

# Board support survey

## Final report



### Introduction

The ICSA/ecoDa Board Support Study is a project co-developed by the Institute of Chartered Secretaries and Administrators (ICSA) and the European Confederation of Directors' Associations (ecoDa) to review how boards are being supported and managed across the EU.

Both organisations share a fundamental belief that good corporate governance and high standards of boardroom practice are essential to the success of organisations. The study looked to identify:

- the types of board support roles currently in place
- the scope and influence of these roles, and
- what professionals are doing on a day-to-day basis to promote good governance practice and influence board behaviour.

The study took the form of a questionnaire, which respondents were encouraged to complete online between June and September 2009. Approximately 150 responses were received from respondents in a number of jurisdictions, including the UK, Ireland, Malta, Finland, France, Slovenia, Austria, Belgium, Luxembourg, the Netherlands and Spain. However, it should be noted that 66 per cent of respondents were based in the UK.

It should also be noted that the term 'board support officer' is used as a generic term, as not all jurisdictions recognise the term 'company secretary'. The views expressed in this report do not necessarily reflect the views of ICSA and ecoDa.

### Board support roles

58 per cent of respondents came from listed companies, and 17 per cent of respondents came from companies that employ a two-tier board structure. 59 per cent of respondents revealed that their country requires companies to appoint a named board support officer, although in 70 per cent of those cases this role may be performed by third-party organisations. In two-thirds of cases, the decision to appoint or remove the board support officer is made by the entire board.

Reporting lines saw over two-thirds of respondents reporting to either the chairman, chief executive or another director of the company. Interestingly, 3 per cent of respondents reported directly to shareholders.

While 85 per cent of respondents were not directors themselves, 59 per cent were part of the senior management group. 74 per cent are secretary to the board, and two-thirds also act as secretary to board committees – principally audit, remuneration and nomination committees. A full breakdown of the types of committees for which respondents act as secretary can be found in the [Appendix](#).

Governance responsibilities are shared in 64 per cent of cases with the finance director and in 57 per cent of cases with the general counsel. Regarding staff management, roughly two-thirds of respondents managed between one and three members of staff directly. Indirectly, numbers were much higher, with around a third of respondents indirectly managing between one and five members of staff, and a slightly lower percentage managing between five and ten.

### Remit, qualifications and CPD

The most important aspect of the role would seem to be attending board and committee meetings, and this took up the greatest proportion of respondents' time. Drafting minutes of meetings was seen as the next most important action and, as would be expected, is the second most time-consuming element of the role. Seventy-six per cent of respondents said that it was an important part of their role to ensure board committees are constituted in line with governance best practice, and 72 per cent of respondents believe that ensuring that the board makes necessary governance disclosures is a matter of high importance.

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Other areas of high importance include ensuring that the board operates appropriate processes, analysing and setting the parameters of risk and the oversight of internal control, briefing the board on governance issues and establishing a schedule of matters which may be considered only by the board.

Matters which seemed to be of less importance to board support officers across Europe included ensuring the board is aware of its responsibilities around risk and stakeholder relations. It is perhaps disappointing that these more proactive governance elements of the role do not rate higher.

Even so, it is clear that many board support officers have a remit which goes beyond servicing the board and its committees, and having responsibility for governance.

The role is often combined with responsibility for compliance, in-house legal, risk, share plans, pensions, insurance and, to a lesser extent, HR (see **Appendix, Question 21**). Several respondents cited the Chartered Secretary qualification as the one normally required by the employer as necessary to undertake the board support role, especially in the UK – for a minority, a legal qualification had been the requirement. The distinction was also made that, in the UK, a public company requires the secretary to have a professional qualification (which could be Chartered Secretary, lawyer or accountant), whereas this was not a legal requirement for secretaries of private companies.

On CPD, many respondents cited that they worked to the ICSA recommendation on CPD of 35 hours per year. To keep up-to-date, respondents relied on a mixture of networking and updates from relevant advisors (legal, registrar, remuneration consultants etc).

### Adding value

48 respondents commented on how they thought the role adds value to the company, and cited various ways in which this is done. The types of responses are noted in order of the frequency with which they were mentioned, beginning with the topic most often highlighted.

### Governance

The largest number of the responses, by some margin, cited governance-related activities as the way the role added most value. There was recognition that shareholders expect a high standard of corporate governance and that the role is to ensure the organisation discharges its obligations to the highest standards. Applying consistent governance standards was perceived as a way of reducing risk across the business.

