

Clearing The Decks

Creating Board Packs to Support Board Effectiveness



June 2024

By Loren Wulfsohn

www.Hawkamah.org

ABOUT HAWKAMAH

Hawkamah, the Institute for Governance, remains dedicated to championing excellence in governance practices within the Middle East and North Africa region. Founded on a mission to promote transparency, accountability, and integrity in corporate entities, Hawkamah is a trusted advisor and a catalyst for positive change in the business landscape. With a commitment to fostering a culture of good governance, Hawkamah offers a diverse range of services including research, training programmes, conferences, and advisory services tailored to meet the specific needs of corporations, regulatory bodies, and professionals. Hawkamah plays a pivotal role in shaping the future of corporate governance, driving sustainable growth, and enhancing investor confidence across the MENA region.



INTRODUCTION

The deck, or pack of board papers, is the most important communication tool between the company and its board of directors.

It is the primary means for board members to receive information from the company and is fundamental for:

- setting the tone for board discussions,
- providing the substantive base for board decisions, and
- creating a platform to facilitate effectiveness.

Falling short in any of these aspects, can impact the effectiveness of a board meeting.

A common and recurring theme in board evaluations is the content of the deck - whether it be the number of pages (daunting), the way in which the agenda or papers are prepared (not engaging), the timing of receipt (too much too late) or the need to hunt for relevant information (obfuscation). This is a concern which has a direct impact on the effectiveness of boardroom governance

Persistent concerns relating to the deck are often perpetuated by a traditional approach to pack formation, with comfort being taken in following a tried and tested formula. The result is that in many instances the deck has not kept pace with the way in which we share, communicate and engage with information.

Board meetings are a valuable part of the board's governance programme, and it is important that the scene is set to maximise the opportunity they present.

It is worthwhile taking a step back to reconsider how packs are formulated, presented, distributed and discussed with a view to using the deck as a tool to optimise the board's time together and enhance overall effectiveness.

ABOUT THE WRITER



Loren Wulfsohn is an international corporate governance practitioner and advisor to directors, boards and executives.

Formerly Group Secretary and Head of Governance at Standard Bank Group from 2002 to 2012, she spent some time in Australia, where she consulted on strategic governance and board practice to a range of both financial and not-for-profit entities in various jurisdictions. Now based in the UK, Loren was with HSBC from 2015 until June this year in various roles including Regional Company Secretary, Europe and more recently, Global Head of Policy and Stakeholder Engagement.

Loren, an admitted attorney in South Africa, has Bachelor degrees in Commerce and Law and a Masters in Banking and Stock Exchange Law.

1. Use Planning to Improve the Deck

Effective decks require thorough planning.

Ensuring that there is an annual board planner covering the board's remit provides the platform for effectiveness. The same would apply for all board committees as well as senior executive committees that feed into the board. It is key to know what the forum is required to consider during the year to fulfil its mandate, comply with regulatory requirements, and to provide a level of flexibility for additional matters to be addressed in need, all in a logical and orderly sequence. For example, how does your strategic planning timetable fit with your operational planning and capital allocation plans? Ensure that the sequencing of items is logical, there is alignment with strategic objectives, both for the short and medium term, and it provides for adequate oversight.



Planning needs to be supported by agreed responsibility for decision making. Clarity is required on the decisions that are reserved for the board and those which management is empowered and expected to make.

For directors to fulfil their fiduciary obligations to the company, they should be provided with the opportunity for meaningful review before making a decision. Planning is essential to ensure that matters are tabled in a timely manner to facilitate debate, review and approval where required. As indicated, inevitably you will be faced with the need to create space on the board calendar for unanticipated matters potentially ranging from an operational crisis, new regulations or a serendipitous opportunity. All of these will require quick and decisive action, and are the type of matters deserving the board's full attention. Without proper planning and a dynamic and rolling planner, this will create additional pressure on the "business as usual" matters still needing agenda time.

The board should be engaged on the planner and support its content as it will determine how the board spends its time.

2. Using the Agenda to Create an Effective Deck

The content of the agenda, which forms the basis for the deck, determines how the board focusses its time in meetings.

