

Information overload

EFFECTIVE BOARDS AND COMMITTEES IN FINANCIAL SERVICES



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Executive summary

In recent years the length of board packs has significantly increased. They are often more than a thousand pages long (without the annual report) and board members frequently have a very limited time available for reading, absorbing and challenging the content. Board members have been just about managing, but current practices may not allow for unexpected events or further demands.

In our report we investigate what information board members currently receive and how board packs are prepared. We examine what intellectual and practical challenges board members face and what solutions they are offered when encountering difficulties. In producing this paper we have come across good practices as well as counterproductive ones.

ICAEW interviewed non-executive directors, company secretaries and executive management responsible for preparing board and committee packs, as well as companies providing services to boards for the electronic management of board information. A desktop review of existing research gave further context to our interviews. This report focuses on the preparation, provision and use of board and board committee packs within the financial services industry. However, boards in other, especially highly regulated, industries can learn from the experience of banks, insurers and investment managers.

We have come to the conclusion that, to be effective and efficient, boards need to build on both individual and collective responsibility and adhere to their social licence by being diverse and inclusive, making sure that decision-making is a true team effort. They must be able to rely on a robust support system provided by executives and company secretaries.

In the final section of this report we provide practical recommendations to improve the provision of information. The detailed list of proposed actions needs to be considered in the context of three overarching principles. First and foremost boards must be committed to the improvement of their packs themselves. Following that, responsibilities for the preparation of board papers must be clearly defined and understood. As a result, non-executives will never need to use information overload as an excuse.

Information overload – intellectual and practical challenges of large board packs

In this section we examine what information financial services boards and committees currently receive and how board packs are produced. We explore the consequences of current practices as well as the intellectual and practical challenges all stakeholders face.

Board packs are often a thousand or more pages, and the new norm for audit and risk committee papers is around 300-400 pages. Behind these averages there is significant variation, meaning some financial services firms have much larger packs. The packs containing the annual report (often hundreds of pages in itself) are even longer. Board members normally have around a week (ideally up to 7-10 days, but sometimes only a weekend) before meetings to read, comprehend and question the papers. This leads to intellectual and practical challenges for boards, the executives who support them and company secretaries.

There is a dysfunction observable in many boards where responsibilities are unclear, collective accountability is undermined, risk management is increasingly difficult and diversity and inclusion is inhibited. A coherent and consistent approach to board meetings and the information provided to enable the board to understand, review and challenge management would help alleviate this dysfunction and enable boards to fulfil their proper purpose and ambition in contributing to flourishing businesses.

WHY ARE PACKS INCREASING?

92% contained more regulatory and compliance reporting

88% contained more reporting on risk

Boards are spending more time dealing with performance and governance issues at the expense of strategy, upon which more than half of board members would like to spend more time, according to a Board Intelligence research piece, 'Bigger is not necessarily better', May 2017.

INCREASING PRESSURE

Board packs have increased in length dramatically in recent years. This started with the introduction of the Bribery Act in 2010, followed by a marked step up after the introduction of the Senior Managers and Certification Regime (SMCR) in financial services in 2016. This, alongside an increasingly complex economic environment, led to a significant expansion of reporting on regulatory, compliance and risk matters.

One-off events have also contributed to longer board packs. Examples include the introduction of IFRS 9 Financial Instruments, the biggest change in accounting for banks in a generation, and the implementation of ring-fencing in banking. These events have not only increased the volume of information to be worked through, but, more crucially, the complexity of the material.

Up until now, non-executive directors have been managing (just about) as board packs have gradually grown. However, current requirements and practices may not allow for unexpected events or further demands arising from environmental, regulatory or legal requirements. Regulators have expressed concern as to whether it is humanly possible to successfully absorb and challenge what is presented to the non-executives in the time given. Against the background of the SMCR, this presents the need to deal with the issue of unmanageable expectations and unrealistic demands proactively, rather than in the event of a problem.

The increasing size of board packs creates other significant dangers. Apart from the obvious time constraints, it can make board members feel that they are looking for 'the needle in the haystack'. They spend a long time finding key charts in endless PowerPoint slides from management information. For example, insurers' packs often include the Solvency and Financial Condition Report (SFCR) in its entirety (one hundred or more pages). There may always be some board members who prefer this approach and want to personally select what is important to them, but even detail-oriented minds do not have unlimited time. Summaries and key facts can help prioritisation, with fuller information available as needed. In many cases a short summary with the key risks highlighted would do.

