



Grant Thornton

An instinct for growth™

Is the role of company secretary fit for the future?



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Key messages



80%

say the role of the company secretary has increased in responsibilities and breadth



Increased responsibility in the role is largely attributed to regulation and associated compliance



38%

have no team to support the governance role



31%

of company secretaries have no formal qualification

Administrative work still takes up the bulk of the role



87%

are responsible for compliance



81%

board packs

Greater focus is being given to supporting board development



54%

are involved in board recruitment



36%

do not deliver induction or training to the board

External liaison is not a priority



15%

are involved in investor relations



53%

regulator liaison

Technology use is inconsistent and has not necessarily improved quality or efficiency



62%

use it for admin (emailing board packs or electronic filing)



14%

use it for other means

Introduction

Increasingly, governance is being viewed as a fundamental enabler of trust and, at its heart, is the promotion of transparency and accountability between all of society's stakeholders. Governance frameworks guide decision-making in organisations and dialogue with stakeholders.

As the role of governance changes and progresses, so does the role of the company secretary and those tasked with implementing governance. What was once traditionally viewed as an administrative role is now expanding in some sectors with the company secretary viewed as accountable for the embedding of effective governance practices within the organisation. Increasingly, the chair of the board looks to the company secretary to advise them not only on matters of compliance but for effective working of governance practices at board level, how these are manifesting in the organisation and their impact on stakeholders. Ultimately the company secretary is one of the key governance professionals, and a critical conduit between the board and the organisation.

Drawing on our research and work with boards across multiple sectors (corporate, housing, charity and Not for Profit and public sector), this report looks into the evolving role of the company secretary in the setting, managing and promoting of governance standards.

It is clear that there is a demand for the role of the company secretary to become a strategic partner to the organisation; however, these increasing responsibilities are not always being reflected through changing resource or support. Equally there remains a legacy perception of the role in the wider organisation as one associated with company law and administration, rather than a key shaper of an organisation's governance framework which guides and enables effective decisions. This is a concern if it undermines the authority and effectiveness of the role, and its ability to address changing expectations in society.

Governance is not a compliance exercise that is to be delegated – it has to be owned by all members of the board, supported by the company secretary. There has to be a clear framework in place that sets the tone for decision-making and communication. This gets to the heart of the changing role of the company secretary.

For this report, we surveyed and interviewed board members from a range of organisations, and ask:

- Who fulfils the company secretary role?
- How does the role fit with the entity structure?
- How has the role changed?
- What are they now responsible for?
- How much resource is allocated to the role of company secretary?

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Who is responsible for governance?

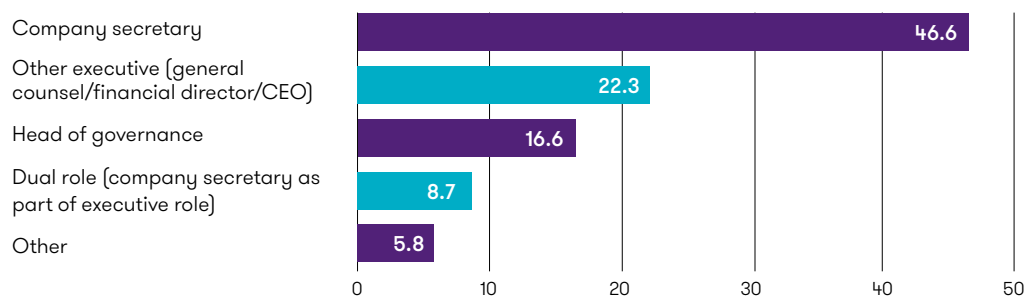
In our work with organisations we find that although governance is the responsibility of many individuals at board level and below, the person accountable for overseeing the effectiveness and evolution of governance and embedding governance within the organisation can vary and often duties can slip between the cracks.

When we asked respondents who in their organisation is responsible for governance, 45% said that it is the company secretary.