The agenda should provide a clear indication to board members where a decision or discussion is required, with sufficient time being allocated for items requiring greater board focus. This also helps directors to focus their preparation.

Consider identifying items that may be suited to “consensus decision making.” Those are items where due to their nature, little time will be afforded in the meeting for discussion given that the board is likely to be comfortable supporting or noting a paper based primarily on the paper content. If a director has any issues or concerns on any such item, these should be raised, and the Chairman should allow time for discussion. The types of matters that this may apply to include a review of a standard regulatory report, a simple business-as-usual decision in line with prior work undertaken or where support is sought for a matter that does not warrant discussion. This creates more time on the agenda to focus on items requiring greater inquiry.

The use of meeting time can benefit from pre-meeting collaboration, facilitated by technology where possible. Board members can iron out any questions on consensus or other minor issues or seek clarity on something in the deck prior to the meeting including such things as requests for additional information or where there is a lack of understanding. Having been addressed prior to the meeting, discussions can be focussed on key issues without the potential for minor distractions.



The content and time allocated on the agenda are determinants of meeting effectiveness. Directors should note concerns where either the Chair or management load an agenda to the extent that it detracts from meaningful engagement on material issues, and as a result, stifles board contribution.

The structure of the agenda can facilitate more effective outcomes through meaningful placement of items, optimising the board’s time and focus. There will be times where energy and engagement levels are either high or likely to have waned. For instance, do not place a strategic discussion just prior to a comfort break, focus will not be on the matter at hand! Place strategic discussions and decisions at the beginning of a meeting to ensure board focus and engagement. Be bold in reviewing the shape of your agenda - and position items to best suit your board members. And be flexible in your approach to ensure ideal flow and to create an agenda that works for you.

3. Enhancing the Deck Through Paper Format and Content

Enhancing board paper content is a critical component of creating an impactful deck.

A clear and consistent format that makes papers more accessible for directors should be a starting point. Structure is fundamental to facilitating engagement with a paper. Include an executive summary, clear purpose for the paper to be tabled at this time, an identifiable request for action from the board, and the provision of sufficient information for context and understanding. Exclude complementary or extraneous information not key to the ask of the board.

Some questions to consider when assessing if your papers are fit for purpose include:

- From the perspective of the directors reading papers:
 - Do you understand the purpose of the paper and what is being asked of you?
 - Do you understand the material drivers for company performance and how this aligns to what is being measured and reported?
 - Is the information provided mainly backward-looking?
 - Do you understand the real economics of the company and are the correct items being tracked?
 - Is the relevant information required for review or decision-making readily identifiable or are you provided with vast amounts of information, leaving you to identify the key data points?
 - Have the costs, risks and potential alternatives considered been identified?
 - How comfortable are you with the quality and integrity of the data provided?
 - How does the proposal align with strategic and other agreed objectives?

- From the perspective of those providing papers:
 - Have you made it clear to the board, if requesting approval, what the potential risks may be, what mitigating actions will be taken and how this aligns to strategic and other objectives and agreed budgets?
 - Based on your knowledge of the matter, are you anticipating the concerns or questions the board members may have, and does the content respond to these?
 - Do you present the information in a way that enables the directors to readily identify critical drivers of success and be in a position to monitor these in a meaningful way?
 - Are you able to provide assurance on the information provided and its quality?
 - Have you considered the paper from the directors' perspective?





Given the limited time non-executive directors spend with the company, papers should highlight matters that are relevant for decision making and stewardship. Providing the board with access to the right data in an organised way and at the right time, enables informed decision-making. The value of the information presented is impacted by:

- **Volume:** Papers should readily identify information or data points that are relevant to the board's deliberations. Providing too much information without identifying key drivers creates a risk for the board and detracts from its ability to make proper enquiry for decision-making and oversight purposes. A salient question to consider is whether the critical information to enable the board to fulfil its fiduciary obligations is readily highlighted in the deck, with a view to protecting both the company and the individual directors. The shorter the paper, the more accessible and transparent this information will be.
- **Quality:** As there is a reliance on the information in the papers, directors should be aware of the source, quality and the credibility of that information. Credibility is material to internal decisions and for engagement with stakeholders. Understanding the drivers of performance will help to identify the data best suited to achieving the board's objectives. A focus on backward looking financial performance, without understanding and monitoring the drivers of performance will not provide the board with the information it needs.
- **Context:** Considering entity performance in a vacuum is myopic. An awareness of competitive and industry behaviour, the impacts of greater geo-political and environmental risks on activities, as well as other contextual matters such as historic trends and customer behaviours, are essential to effectiveness. External perspectives are valuable in avoiding confirmation bias and groupthink in decision-making.

