



## **GOOD BOARDROOM PRACTICE A CODE FOR DIRECTORS**

### ***A CODE FOR DIRECTORS AND COMPANY SECRETARIES***

The Institute of Chartered Secretaries and Administrators (ICSA) believes that reliance on unwritten boardroom procedures and practices is no longer acceptable in the modern business environment. Whilst it is acknowledged that company law should not attempt to prescribe any particular style of boardroom management, ICSA believes that certain basic principles of good boardroom practice can be considered to be universally applicable.

Accordingly, ICSA has formulated this Code for directors and company secretaries as a guide to the matters which it believes should be addressed and, wherever applicable, accepted formally by boards of directors in recognition of a commitment to adhere to an overall concept of best practice.

ICSA also recommends that board room procedures should be periodically reviewed to ensure both the satisfactory operation of the Code and the identification of matters which individual companies could advantageously bring within its scope.

#### **The Code**

1. The board should establish written procedures for the conduct of its business which should include the matters covered in this Code. A copy of these written procedures should be given to each director. Compliance should be monitored, preferably by an audit committee of the board, and breaches of the procedures should be reported to the board.
2. The board should ensure that each director is given on appointment sufficient information to enable him/her to perform his/her duties. In particular, guidance for non-executive directors should cover the procedures:
  - for obtaining information concerning the company; and
  - for requisitioning a meeting of the board.

3. In the conduct of board business, two fundamental concepts should, be observed:
  - each director should receive the same information at the same time, and
  - each director should be given sufficient time in which to consider any such information.
4. The board should identify matters which require the prior approval of the board and lay down procedures<sup>1</sup> to be followed when, exceptionally, a decision is required before its next meeting on any matter not required by law to be considered at board level.
5. As a basic principle, all material contracts, and especially those not in the ordinary course of business, should be referred to the board for decision prior to the commitment of the company.
6. The board should approve definitions of the terms “material”<sup>2</sup> and ‘not in the ordinary course of business’ and these definitions should be brought to the attention of all relevant persons.
7. Where there is any uncertainty regarding the materiality or nature of a contract, it should normally be assumed that the contract should be brought before the board.
8. Decisions regarding the content of the agenda for individual meetings of the board and concerning the presentation of agenda items should be taken by the chairman in consultation with the company secretary.
9. The company secretary should be responsible to the chairman for the proper administration of the meetings of the company, the board and any committees thereof. To carry out this responsibility the company secretary should be entitled to be present at (or represented at) and prepare (or arrange for the preparation of) minutes of the proceedings of all such meetings.
10. The minutes of meetings should record the decisions taken and provide sufficient background to those decisions. All papers presented at the meeting should be clearly identified in the minutes and retained for reference. Procedures for the approval and circulation of minutes should be established.

11. Where the articles of association allow the board to delegate any of its powers to a committee, the board should give its prior approval to:
  - the membership and quorum of any such committee;
  - its term of reference; and
  - the extent of any powers delegated to it.
  
12. The minutes of all meetings of committees of the board (or a written summary thereof) should be circulated to the board prior to its next meeting and the opportunity should be given at that meeting for any member of the board to ask questions thereon.
  
13. Notwithstanding the absence of a formal agenda item, the chairman should permit any director or the company secretary to raise at any board meeting any matter concerning the company's compliance with this Code of Practice, with the company's memorandum and articles of association and with any other legal or regulatory requirement.

<sup>1</sup> If it is practicable, the approval of all the Directors should be obtained by means of a written resolution. In all cases, however, the procedures should balance the need for urgency with the overriding principle that each director should be given as much information as possible and have an opportunity to requisition an emergency meeting of the board to discuss the matter prior to the commitment of the company.

<sup>2</sup> Different definitions of the term "material" should be established for "contracts not in the ordinary course of business" and "contracts in the ordinary course of business". Financial limits should be set where appropriate.

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