Another 22% said that whilst the company secretary was responsible for governance they also had other primary roles such as Financial Director (FD) or General Counsel (GC). While this might be appropriate for some entities, the corporate governance code is clear on the need for a distinct role for a company secretary. With the governance landscape evolving this structure may not allow for the accountability and fresh perspectives needed to ensure that governance practices are effective and enable strategy.

Combining roles is more of a common theme in private companies and charities. The rationale is often to keep the executive team small, reduce the number of people in meetings and ensure that the company secretary has sufficient authority. The balance to this, however, is that when governance is not their primary role, insufficient time may be available and assumptions may be made about their relevant skills and experience. Another concern when combining roles is ensuring the person has an independent view.

Who is responsible for governance in your organisation? (%)





For a further 28% of respondents the company secretary is another individual entirely, such as the CEO or GC. This may mean there is a company secretary who reports into their role, or that the organisation does not have a company secretary at all. When an executive assumes the role of the company secretary we found they were likely to have a smaller number of governance specific responsibilities: typically between two and nine, compared to between 10 and 14 for dedicated company secretaries. This might suggest insufficient time or resource being allocated to the role. With the exception of private companies who may not have independent non-executive directors, this combining of roles may throw into question the objectivity of the advice being provided to the board. For larger corporates and all the other organisations we surveyed this may be a risk to governance, particularly in relation to providing a balanced view as to what is required to strengthen the practices.

Insufficient investment in governance may not have immediate short-term implications but over the longer term it can have a more detrimental impact if governance frameworks inhibit strategic decision-making and/or lead to events or behaviours that impact reputation. Perhaps, as 17% of respondents do, the role should be called 'head of governance', as this might reflect better what the role entails and the requisite level of seniority.

Who do company secretaries report into?

One factor that can have a key influence over the company secretary role is where their role sits within the entity structure.

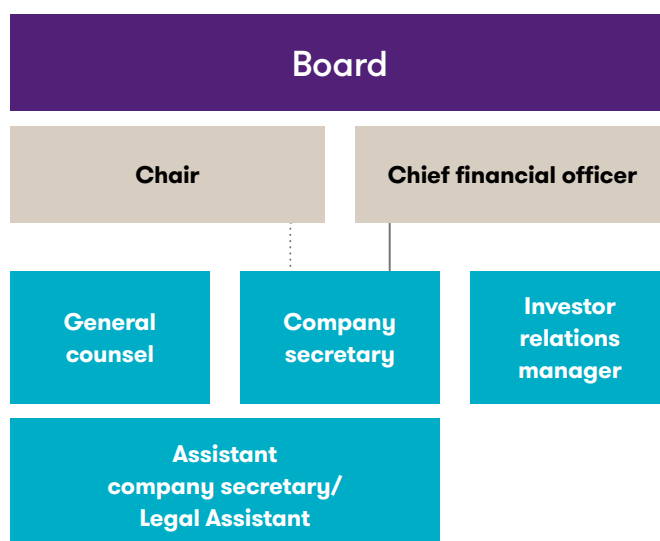
Guidance on good governance¹ states that the company secretary is accountable to the board through the chair on areas relating to governance.

However, as a full or part time employee of the entity they will necessarily have an executive reporting line. While there is no one size fits all model, organisations need to be aware of how the reporting line will influence the nature of the role.

These example reporting lines are taken from our work with governance teams in a range of organisations. Rather than being best practice examples, these are illustrations of the range of different structures around company secretary roles, and how that will impact the nature, seniority and requirements of the role.



