a proposal in the space of two paragraphs, include an attachment and provide further details.

Identify any external advice/consultants/information who has been involved in the preparation of the proposal.

Recommendation:

Outline the recommendation in no more than twelve lines. Do not repeat the statements made in the sections above. Mention the options that were considered by management and explain why the preferred option was chosen. Also detail the outcomes that management is seeking to achieve from the proposal. If the implications of the proposal are complex, include an attachment and provide further details.

Issues:

Strategy Implications

Explain in no more than ten lines how this proposal is aligned to the agreed strategic and business plans.

Financial Implications

Explain in no more than twelve lines the expenditure implications of the proposal. Once again this should take the form of an executive summary approach. If the expenditure implications are complex include an attachment and provide further details.

This section should include comments on whether the expenditure is budgeted or unbudgeted, the proposed timing of the expenditure and cash flow implications. If a detailed business case has been prepared for a proposal the major points of the case should be summarised here.

Risk Analysis

Analyse in no more than twelve lines the major risks associated with the proposal and explain how these risks will be managed. This information may be presented using the following table format.

Identified	Risk Likelihood (H,M,L)	Impact of Risk (H,M,L)	Strategy to Manage Risk

Corporate Governance and Compliance

Outline in no more than twelve lines the corporate governance implications of the proposal remembering that it is of considerable importance to the board that contemporary corporate governance standards are achieved. Therefore, the adoption of appropriate internal risk management and compliance processes will be a condition precedent to the board considering and approving a proposal. Outline what KPIs and/or reporting back to the board will occur during and after implementation.

Management Responsibility

Identify the manager who will have responsibility for the proposal as well as the executive who will deal with the matter on a day-to-day basis.

Signing of Board Paper

Chief Executive Officer

Sponsor

The following people have been involved in the preparation of this board paper:
[Name and Title]

¹ Adapted from Kiel G, Nicholson G, Tunny J A, Beck S, *Directors at Work*, Thomson Reuters Australia Ltd, 2012.

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