Good governance was also linked directly to long-term sustainability – helping to ensure the latter by a system of governance which enables the board to work effectively and meet best practice, the expectations of the company's owners and those of other stakeholders who can influence the future development of the company.

One respondent cited the ultimate goal of governance being to create more transparency in respect of the company's activities, both internal and external, and to improve the behaviour of board members. Ultimately, high external governance ratings from external parties were seen as engendering a positive view of the company.

### Disclosure and compliance

Respondents also rated the value of their work in disclosure and compliance. The value was not limited to simply ensuring the annual cycle of requirements were met, but also in keeping directors up-to-date on their obligations, their importance, and inputting more widely in the business on matters which required legal or compliance input or advice. The importance of well-developed processes and procedures underpinned a good compliance regime and safeguarded against risk to the corporate reputation.

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One respondent noted that compliance and risk management is an integral component of the business development plans of any serious organisation. Careful evidencing of audit trails, and responsibility for the corporate memory were recognised as an important contribution. It was recognised that taking good care of compliance and disclosure also allowed management time to be concentrated on the core business.

Strong links were made frequently between both these sections above, and minimising risk generally, and most particularly in respect of the corporate reputation.

### **Enabling better decision-making**

A significant number of responses drew particular attention to the way in which the board support officer can enhance the decision-making processes of the board. It was noted that the role puts the necessary focus on the processes and mechanisms for ensuring that things are done properly. The board support officer can ensure the effective use of board time and make sure it focuses on the most relevant issues, facilitating a good alignment between board and management agendas.

One respondent described this as 'ensuring the right decisions are taken at the right time, by the right people in possession of the right information'.

### **The 'trusted friend'**

A recurring theme was also the value of the board support officer as an independent or neutral advisor to the directors.

One respondent described it as being 'an independent ear and eye for management and other board members to review and discuss issues, documents and ideas'. Such input was considered valuable as the board support officer has top-level insight. The role also provided a sounding board for the discussion of issues, and two respondents also saw the role as one which provides independent internal challenge and the need for others to justify decisions. One respondent saw the role as 'the conscience of the board'.

### **Linchpin**

Some respondents highlighted the way the role added value by being the link between the CEO and the chairman and the contact person for all the other directors. One respondent felt that the role helps prevent undue influence by a single person.

### **Shareholders**

Respondents highlighted the importance of the role in both protecting the interests of shareholders and improving shareholder engagement as a contact point.

### **Administration**

Only one respondent stated that the role was largely administrative in their organisation.

### **Board support across Europe**

The survey also asked whether respondents believed there were obstacles to the creation of a formal board support officer role in some countries in Europe – and, if so, what those obstacles were.

Of those answering, 25 per cent either had no comment, felt they were unable to answer as they were from outside of the EU or felt they had insufficient knowledge to comment. The remaining 75 per cent listed the following issues as the main obstacles:

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### **Historical practices**

Some countries appear to experience a 'we've always done it this way' syndrome, and thus, consideration of an alternative approach or role has not been considered.

### **Cost**

A board support role is often seen as just another bureaucratic layer, which does not add to the bottom line of income generation or profit. Therefore, it can be seen as 'just a cost', and there can be resistance to committing necessary resources.

### **Lack of perceived benefit/understanding of corporate governance**

This reason is closely linked with historical practices and costs, and centres on a lack of recognition of the value-added benefits which a company secretary/board support officer can bring. The role can even be seen as a hindrance to entrepreneurialism, and directors have been accused of stereotyping the role, failing to involve the board support officer and not fully exploiting the experience that the individual has to offer.

There is possibly a lack of understanding of the term and benefits of 'good corporate governance' by boards and investors, as they fail to appreciate the long-term benefits, such as sustainability and competitive advantage, improved performance and effectiveness of both board and company. There are also cultural and legislative differences as to how companies are structured, managed and owned, which affects both the understanding of and need for a board support role.

### **No legal or compliance requirement**

The experience of countries which have never had a legal or compliance requirement for a board support role leads to a perception that there is no need for a separate board support function. This has been reinforced by the recent abolition of the statutory requirement for a company secretary for private companies in the UK.