PRACTICAL CHALLENGES

Boards

Following the surge in the volume of information which must be dealt with and the growing complexity of subject matter covered during meetings, some boards have increased the duration of their meetings. In most cases, however, the length and frequency of meetings have not changed. By the time the board gathers, all the information provided in advance has to be taken as read. Even assuming this is the case, the board may not have sufficient time to discuss everything on the agenda. Without additional time allowed for debate, a larger proportion of the workload must be undertaken outside of meetings, as well as directors having more to read and absorb in preparation.

Despite various existing principles and best practice guidance for board meetings, good intentions are not always matched in reality. Board members are based in geographically diverse areas, often in different countries and continents. To help with travel, meetings are often clustered together which leads to fatigue. A lot of material needs to be crammed in for efficiency. Too much energy can be spent debating relatively routine matters and/or focusing on one item, which exhausts the board and saps the meeting of its momentum. Most frequently, discussing strategy is what is neglected in these circumstances.

Board meetings often include presentations from technical experts to provide members with specialist support. These can be highly valuable, but also impact efficiency, as people starting from different levels of knowledge need to get up to speed. This is unhelpful, not only for running the actual board meeting, but to the outside presenters too.

Longer papers don't always mean board members are able to make more time to read them. Even as the volume of packs has significantly increased, anecdotal evidence suggests that time spent reading the papers has not. This creates risk for both companies and board members. Time spent on reading board papers has increased by 30% since 2011, according to the Board Intelligence research ('Bigger is not necessarily better', May 2017), but some feel board members are still not sufficiently well informed to guide and provide oversight to executives. Board members have received criticism in the press for being spread too thinly with negative consequences for governance and the business.

READING SPEED

On average a person can read 30 pages in an hour and board members will spend 4 hours reading regardless of the length of the papers. This will only allow for 120 pages at most. With the average FTSE 100 pack length of 288 pages, this would leave half of the papers unread, according to the Board Intelligence research.

While often viewed as the solution, digitalisation also presents challenges. Up until a few years ago printed, bound packs were the norm. Now, more and more, companies are switching to electronic format. This lightens the physical load, but takes away the discipline arising from the heaviness of packs. Executives might have thought twice before pushing a 1000-page document in front of NEDs. Deadlines were non-negotiable as printing and binding did not allow for delays, while now, adding additional late pages to electronic documents is easy.

Chair of the board

The chair of the board is responsible for running the board and for the board pack, including the pack's length. Some chairs we interviewed felt that striving to improve packs could be futile, as requesting changes and rejecting several rounds of papers is time consuming and can be wasted if hard deadlines are reached and sub optimal papers have to do in the end.

The effectiveness of a board chair in monitoring and managing board packs and meetings can to a large extent depend on their personality. The effect should not be underestimated. For example, the chair might be a 'details' or 'big picture' person or they may not have the necessary time available to perform their role conscientiously. This becomes particularly acute where non-executives have been accused of contributing to corporate failings and scandals.

Executives

Time pressures affect executives as well as boards. Presentation of vast amounts of information is often considered easier and more expedient than working through data and producing tailored or consolidated material designed for the needs of the board. This process can also be driven by requests from the board. Some board members will feel more comfortable with unfiltered data. Generational preferences in using technology and interpreting large amounts of data as well as personality types - particularly the chair's - play an important role in the presentation of information too. Executives may lack incentive or motivation to keep papers short and focused. The expectation is that NEDs, as conscientious individuals, will make all the effort to work through the pack against all the inefficiencies, maintaining the status quo.

During our interviews we have come across some practices that have counterproductive effects on the efficiency of the operation of boards.

- **Unfiltered management information (MI)** being provided to the board. While this might make executives more comfortable about 'not hiding' anything, it is unhelpful and dangerous. Board members will not be able to see the big picture and it can make them feel out of control. This can be particularly apparent in an SMCR environment where all parties may be focused on their individual responsibility, to the detriment of effective discharge of collective responsibility. The challenge is that there is no 'right' amount or quality of information, as this will vary by individual, company and industry.
- **Indiscriminate sharing of papers** with committees other than the one they were specifically written for demonstrates that the producers of the papers are not fully briefed on the mandate of each committee. Furthermore, lines become blurred between responsibilities in the minds of executives or management.
- **Overly long, technically sophisticated papers** with no restrictions on length and/or detail may not be read by board members due to lack of time and they may feel unable to process the detail.

