

## Good practices of the well-informed, effective board

While reporting packages grow in size and detail, they often don't communicate the information that boards feel they need. Directors tell us they have more and more papers to review, but that they are not necessarily better informed.

**Less could be more.**

Many boards don't quite know what information they should request from management, and many management teams don't quite know what information they should provide. Materials are often received just prior to a board meeting, leaving little time to review and evaluate.

### Creating a basis for productive meetings:

**Management and boards working together to restructure, reconsider, and enrich the information directors receive.**

**Restructure by establish information-reporting principles**

**The goal is to ensure board information packages that are accurate, timely, balanced, relevant, clear and sufficiently detailed. Some guidelines include:**

**1. Key measures and topics**

Board and management must define the value drivers, performance measures and risk management information that the board will use to monitor performance. Agree on target values for each measure, and review and revise them periodically.

**2. Information format**

Present information clearly to allow the board to isolate issues of importance and discuss them knowledgeably.

**3. Information quality control**

Put a quality control process in place to assure the board that the information reported meets the agreed standards.

**4. Exception-reporting process**

Put an exception-reporting process in place to ensure the board is promptly and thoroughly informed about troublesome issues that require analysis and discussion. This principle also applies to exceptional opportunities arising which require major strategic decisions.

**5. Linkage of reported information with meeting agenda**

Link your information packages to the meeting agenda, to help your directors prepare better and to achieve more productive Board meetings. Specify whether directors will be asked to provide an approval, discuss an issue or simply review documents to prepare for discussion of the normal course of business.

**6. Company-wide access and access to outside resources**

Authorize and invite your board members to feel comfortable speaking with managers beyond the executive suite. Access to outside resources (market research) should be available as a matter of principle, and access to independent legal resources must be available as a matter of law.

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**Creating a basis for productive meetings *(continued)***

<p><b>Reconsider the information your board needs to receive</b></p>	<p>Defining the right information is difficult, but every board must determine how it will measure management's performance and the company's financial and operating position. Board and management need to work together to ensure that value drivers and performance measures get articulated and are mutually understood. The information processes must then capture and report on those measures.</p> <p>Key non-financial performance measures and issues differ somewhat across companies and industries, but likely candidates are prospective cash flows, strategies, research and development and information on suppliers, customers and employees.</p>
<p><b>Enrich the information your directors receive to provide better board packages</b></p>	<p><b>The board and management should consider the following ideas and work together to rethink the process, content, format and timing of board information packages:</b></p> <ul style="list-style-type: none"> <li>• <b>Summarized Information</b> Sometimes less is more. Summaries help directors get a quick handle on issues, trends and concerns – an improvement over large binders full of paper that require days to read. When you do need to provide lengthy and detailed information, preface it with a short executive summary that articulates key points and risks</li> <li>• <b>Consistently formatted information</b> Boards often struggle with inconsistency in the way information is presented to them. One option is for boards and management to work to develop a template to be applied to each agenda item in the reporting package. Providing a bullet point summary of the issue, supporting details, timing of the issue, associated risks and any action requested of the board helps the directors understand the relevancy and importance of the material, and the impact of the resulting decision.</li> <li>• <b>Timely information</b> Enhance your board effectiveness by working with your management to ensure that information is available with sufficient time to allow people to review and reflect on it, and come to the meetings prepared. Some leading boards have sent management the message that if supporting materials are not included in the reporting package, the related agenda item may be deleted or deferred.</li> </ul>
<p><b>Take advantage of other resources – both internal and external</b></p>	<p>Company-wide access and access to outside resources opens the door for directors to seek information from sources other than executive management. Some options including getting the views of second- and third-level management, talking with employees, customers and suppliers, and visiting business units. It is also important for the audit chairperson to identify available independent counsel to assist the board with difficult issues.</p>
<p><b>For more information</b></p>	<p>For more information, visit our website <a href="http://www.pwc.com/ca/corporategovernance">www.pwc.com/ca/corporategovernance</a> or contact:</p> <p><b>Mike Harris</b>                      416 941 8246                      <a href="mailto:mike.harris@ca.pwc.com">mike.harris@ca.pwc.com</a>  <b>Norm McPhedran</b>                416 815 5085                      <a href="mailto:norm.mcphedran@ca.pwc.com">norm.mcphedran@ca.pwc.com</a></p>