However, others argue that a pragmatic approach should be taken and that formalising the position is not crucial because 'need creates necessity': the position will be created by organisations who recognise this and prescriptive rules requiring such a role would lead to a box-ticking exercise. Instead, this argument continues, the role should be recognised formally across the EU – whilst not necessarily being mandated – so that there is a common understanding created across all EU markets.

### **Role subsumed within other roles**

The necessity for a separate board support function is not always understood or recognised as other executive functions already perform the role – such as compliance officer, head of legal or finance director. This is particularly pertinent to smaller companies, who try to operate with as few key roles as possible.

However, many commentators acknowledged that this perception was misguided and, if anything, highlighted the necessity for the role, given the growing importance of effective corporate governance. Indeed, several respondents argued that the clear separation of this role would be advantageous and provide much greater transparency and added value.

### **Secrecy/bureaucracy**

A reluctance to admit another person into the board 'inner circle' and excessive secrecy in some countries obstructs the openness required to make the board support role meaningful.

However, one counter-comment to this is that it is board effectiveness and ability to review, monitor and operate good governance practices which is important, and directors must exhibit correct boardroom behaviours in order to carry out these functions and duties. Therefore, some EU countries may see the role of board support officer as creating another layer of bureaucracy rather than being a facilitator and advisor contributing toward this process.

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### Lack of suitable candidates

The absence of suitably qualified personnel exhibiting the personal attributes required to exert influence and promote the profession and the role may also be a hindering factor.

It would appear the main obstacles to sound boardroom support are that the perceived benefit, added value and need for such a resource are, in some cases, overlooked or misunderstood.

These factors overlook the true values and importance of a good boardroom support function: someone who is independent from the strategic and managerial functions of the board yet has access to both, and has an overall perspective of the whole business in addition to their legal, technical, regulatory and advisory expertise. The challenge is to change boards' perception of the boardroom support function so they realise the value-added nature of this role.

Boardroom support is seen as a compliance function – someone to ensure boxes are ticked, rather than as an advisory or strategic role. In addition, it is perceived that the function can be carried out by other departments – such as legal or accounting functions – so to have a separate boardroom support function which cannot do either of the other functions is seen as a costly luxury or another layer of bureaucracy.

### Promoting good governance

The survey enquired which aspects of board governance are managed well and given sufficient priority in the respondents' countries, and which are not. This saw a range of responses. These included:

#### Good

- Independence of the board
- Role of committees – audit and nomination
- Codes of ethics
- Role of the board – formal procedures, regular board meetings, conduct at meetings, board behaviour, election of directors, clear board mandate, delegated authorities and accountability, conflicts of interest
- Legal and regulatory issues/disclosures
- Communication– both externally through public relations and media, and internal information flow such as reporting lines directly from the chief executive to the board and through the chairman
- Financial reporting
- Regulatory requirements and 'box-ticking' forms of corporate governance
- Board support
- Risk management and assessment of business position.
- Application of 'comply or explain' principle of the Combined Code
- Clear distinction between matters to be voted on by shareholders and those by the company
- Shareholder engagement

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### Poor

- Lack of detailed understanding of the business – insufficient challenging and questioning, insufficient debate, too great a concentration on board processes rather than substance and strategy
- Board performance – evaluation, effectiveness, decision making quality and transparency, poor discharging of duties
- Independent board evaluation
- Role of independent directors – including the number of external directorships held
- Board 'behavioural' governance – dominant personalities, poor balance of management styles, lack of skills
- Technical regulatory and legal developments
- The recruitment and training of directors – particularly NEDs
- Empowerment of board support role
- Independence of the supervisory board
- Risk – appetite, monitoring, review, assessment of executive initiated acquisitions
- Remuneration policies
- Role of committees – Remuneration and Nomination
- Shareholder engagement
- Stakeholder engagement
- Board support – role, usage, perception

In addition to the above, some commentators added the following issues which affect the performance of companies:

- Further clarity and guidance regarding law and regulation relating to directors' disclosure requirements, regulatory disclosures and International Accounting Standards requirements, definition and interpretation of certain aspects of company law, conflicting interpretations relating to transactions/parties/connected parties, inappropriately drafted EU legislation, and application of the Listing Rules would enhance companies' ability to perform better.
- Insufficient resourcing by institutions to consider 'comply or explain' principles.