- **Duplication** of reports prepared specifically for audit and/or risk committees. These often make their way to the board for a second round. Unless there are contentious issues, a short summary would suffice instead of the full report.

In financial services the need for technical specialism, heavy regulation and personal responsibility can seriously impede efforts to create more diverse and inclusive boards and committees. NEDs with varied backgrounds are sorely needed. However, banking, investment management and insurance in particular, are intimidating subject matter for potential NEDs from other industries and sectors. Industry knowledge can be an advantage for board members, enabling them to feel like they are making a meaningful contribution to the board and actively participate in debates. Nevertheless, to benefit from NEDs with mixed backgrounds, these sectors need to become attractive to those without previous experience or expertise who might apply and have the confidence to challenge the status quo.

Extremely large board packs can also be a barrier to inclusion. The sheer size will threaten some individuals, especially the ones who do not believe they have the 'right' knowledge and experience to push back against financial services executives. Large board packs inhibit the recruitment of directors with wide-ranging backgrounds and skills who could introduce different perspectives and ask probing questions.

Responsibilities of effective boards and committees

In this section we illustrate how boards and committees need to build on both individual and collective responsibility. They become effective by complying with their social licence and constructing diverse and inclusive teams where decision-making is a real group effort.

INDIVIDUAL RESPONSIBILITY

Expectations of board members in financial services are high. The UK financial services regulator the Prudential Regulation Authority (PRA) has stated that all board members need 'to demonstrate leadership and conduct themselves with a commensurate level of candour, independence and challenge'¹. They must also understand that the responsibility of board members is to be individual, as well as collective.

The SMCR was created to introduce clarity, simplicity and ownership of responsibility and added personal liability to those board roles classed as Senior Management Functions. To comply with its requirements, all individuals in non-executive positions have to obey the rules set out by the PRA. The expectations are as follows for all non-executives.

INDIVIDUALS

- must act with integrity;
- must act with due skill, care and diligence;
- must be open and co-operative with the Financial Conduct Authority (FCA), the PRA and other regulators;
- must pay due regard to the interests of customers and treat them fairly; and
- must observe proper standards of market conduct.

SENIOR MANAGERS

- must take reasonable steps to ensure that the business of the firm for which they are responsible is controlled effectively;
- must take reasonable steps to ensure that the business of the firm for which they are responsible complies with the relevant requirements and standards of the regulatory system;
- must take reasonable steps to ensure that any delegation of their responsibilities is to an appropriate person and that they oversee the discharge of the delegated responsibility effectively; and
- must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

Since the introduction of these rules under the SMCR in financial services has made a significant contribution to how much (more) effort board members make in understanding and challenging the business decisions management recommend and, in this way, discharging their fiduciary and regulatory duties.

¹ PRA: Takami Odonera Final Notice, November 2018.

COLLECTIVE RESPONSIBILITY

While there is a clear shift towards personal accountability, the board still retains overall collective responsibility for decisions. Individual responsibility is critical but it must not be to the detriment of the collective responsibility. Good papers and packs are essential as they assist individuals, but both company law and the Financial Reporting Council's (FRC) Corporate Governance Code guide support boards as a team.

Businesses need effective boards and committees to ensure they are accountable to their customers, employees, shareholders and society through good corporate governance. This is absolutely essential for banks, insurance companies and investment managers to fulfil their vital economic roles of enabling payments, storing value, managing risk and lending money.

In order for these functions to happen, boards need to be able to consider strategy, emerging risks and the wider environment, alongside the operations of the businesses. The volume of information and variety of subject matter that boards must deal with may mean that little time is left to consider strategy and the future business due to a focus on governance and compliance.

Most interviewees agreed that the number one responsibility of the board is strategy. However, only a third of the board's time is spent on strategic matters, a quarter on governance and the rest on performance. Strategy is often left to the end of the agenda, despite nearly half of board members wanting more time to discuss it. This not only frustrates current board members, but also has potential ramifications for business development and future viability, particularly in industries subject to disruption, like financial services.

Companies also need to invest in training for new and existing board and committee members to help fill gaps in knowledge and experience. More training would help boards avoid relying on a few functional experts (often chartered accountants, actuaries and IT specialists) and practice true collective accountability. The increased responsibility on these experts can make them think twice before taking on a NED role if they know that a disproportionately large contribution will be required, by virtue of their experience alongside the SMCR. This second-guessing is ironically more likely with risk aware individuals, who are often those sought after and needed in financial services. In the process, collective responsibility gets undermined too.