Example reporting lines



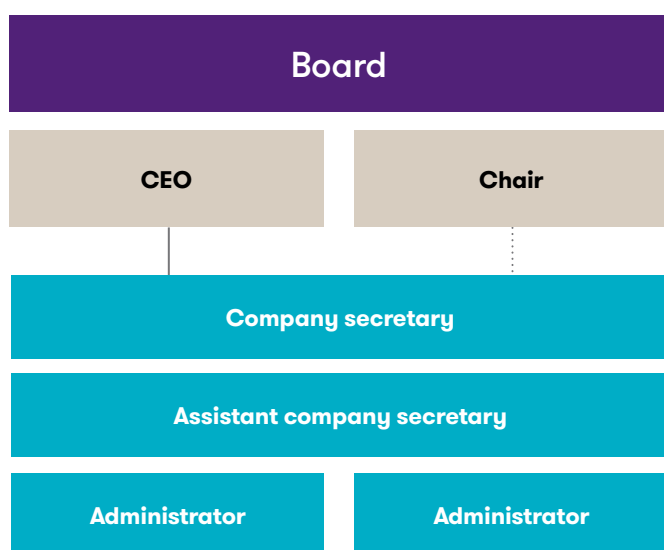
Organisation 1: public company

In this organisation the company secretary reports directly to the CFO and works closely with the chair on governance matters. The company secretary supports the board in their function, attending all board and committee meetings, producing board packs, managing board effectiveness reviews and coordinating director training and induction. They also maintain the group risk register alongside the risk and assurance director.

The annual report writing is co-ordinated by the investor relations manager, with the company secretary contributing to the relevant governance sections (including board and committee) of the report.

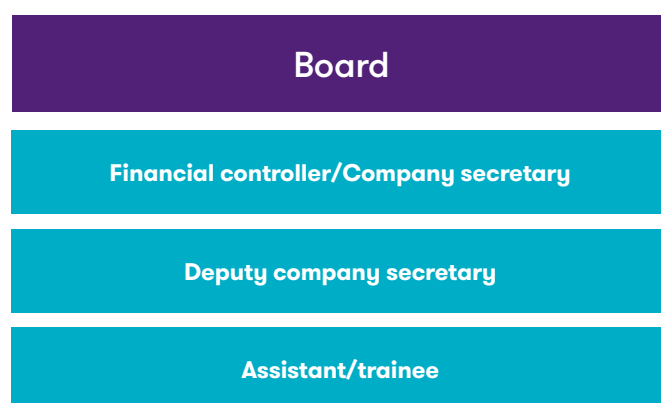
The company secretary works alongside the general legal counsel on compliance and regulation matters. They are both supported by an assistant company secretary/legal assistant – the role is a dual role and they have a legal background and are ICSA qualified.

¹ For instance the FRC's Guidance on Board Effectiveness.



Organisation 2: Housing association

In this organisation the secretariat is organised as a stand-alone unit. The company secretary oversees and manages all activities of the secretariat team and is accountable to the board directly. They report directly into the CEO and has a 'dotted line' to the chair – working closely with them on governance matters. There are no additional reporting or investor relations departments. The company secretary attends all board meetings and committee meetings, and is responsible for producing the governance sections in the annual report. They, and a member of the secretariat team, have governance qualifications.



Organisation 3: Charity

In this entity the company secretarial role is undertaken by the financial controller. He does not have formal governance qualifications, but the deputy and assistant are both ICOSA qualified and the deputy is an experienced company secretary. The company secretary attends all meetings of all boards and committees including executive committee. The assistant takes the minutes at all but the executive committee where minutes are taken by the company secretary.

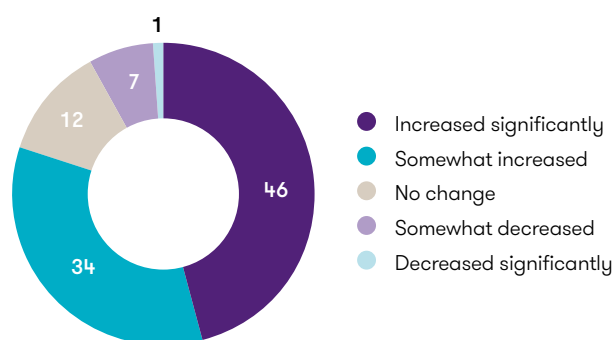
The role sits with the financial controller, which is a senior role in this organisation, to ensure a suitably senior has oversight of governance and that all meetings can be attended.

How has the role changed?