The answers vary significantly: indeed, some board topics were reported as both well and poorly performed – such as shareholder engagement. **The only common thread amongst the answers is that in nearly all cases boardroom behaviour needs the greatest attention.**

In addition, a surprising number of candidates stated that the UK Corporate Governance Code principle of 'comply or explain' provided a good benchmark to achieve for all companies, and encouraged transparency and standard reporting (even if that is somewhat boilerplate). Many also commented that regulatory disclosure was well-managed, which suggested that boilerplate (standardised) and compulsory reporting was better than the probable alternative of none at all.

Very few respondents reported that open and transparent reporting was undertaken, in line with the spirit of the UK Corporate Governance Code. This serves to illustrate that few boards understand and recognise good governance as a business facilitator.

This also acknowledges the view espoused by some commentators, which is that corporate governance is still within its infancy across much of mainland Europe.



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### Focusing attention

A broad range of subjects was discussed under the umbrella of what aspects of governance attention should now receive attention, and the following points were raised. These are noted in order of the frequency with which they were mentioned, beginning with the topic most often highlighted.

### Risk

Respondents commented frequently that more needed to be done with regard to risk management. They noted that there should be more focus on risk appetite, and that this was not always seen to be the case at present. Other key issues include the need to reserve oversight of risk for the board, paying further attention to the reporting of risk, linking remuneration policy with risk and sustainable performance, and linking risk to strategy.

### Board composition

There was support for the role of independent directors as they were seen as offering an unbiased view of board issues. Their remuneration needed to be reviewed, the feeling being that it may be too low.

The importance of achieving an appropriate balance of skills and experience of directors was also underlined, and there was concern from some quarters that directors may not always have the skills and qualifications to govern their companies effectively.

Furthermore, there was a view that the pool of directors was often the same and that boards should be more diverse.

### Shareholders and other stakeholders

Respondents encouraged shareholders to hold boards to account more than they have done in the past, and become more vociferous when they are dissatisfied with a company's performance or management.

They reminded institutional investors that they were part-owners of listed companies and should therefore play a role in governing the company. **One view was that the investment community should start focusing on the more tangible benefits that flow from good governance; they could, for example, initiate a campaign to promote the investment benefits of good governance within the investment/fund management industry.** One respondent felt there should be stakeholder representation in the boardroom.

However, concerns were expressed over balancing stakeholders' interests.

### Board behaviours

The importance of appropriate board behaviours was highlighted. There was a call for a more supportive environment for challenging and questioning by directors, although caution was urged so that dominant figures do not bully directors into decisions with which they are not comfortable.

The need for strong leadership was also underlined; this should be visible throughout the organisation and not just at board level. One respondent commented that boards should ensure that all proposals are adequately debated, rather than merely rubber-stamped.

### Social and ethical values

There is a feeling that social responsibilities need greater focus and there should be more emphasis on managing ethically and retaining some kind of 'social point of view' in the company. The company's values were important and should be underlined.

One respondent commented that climate change required deeper consideration than just the occasional report. There was a view that it was necessary to restore an ethical approach to business post the financial crisis.

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### Reporting and communication

Respondents suggested that it is necessary to communicate clearly to all stakeholders but, on the other hand, companies should not be overloaded with reporting burdens: a balance needs to be struck. Some respondents commented that there should be more focus on board remuneration reporting, and there was a view that governance disclosures should be rationalised where possible so that they become more integral to corporate reporting generally.

### Training

Some respondents felt that there should be more directors' training and that some aspects of it could be improved, especially post the financial crisis.

### Remuneration

The view was expressed that there had been too much preoccupation with share-based incentivisation. More generally, remuneration policy should be aligned with risk and sustainable performance

### Board support

It was felt that non-executive directors in particular needed more support. One respondent commented that there should be more board involvement between meetings, and another respondent suggested that the development of a professional company secretary or board support officer role is a key aspect on which attention now needs to focus.

### Strategy

Strategy should take account of risk and sustainability and also of managing in the recession.

### Board evaluation

Board evaluation processes need to be thorough, with a requirement for compulsory external evaluations every few years.

### Respect for the law

Finally, one respondent felt that the laws and policies of an organisation needed to be better respected.

### Challenges ahead

The survey asked what respondents considered to be the key challenges for corporate governance in their countries over the next five years. A wide range of challenges were identified in response to this question, and some of the common themes included:

#### Learning from, and building on, the lessons of the economic crisis

It was felt that companies need to take the opportunity to learn from the crisis by strengthening their governance processes and reshaping their policies so that they are ready for recovery.