It is important that banks, insurers and investment managers effectively manage the expectations of new and potential non-executive directors, as well as the executives that will be working alongside them, in order to mitigate any factors that may deter credible candidates unnecessarily and perpetuate the status quo. Transparency about the commitment that a board appointment requires will also help remove barriers to a more diverse pool of NEDs. Well-defined expectations will help remove the perception that it is necessary to understand 'the club' before thinking about joining, and that NED appointments are for a 'certain type' of individual.

Being upfront and realistic about the commitment expected from NEDs from the outset enables non-executives to make a good decision about how they spend their time, amidst other personal and professional commitments. If companies desire a well-rounded NED population fulfilling their collective responsibility properly, boards may no longer look like they do today. They are currently filled with individuals who have the time to spare and personal financial position to support spending a lot more time than advertised on the role.

SOCIAL LICENCE

Amidst increasing regulatory pressure and new business and economic challenges banks, insurance companies and investment managers must build more diverse and inclusive boards. This requires diversity in the broadest sense, leading to a variety of skills, knowledge, experience and perspective. It benefits the business and helps manage and understand risk through avoiding groupthink.

Board diversity has been a hot topic for years. There is near universal agreement on the need for diverse skill sets and perspectives, as well as on the potential benefits of diversity. However, the definition on what is meant by diversity is not quite clear. Does it only include gender and racial factors, or are there other categories, such as skills, experiences and perspectives, that are also considered? According to Deloitte's 2017 board diversity survey, over 95% of respondents agree that their boards need to seek out more candidates with diverse skills and perspectives, but succession planning and recruitment processes prove that, in practice, very little is done to achieve this. More than 90% of respondents would view applicants with no executive experience unqualified, and 87% of board members see current or retired CEOs as the most effective board members. Boards also source a majority of their candidates from other boards, within their own industries. They also rely heavily on resumes in recruitment and selection. Mostly these resumes reflect organisational and educational experience, which helps to reinforce traditional patterns of board composition.

Achieving a diverse and inclusive board is a gradual process for most companies, as board and committee members are replaced, as and when they retire. Boards and committees should be structured to be inclusive, without creating unnecessary barriers to application and appointment and operate in a way that maximises contribution and participation of all members. Companies must move away from business as usual, and demonstrate a willingness to think differently.

However, board composition is not the end of the story. Boards need to be diverse in substance, not just in appearance, to realise their potential. We cannot expect a diverse board automatically to allow diverse viewpoints to shape its behaviour and decisions. There is a need for a robust process that enables different views to be expressed, heard and considered. The board still needs to work as a team, serving the interests of the company and sharing the responsibility for its decisions. It takes effort and commitment from the chair and the board members to develop mutual respect and recognise that an open exchange of diverse views can help the board reach better shared conclusions.

In our 2014 report² we suggested that there may be a tension between the different drivers of board room diversity. Companies need to balance them in the light of achieving a business purpose. Companies and commentators should also recognise that diversity is not an end in itself and it creates its own demands. Boards need to be mindful of its pitfalls that serve no business purpose and simply make the job of building a strong board team more difficult. Some examples of these negatives include adhering to gender, ethnicity and other quotas for the sake of it, or not allowing enough time for familiarisation with the business when recruiting board members without specific experience of the industry or sector.

There are several things that companies can do to create a more level playing field for potential NEDs and to empower board and committee members to fulfil their roles in an effective and efficient way.

- Produce more concise board packs, but with plenty of available add-ons. These may reflect existing practice or be something entirely new.
- Implement induction training that would help level the field for all NEDs.

² How diverse boards need to be? - ICAEW New Challenges Initiative 2014.

- Add a glossary of important basic information, briefing material and explanatory papers that would help non-executives to catch up before any substantial meeting.
- Executives must recognise that it is their duty to provide background material and make explanatory meetings available for any non-executive requesting them.

There is also an explicit expectation from the regulator that, 'all the directors should have the time and opportunity to contribute...'³. The PRA view is thus reinforced in that only applicants who are able to fulfil the tough role of navigating the board papers are desirable. This situation introduces unconscious bias into the vetting process, creating a non-explicit barrier that will still hamper diversity. In addition to the actions recommended above for companies, the regulator needs to make sure that, in assessing the applicants, unconscious bias is mitigated in practice.