When we speak to company secretaries, and from our survey, we find that there has been significant change to the role over the years. Eighty percent said that their role had increased somewhat or significantly in the time they had been in it.

There was some variation across sectors. Those in the Housing sector were the most likely to state that the duties of the company secretary had increased, and the only individuals who felt the role had decreased were from private company, NHS and Charity boards. Those who said the role had decreased attributed it to technology making the role easier, or that governance had become more of a shared responsibility. Although these might be positive developments, these responses suggest that they see the role as purely administrative. It may also indicate that rather than technology being the enabler to create more space for broader, strategic perspectives on governance, it leads to a reduction in priority, resource and possibly influence.

How has the company secretary role changed in your tenure? (%)



“The role has become more bogged down in regulatory compliance.”

Board Member, Public Company

Increased regulation

Many also stated that the role had increased due to greater pressure from the regulator. Both public companies and housing associations have had regulator focus on governance in recent years. The National Housing Federation code was updated in 2015 – and many housing associations are choosing to follow the UK Corporate Governance Code (the Code). The Code has been through several changes in the last five years, particularly in 2012, updated Audit and Risk requirements in 2014, and updates to reporting requirements and guidance. In 2017, the FRC announced a fundamental review of the Code, and in 2018 have conducted a consultation on the proposed new Code. This will be announced later in the year, but is likely to put greater pressure on governance professionals and reports preparers in meeting the requirements of the new Code. In the NHS we have also seen increased public scrutiny, complexity of engagement with different stakeholders, increased regulation, as well as increased reporting requirements.

Respondents from private companies were the least likely to state that the company secretary role had increased. Private companies are not currently required to follow a specific governance code or to report against this code, so this may reflect a lack of increasing pressure from a regulator. This may be set to change: in 2017 the UK government announced they would be encouraging a group of key stakeholders to draft a governance code for private companies. This is likely to lead to increasing responsibilities for the company secretarial role in these organisations. Given that this sector was also the most likely to have the company secretary as part of another role (such as the CFO or FD), private companies may need to reconsider this structure in light of increasing regulatory pressures.

Impact of technology

Technology has had a big impact on the administrative aspects of the company secretary role. Particularly in relation to the board pack circulation, the vast majority of organisations reported a change to the governance role through the impact of technology. Sixty-two percent stated that they now use some kind of electronic board pack circulation (this ranged from email to the use of more sophisticated board apps), while 4% hold virtual meetings and 10% have online training. One company secretary told us that in the last five years technology had fundamentally changed the administration part of his role and use of electronic board apps meant board packs could be sent securely and easily.

The changes are not always positive – one non-executive pointed out that although electronic board packs had decreased the administration role, it had led to an increase in the size of board packs. Recent (2017) research by ICSA and Board Intelligence found that nearly three-quarters of governance professionals believe that their board packs are currently too long²: the average for small organisations is 125 pages but this rises to 250 pages for large organisations, and can be up to 800 pages. The electronic format allows management information to be more detailed, but means less focus is placed on ensuring it is relevant and summarised for the board.

Another told us that although packs were sent electronically many directors still required them sent via email or printed, and the take up of electronic board packs was limited.

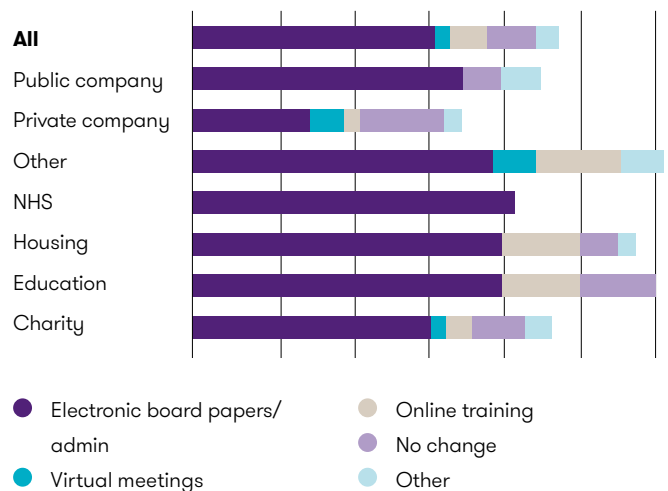
“Technology has had no impact – we are still issuing paper packs.”