#### Dealing with over-prescriptive rules and legislation

The biggest fear of commentators was that regulators would react to the crisis by introducing regulation which is over-prescriptive in its nature. In their view, this would stifle entrepreneurship and be insufficiently flexible to take into account the different structures of companies.

'It is crucial', said one UK-based commentator, 'that the Government and the regulators respond in a proportionate manner.' It was felt that too much regulation would hinder the ability of companies to grow and, in any case, the causes of the crisis were seen as behavioural rather than due to a lack of regulation.



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### **Recruiting board members**

In the future, board recruits would be expected to have high standards of conduct and need the right balance of sector and general experience.

Indeed, commentators questioned whether there would still be people willing to sit on boards, as sitting on a board was seen as a less attractive proposition when 'the risks outweigh the benefits'. This is presumably because of the controversy surrounding board members and their remuneration packages in the wake of the crisis.

### **Shareholder engagement**

Involving shareholders in the governance process to a greater extent, so that they can provide a more challenging environment for boards, was viewed as a hurdle, as was restoring their levels of confidence.

### **Increasing awareness of corporate governance**

There remains a lack of knowledge about corporate governance, with a lack of 'buy-in' from directors. As one correspondent puts it, it is still being seen as a means of 'pleasing the government lobby' rather than a system that helps businesses run more efficiently and profitably.

### **Achieving better performing boards**

Some commentators stressed the importance of boards being transparent regarding their dealings and disclosures. In the wake of the financial crisis, others highlighted the need for boards properly to assess the company's risk appetite and mitigate risks accordingly.

There were also various suggestions as to how boards could be better supported. These included:

#### **Better training and development**

A number of commentators mentioned training of board members as a means of improving the efficiency and breadth of knowledge of board members.

#### **Improved communication**

There is still a lack of knowledge regarding the role and purpose of the board and this needs improving.

#### **Role of the board support officer**

Some commentators stressed the fact that the board support officer should be treated with respect and pointed out that there should more acknowledgement of the importance of the role.

#### **Board support officer to report to the chairman**

Having the company secretary or board support officer report directly to the chairman is the favoured reporting line. Some commentators proposed that the secretariat should be a separate and dedicated function, designed to support the board and linking the executive with the non-executive directors.

### **Conclusions**

It appears that board support roles, where they exist, are relatively high-level. However, the emphasis attached to the roles seems to concentrate on the procedural, and to a lesser extent on more proactive governance elements of the role.

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However, there is also widespread acknowledgement that board support officers could contribute much more, especially in terms of governance-related activities. Particular ways in which this could be done include improving disclosure, enabling the board to be able to make better decisions, and acting as an independent or neutral advisor to the board. Greater promotion of existing board support roles, promotion of more formal board support roles in jurisdictions that do not have such positions, and attempts to change boards' perceptions of these roles would go a long way towards taking advantage of the extra contribution that board support officers can make.

In terms of facing the general challenges ahead, there is a range of areas that respondents believe attention needs to be focused upon. This will need to be achieved against the economic background – which is still reeling from the effects of the economic crisis, and which could create its own problems, such as over-enthusiastic regulators and a lack of high-calibre people who are willing to sit on boards.

The key challenges ahead include improving risk management, engaging with shareholders and other stakeholders, remuneration and reporting. By far the most significant challenges, however, relate to improving the board environment – improving board composition and the balance of directors' skills, ensuring board evaluation is thorough, creating a supportive atmosphere where directors can constructively challenge and question, and providing more concrete support, especially for non-executive directors. This is an area where board support officers can add significant value.

### About ICSA

The Institute of Chartered Secretaries and Administrators is the qualifying and Membership body for the Chartered Secretary profession and a leading authority on corporate governance in all sectors. Working alongside governments, it represents the interest of organisations where legislation is concerned and promotes best practice in business management. For more information, visit [www.icsa.org.uk](http://www.icsa.org.uk).

### About ecoDa

The European Confederation of Directors' Associations (ecoDa) is a not-for-profit association that represents ten directors' associations throughout Europe. Through its members, ecoDa spans the whole spectrum of business leadership, from the largest public companies to the smallest private firms – both listed and unlisted. ecoDa's objective is to promote directors' skills, professionalism and impact society. For more information, visit [www.ecoda.org](http://www.ecoda.org).