SUPPORT SYSTEM

Company secretaries

Company secretaries play a vital role, providing the link between preparers and the board. Apart from handling the logistics - which is a difficult task in itself - they can make an enormous contribution to the success of the board.

The best company secretaries know their non-executives and executives well and are clear on their distinct needs and wants. They can monitor and manage reporting lines, deadlines and the length and quality of written material. They can see the opportunities for sharing information; for example, sharing between committees, when it is beneficial. It is their role to monitor everything and everyone and keep a cool head when emotions are high. It is a difficult position to be in, but good company secretaries are highly regarded and valued.

Executive support and commitment

Executive support and commitment to board packs and meeting processes that enable all non-executives to contribute in a meaningful and effective way is vital. A number of human factors must be appreciated by those preparing board packs: empathy for board members, considering their challenges and appreciating the practical logistics for individuals.

³ Corporate governance: board responsibilities, PRA, July 2018.

Practical recommendations

This section of our report provides the reader with practical recommendations. The first part assesses the overarching principles, while the second and third parts list detailed proposals for board chairs and non-executives, and executives and management respectively; these will only work in the overall context of the principles.

OVERARCHING PRINCIPLES FOR EFFECTIVE BOARD PACKS

Most companies interviewed are aware of the effect of information overload on their non-executives and the ramifications it has on board effectiveness. Alongside current efforts to review and improve the quantity and quality of written information, size and composition of boards, and efficiency of board meetings, there are further practical steps companies and boards can take to overcome the challenges. This is not the responsibility of just one party but requires the commitment of board members, executives and company secretaries.

Information overload is a real problem, but boards are perfectly capable and equipped to control it. They are not inert, so they do not have to accept what is given to them. If a concentrated effort was made between the chair, board members, executives and company secretaries, they would be able to improve the volume, quality and focus of the packs. The following three principles provide the foundation for creating useful board papers.

Boards need to define their needs and communicate and pursue those persistently

Commitment to improvement can be demonstrated by setting the assessment of the pack as an agenda point and dedicating sufficient time to discussing it. A framework with a clear objective and reference points (including limits and deadlines) should be communicated to preparers. Until adherence to the framework becomes second nature, each meeting should allow enough time for an assessment of the pack, whether it achieved what it had set out to and whether the papers supported this. Following this protocol would help boards to fulfil their responsibilities in a more cohesive manner, as well as empower individual board members to comply with the rules of their engagement in the SMCR environment with a proven track record.

The process should help executives resolve the tensions between delivering structured, focused papers and providing sufficient detail for non-executive directors.

Responsibilities for board papers must be well defined

Responsibilities need to be set out very clearly so that everyone understands them. In an alternative approach to current practice, if the CEO is responsible for ensuring that board packs are fit for purpose, this will enable non-executives to perform their duties more efficiently. Executive oversight and targeting would allocate resource for effective streamlining. It would also create scope for educating preparers on the purpose and perspective of board members and training to improve writing skills. There could also be increased incentive for company secretaries to be more efficient in relation to textual changes and meetings, and in keeping stakeholders satisfied.

Executives (and their colleagues writing the papers) are immersed in the details of the business. The challenge is to take a step back and look at the big picture. NEDs rely on executives to identify salient issues and present them in concise, self-contained papers consistently from meeting to meeting. Simply knowing the audience can lead to valuable improvements. Those who are writing the papers should be encouraged to adopt the perspective of the board, and be given the time and support (perhaps from the

company secretary) to do so. Sometimes individuals are asked to produce information without familiarity of how the board or committee works, or what information members need in order to make decisions. The role for expert preparers is not to share everything they know, just what the board needs to know.

Non-executives need to be vocal about their need for good board papers

When boards are sufficiently committed to creating appropriate board packs and all participants are fully aware of their responsibilities, non-executives will be adequately prepared to do their job. Information overload or poor quality of papers should not be used as an excuse. NEDs have to take full responsibility for managing their own commitments.

Acute regulatory pressure and the changing environment have led to a more professional approach from NEDs over the last 10 years. NEDs normally take on a role for a set number of days a year for an agreed remuneration. There are several factors to consider when constructing their portfolio of roles, but the consensus is that, in financial services, four is the maximum number of appointments that will allow sufficient time spent on each, especially if any involve chairing. Another aspect of managing the division of responsibility is how new NEDs are prepared for the role. It is known that boards can change rapidly, with most members serving for four to five years. Time and effort is needed to provide incoming directors with information and support to enable them to contribute effectively and constructively.