Company Secretary, Charity

“As a global organisation, technology has sped up board management. I’m not quite sure if it has made it any more effective.”

Head of Governance, Charity

How has technology affected the company secretary role? (%)*



* Respondents could select more than one.

² Challenges to Effective Board Reporting, December 2017. <https://www.icsa.org.uk/assets/files/policy/research/challenges-to-effective-board-reporting.pdf>

How has the role changed?

As well as greater focus on regulation and compliance, company secretaries also point to increased responsibilities due to the role becoming more strategic.

“My role now reports directly to the board (rather than via the executive) and has a much wider remit than was historically the case – with a focus that extends beyond core board governance and out onto wider organisational policy and procedural compliance and internal audit and providing a critical friend role to the executive team.”

Company Secretary, Charity

“As boards change, the role changes. With less of the Old Boys kind of directors they expect different things of the company secretary.”

Company Secretary, Public Company

“[There is now] an explicit requirement for the role under NHF code of governance - huge importance placed on role by regulator and seen more so than ever as a key contact for board and committee members.”

Company Secretary

“The role includes more strategic advisory.”

Company Secretary, Private Company

“It has become more advisory, with increase in influence and role”

Company Secretary, NHS

“I have a broader remit, especially regarding matters of strategy.”

Company Secretary, Charity

“I was a company secretary for many years. Originally the role was mostly as a servile board minute taker, which graduated over the years (largely through company law requirement) to being the Company Protector of all things legal & moral. The work & responsibility changed massively over my 20 years.”

Board Member, Charity

“The role has become more strategic. I act as a trusted advisor and independent expert.”

Company Secretary, Housing

“There is a regularly changing range of regulatory expectations, which, while periodically subject to deregulation initiatives, has progressively expanded to cover an ever wider area. Demonstrating compliance is more time consuming than before.”

Company Secretary, Housing

“There has been a very significant increase in the amount of governance to be dealt with by the board, which falls to cosec to manage.”

Company Secretary, Public Company

What are company secretaries now responsible for?

Although there is growing recognition of the role the company secretary plays in supporting governance there is still a lack of consistency about what that means. How does that translate into day to day responsibilities?

The Institute for Chartered Secretaries and Administrators (ICSA) sets out suggested responsibilities for company secretarial roles which are critical to the promotion of good governance for all organisations. Many of these are reflected in the responses. Yet our experience is that this role has a number of different interpretations.

While we found a broad range of responsibilities, with a lot of variation according to sector and title, the most common responsibilities are administrative and compliance-focused.

What is the company secretary responsible for? (%)



“Historically the company secretary was seen as the servant to the board, and you can sometimes be seen as the secretary, making coffees, that sort of thing. But you can change that. You will never be seen by the board as their equal, and you’re not. But you can avoid being seen as their servant. And some of that is about being treated as a person, not just as a minute taker.”

Company Secretary, Public Company

Company secretaries are most commonly responsible for compliance, memorandums and articles, meeting arrangements and collating and distributing board packs: more than 80% of our survey respondents said the company secretary was responsible for each of these tasks. This suggests, for the majority of organisations, compliance and more administration responsibilities are the norm. Areas relating to board effectiveness were less common: Sixty four per cent deliver induction and training, 54% are involved in board recruitment. Although these are typically led by the chair, the company secretary should play a key role in supporting the chair and board in ensuring board effectiveness.

“When you’re the company secretary you’re the conscience of the board. And that’s not about compliance or regulation, It’s about being in tune with the spirit, not just the practice of governance. You are in a senior manager position where you see all the conversations but you don’t have the politics or decisions that comes with it.”