To support both visual impact and understanding, be consistent with structure and presentation. This does not preclude using different formats to better explain information being presented which can save time and reduce paper volume. For example, using agreed key performance indicators tracked over a period can be an effective reference point to readily monitor performance, supported by meaningful narrative where relevant.

To support individual director review of the papers without extending the size of the pack, consider including supporting reference materials, either in the pack itself or in a complementary deck or "electronic reading room." This could include items such as

- terms of reference, covering the remit of the forum;
- key strategic papers as a reminder of key strategies and objectives;
- dictionary and meaning of common acronyms or terms used by the company;
- additional background reading on the subject matter of a proposal, useful where you have board members with varying levels of technical understanding or to provide broader context not required for the decision itself.

5. Delivery – Timing and Design



Directors should receive their papers with sufficient time to critically review the content prior to the board meeting. Insufficient time for review limits the level of challenge – doing a disservice to the work required in preparation for the meeting and impacting the quality of discussion.

The deck should be provided to the board a week in advance of a meeting. Although some directors may welcome a weekend to read the papers, this should not be expected.

The delivery of electronic packs through a paper portal or other means is effective from a safety and logistical standpoint, saving time and money in preparation, as well as enabling directors to view the content on a real time basis, regardless of location. As discussed above, providing the means for directors to collaborate on the deck content prior to the meeting in a safe and secure manner, may enhance meeting effectiveness.

4. Evaluation



The assessment of the content of the deck and its ability to meet the board's needs is crucial. If you embark on a programme to refresh your deck, be aware of the impact of any changes made. Be open to assessing and understanding which changes work and which don't. Allow for dynamic and continuous improvement rather than wait for a formal annual evaluation. Dynamic review could be as simple as surveying the board members-

- immediately post a meeting to get their views on various aspects of the deck through a simple questionnaire with a focussed and brief set of questions; or
- appointing a director at the start of the meeting to provide observations at the close of the meeting on the deck, the meeting and the meeting's effectiveness, highlighting what has worked and where improvements could be made.

A loop of continuous review and improvement will focus the board and management's attention on creating a deck that supports the board to achieve its objectives.

DO.....	DON'T.....
✓ Plan your annual and dynamic board calendar for meaningful coverage of remit	✗ Forget to align planning to purpose and strategic objectives
✓ Provide the board with the deck in an organised and timely manner	✗ Include matters in the deck or on the agenda if they can be socialised in a different manner
✓ Plan the agenda to provide sufficient time for engagement on proposals and strategic matters	✗ Place substantive matters requiring decision and/or discussion when energy levels have waned
✓ Link proposals to strategic and other objectives, including a review of risks and opportunities	✗ Include matters of substance under consensus decision making items or “Any other Business”
✓ Use consistent formatting for papers and visual aids where relevant for accessibility	✗ Distribute papers too late or in a format that does not enable meaningful review
✓ Supply the board with a useful list of regularly used acronyms for ease of reference	✗ Provide all the information you have, and hide the information the board needs
✓ Regularly assess adequacy of the deck and board discussions	✗ Provide information or data without providing insights to aid interpretation

Conclusion

Board effectiveness is supported where the skills and contribution of each board member are harnessed for the benefit of the board and the company.

With significant resource being expended on preparation and planning for a board meeting, it is important that the deck provides the platform for the board to achieve its objectives.

Creating a deck that enables purposeful and meaningful dialogue is fundamental to effective stewardship.

Like any other element of the governance framework, the efficacy of the deck should be subject to continual review and improvement.

Visit

www.hawkamah.org

Dubai International Financial Centre, The Gate Building,
Level 14,
P.O. Box 506767 Dubai, U.A.E.