NEDs must reconcile themselves to the fact that there will always be more they could do. Interviewees said that reading the papers and attending the board meetings cannot match the experience of actually getting to know the business by 'walking the floor'. One NED interviews two (reporting line) levels below the board and gains real life information that way. Talking to the preparers of papers will also further understanding. This will require even more time commitment from non-executives, but will provide valuable insights.

It is accepted practice that the actual time spent fulfilling the duty that comes with these commitments is more than the contractual obligation. Sometimes, significantly, even two to three times more than the obligation can be normal, even before unexpected events are considered (these have come to be predictable in financial services over the past 10 years).

For illustration, a current NED vacancy requiring financial services experience is as follows:

'The estimated total commitment is approximately 50 days per year, to include attendance at board and committee meetings (around 2 to 3 days per month), preparation time and other ad hoc engagements. In general, the nature of the role will require flexibility as to the commitment, given the demands of regulation in a high-profile and fast-moving industry.'⁴

The headline advertised commitment of 50 days does not seem to allow for preparation for the meeting or any ad hoc work. Also, the ability to undertake valuable activities like 'walking the floor' are therefore completely excluded from the advertised role. Individuals applying for NED roles are conscientious professionals, intending to do their absolute best, but a more realistic reflection of how much time they spend performing their duty would contribute towards transparency of both executive and non-executive leadership of companies.

Remuneration is not usually a key driver of seeking non-executives appointments. However, NEDs' contracts should be reviewed to allow for a more realistic time commitment while balancing staying sufficiently independent as well as receiving adequate compensation.





⁴ FCA.org.uk, Recruitment of NEDs, 2018.

PROPOSALS FOR BOARD CHAIRS AND NON-EXECUTIVES

	<p>A contents page will give the pack a coherent order and provide better context for non-executives. It will help the pack to be more intelligible and tell a better story, which in turn will enable NEDs to be and feel more prepared before the meetings. This will allow the board to spend a sufficient amount of time on matters that they consider a priority and members to fulfil their responsibilities.</p>
	<p>A time plan should be included with the contents page. Being explicit about the timescale will ensure that high priority items are scheduled at the beginning of the meetings and non-executives are aware of this. Delays can be avoided which will aid the quality of discussion and morale.</p>
	<p>Proportionality is important. The length of the papers should be in proportion with the importance of the issues/items to be discussed. Unnecessarily lengthy narratives only for information purposes are frustrating for NEDs by misdirecting their time.</p>
	<p>Minutes should reflect their purpose of capturing the wisdom of the board, without superfluous detail. Some observed they are too long, extending board packs unnecessarily.</p>
	<p>Educational papers should be provided separately. It is crucial sometimes that board members are offered extra information, but the time allowed for essential discussion is already stretched.</p>
	<p>Escalation needs to be carefully considered. Not everything needs to be discussed by the board. Delegation to committees and avoiding duplication of discussion and papers will help to make the board more efficient. Issues either need to be properly escalated or be noted as a matter of record.</p>
	<p>Expectations should be clearly set out to place responsibility on specific people for the required papers. Good practice is to structure around context, questions and conclusions - this will give clear focus and consistency.</p>
	<p>Feedback should be encouraged by the chair. NEDs are often reluctant to make a fuss and do not voice their concerns over the papers sufficiently. This is misplaced courtesy. Not providing clear and strong feedback will result in the same sort of papers/packs being produced over and over again. It is important that, if papers are not acceptable (eg, for lack of data, transparency or focus), they are rejected and more suitable ones are requested. This is a key mechanism for change which is often underutilised.</p>
	<p>Deadlines are of critical importance. There needs to be a clear cut-off point when papers are finalised. This limit enables a trade-off between the pack being on time and being perfectly up to date. The pack represents the status of the entity at the time of finalisation, and any further update of activity should be done at the board meeting. Making sure that the packs are delivered to directors at least seven to ten days prior to board meetings allows directors to balance their responsibilities.</p>
	<p>Pre-meetings are helpful for NEDs as they allow discussion of the issues without the presence of executives. There does, however, need to be clarity around how these meetings work and who is responsible for the papers for the pre-meetings. NEDs should also be able to ask for additional technical help if needed.</p>

