

IFC CORPORATE GOVERNANCE GROUP



Corporate Governance Webinar: The
Evolving Role of Corporate Secretaries
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ICSA-ECODA SURVEY

Reviewed role of company secretary in various EU member states, particularly in some accession states.

What are company secretaries doing to promote good governance and to influence board behavior?

SURVEY: HOW CO. SEC. ADDS VALUE

- Keeps board informed on compliance and governance issues
- Promotes transparency by high standards of disclosure and reporting
- Ensures corporate policies and board processes are followed
- Assists effective decision making through involving NEDs
- Helps to safeguard corporate reputation
- Ensuring board uses its time wisely

SURVEY: OBSTACLES TO ROLE

- Cost-particularly for small companies
- No bottom line contribution-an overhead
- Difficulty in defining the role
- Role not properly understood
- Lack of suitably qualified people
- Reluctance to admit outsiders to Board's "inner circle"

ICSA RESEARCH 2014

- Deliver strategic leadership acting as a bridge between executive and board
- Vital source of company history and culture
- Need to retain independence to demonstrate accountability
- Roles of General Counsel and Co Sec should be separate to avoid conflicts of interest
- Co Sec should report to Chairman and need for effective team-working with Chair and CEO

GENERAL COUNSEL AND CO. SEC.

- Conflict of interest-nobody can serve two masters
- Dilutes focus on support for chair and board

“As GC you’re heavily involved in running the business as CEO’s right hand. That’s not compatible with being CO Sec where you should be the chairman’s right hand”.

- But Co Sec needs to understand the business, its key drivers and risks.

CHAIRMAN'S RESPONSIBILITIES 1

- Board leadership: ensuring effectiveness, setting agenda
- Promoting a board culture and behaviors that build trust
- Encouraging contributions from NEDs
- Ensuring provision of timely and reliable management information
- Managing board time so strategy is fully debated

CHAIRMAN'S RESPONSIBILITIES 2

- Building an effective relationship with CEO
- Ensuring effective communications with investors
- Agreeing development needs of each director
- Arranging performance evaluations of board, its committees and each director

BOARD CULTURE

- Chairman must create climate of constructive challenge and trust
- An open and robust debate should be encouraged
- Directors should contribute views independently
- Board social occasions can be helpful
- Chemistry and collegiality but not cronyism!

REVIEW OF MEETING

- Ideally after each meeting
- Chairman, CEO and Co Sec review
 - agenda
 - time management
 - quality of management information
 - quality of debate
 - decisions and communications

BOARD INFORMATION

- Consider needs of NEDs for information between meetings
- Decide who will be responsible for providing it
- Review quality and quantity of management information as part of board evaluation

BOARD EVALUATION

- A powerful and valuable tool to improve board effectiveness
- It should feed back into board composition, development of directors, succession planning etc.
- Process needs to be customized to the company in its design and delivery

SUCCESS FACTORS 1

- Chairman must buy into exercise and be supportive
- Chairman must trust the facilitator
- Facilitator must be sensitive to culture of company and dynamics of board
- Clarify expectations and desired outcomes at the start
- Agree time commitment and confidentiality requirements
- Be flexible on scope depending on scale and complexity of business

SUCCESS FACTORS 2

- Evaluation to be seen as part of continuous improvement
- Questionnaires are useful but interviews more valuable
- Agree who is to be interviewed: directors, co sec, managers? Shareholders? Advisers?
- Use open ended questions
- It's a conversation not an inquisition or a witch-hunt
- Interpret and weight comments of participants

SUCCESS FACTORS 3

- Get under the skin to find culture, style and behaviors of board-tough questioning
- Make practical recommendations that can be actioned and monitored
- Board must discuss recommendations and agree an action plan
- Board monitors implementation of action plan
- Company considers how to report outcome externally

ROLE OF COMPANY SECRETARY

- Potential facilitator
- Helps Chairman to select and appoint external facilitator
- Principal contact point for facilitator
- Arranges for facilitator to review board papers
- Organizes arrangements for questionnaires and interviews
- One of board officers who will be interviewed
- Arranges for board to discuss evaluation report

SUMMARY

Company Secretary

- wins confidence of and acts as a discreet sounding board to Chairman and other directors
- provides a tactful but challenging voice to board debates drawing on their professional experience and knowledge of company
- keeps under review legislative, regulatory and governance developments and ensures board is well briefed

QUALITIES OF COMPANY SECRETARY

- Tact and diplomacy-a facilitator
- Trustworthy and discreet-maturity and experience
- Interpersonal skills-personal awareness; EQ
- Communicator-good listener
- Proactive not passive-gets involved, a team worker
- Resilient and flexible
- Confidence to speak out
- Sense of humor

HOW ROLE IS CHANGING

- More governance work- board evaluation, dynamics
- More compliance work- eg corporate reporting
- More corporate responsibility work-reputation risk
- More stakeholder relations work-re governance
- Chief Administrative Officer or Chairman's Chief of Staff? What do you think?

TRAINING FOR CO SECS

- ICSA research: “...increased focus on soft-skills training...encourage best practice...”
- Co Sec Development Program 6-9 July 2015
 - to enable corporate secretaries to recognize and understand strategic factors driving business performance and the changing role and behavior required of them
 - to develop ability to lead and influence boardroom behavior
 - to enable them to commit to a personal development and action plan
- IFC Corporate Secretaries Training (on demand)