PROPOSALS FOR EXECUTIVES AND MANAGEMENT

	<p>Papers should have a clear purpose. The board must decide where their attention needs to be aimed and what information is required to create a productive discussion. Once it is decided what the papers are for, attention needs to be paid to the content and quality. Even though boards will have to have a thorough understanding of strategic issues, performance and governance, the packs do need to become shorter, focused and more balanced.</p>
	<p>Greater focus is needed. More concise papers, and a more coherent pack without unnecessary repetition should be produced clearly for the board with their priorities in mind. The papers should include what is needed, no more and no less. While the preparer of the paper would like to demonstrate their extensive knowledge on the subject and ensure that their issue enjoys priority, the objective here is different. The board is to make strategic decisions, not to get lost in the detail.</p>
	<p>Perspectives and priorities of the board must be understood by preparers. Preparers also need to know what else is on the board's agenda and how their section fits in. Without this clarity, the papers have no chance of fulfilling their purpose and, in the worst cases, cause more harm in confusing and frustrating the reader.</p>
	<p>Emphasise future events, exposures and high risk areas like IT and cyber risk. As well as looking at the past, boards need to look ahead. Every paper needs a focus on the future.</p>
	<p>Quality of writing is important. Board papers must be well written. Technical experts are not necessarily able to write clearly and concisely. However, targeted training can address this and help them deliver papers that meet NEDs' needs. Highlighting the key risks with enough financial data provided, as well as creating shorter but better constructed papers would be appropriate. Half of the surveyed board members would like better quality papers.</p>
	<p>Rules are helpful. Setting hard limits to the length of papers and sticking to deadlines will concentrate preparers' efforts, as well as allow board members enough time to engage with the content. Such rules underline the importance of the role of the company secretary.</p>
	<p>Templates increase efficiency. They help distinguish routine and specific reporting and reduce orientation time. They help NEDs quickly familiarise themselves with the content that regularly arises for reporting (performance, KPIs etc) and also with remembering what happened at the previous meetings. More and more boards are switching over to electronic packs. The providers of these services (for example, Board Intelligence) are ready to offer their most suitable solutions as well as customise templates and provide companies with bespoke packages.</p>
	<p>Exception reporting is sufficient for routine matters. They could cover 'business as usual' with perhaps a short commentary provided by the CEO, which would help non-executives concentrate on the true outliers.</p>
	<p>Electronic packages are a good way of using digitalisation. They allow papers specifically written for the risk committee to be opened up and made available for others. This way all directors can benefit from reporting on the main risks and linking to the committee. They are able to obtain more information without duplication of material, which is one of the strongest complaints we hear repeatedly. Of course, controlling what is available to whom requires rigorous monitoring and tracking.</p>

-  **NEDs should be provided with briefing papers.** They (or 'The Reading Room' in electronic packages) provide background information on a matter only described at a high level in the actual pack. These papers can often be lengthy and not strictly necessary for an overall understanding of the issues at hand, but they do provide a helpful addition to interested NEDs.
-  **Presentations promote discussion.** They provide an opportunity for board members to ask questions of subject matter experts or specialists. Presentations require careful control by the chair so they are not (and are not seen as) an excuse for lack of advance preparation. They can also put additional pressure on timing, not only on what is being presented but other subjects that would have no sufficient time allocated to them due to delays.
-  **Executive committee meetings can act as an efficient filter.** They should be run before presenting the papers to the board in order to test them and provide an internal challenge to the information sent to board members.
-  **Presentation of the board packs can make a huge difference.** Engaging documents supplemented with charts, illustrations, and tables, not just blocks of text, are helpful as are summaries, cover pages and lists. Simple formatting changes, for example, in minutes of meetings indicating challenges to a particular view in different colours, makes understanding easier.

Conclusion

Considering the increasing size of board packs in recent years, it has become clear that change is needed. This report has investigated the current state of board pack information and preparation. It has also highlighted the intellectual and practical challenges of information overload, as well as explored solutions.

We have concluded that boards need to build on both individual and collective responsibility by being diverse and inclusive, as well as encouraging decision-making as a team. Importantly, we have outlined practical recommendations in the form of detailed lists of proposed actions. These recommendations should be understood according to three overarching principles. Essentially, board packs and their contents are within the remit of boards. This responsibility also applies to non-executives individually, who will be better prepared once they take our proposed actions.



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