Company Secretary, Public Company

“There is always going to be a core set of responsibilities – board minutes, meetings, reporting to the chair, annual reports and accounts – on top of that there is great flexibility. Because there is no set role, you can make of it what you like.”

Company Secretary, Public Company

Shareholders and stakeholders

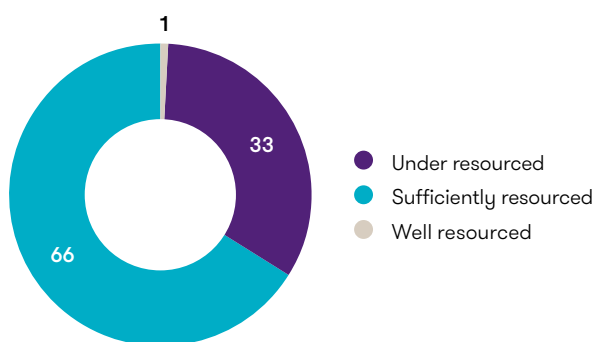
Only 15% are involved in investor relations, 38% in remuneration advisory liaison, and 53% in regulator liaison. Those in the education organisations and public companies were more focused on external reporting (such as writing the annual report, gender pay reporting and modern slavery statements). While drafting the annual report is a key part of governance responsibilities – particularly for public companies or those covered by reporting requirements – it is increasingly important for boards to see broader external engagement as part of their stewardship role. Further recognition will need to be given to the role the company secretary plays in supporting this.

Is the role sufficiently supported?

While the majority of organisations have a team supporting the company secretary or equivalent, 33% said they felt they were struggling with resource, and only 1% said they felt they were well resourced.

Sufficient resource is about more than making sure there is a large team: the best resourcing is efficient and ensures that the individual and team has the right balance of responsibilities and support. It is also about ensuring that the role is given sufficient importance by the company and the board. As we can see in the examples on page 8, the largest teams are not necessarily the best supported, and some very lean teams can still have the necessary balance of seniority, relevant qualifications and resources.

To what extent do you think the role is well resourced? (%)



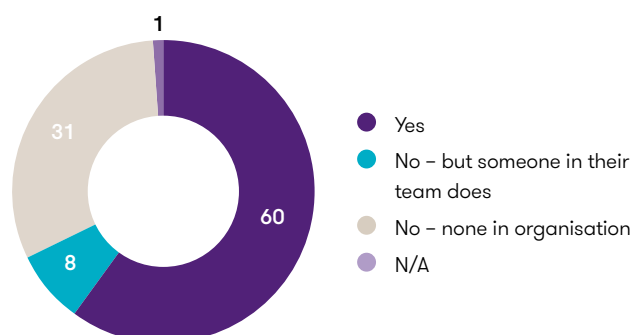
Qualifications

As the role of the company secretary is so varied, there are a range of potential relevant qualifications that might support the role. Working closely with the finance department and being present in board meetings necessarily requires an understanding of finance and the language of the board, while the focus on compliance and regulation (which 87% are responsible for) requires an up to date knowledge of company law and governance codes. They also need to be well informed on strategy and to provide appropriate induction and training.

Just under a third of respondents said that they did not have anyone in the organisation with relevant governance qualifications. The issue of a lack of qualified individuals was more acute in the charity and housing sectors, which had the highest proportion of company secretaries with no specific qualifications. This may suggest that those company secretaries with qualifications are more likely to work in the corporate sector than to go into Not for Profit organisations. Given the scrutiny over the housing and charity sectors with regards to governance, a lack of appropriate qualifications may prove to be an issue.

The results highlight that the idea of 'relevant qualifications' is very broad, and suggests many company secretaries are drawing on qualifications that are not specific to governance. While several had ICSA qualifications, many were also legal – LLP or solicitor – or financial³ – FCA, ACCA. This may suggest that, for the time being, qualifications are less important than on the job learning. In any case, there is a need for greater clarity about what qualifications are most useful for governance related roles.

Does the person responsible for governance hold relevant qualifications? (%)



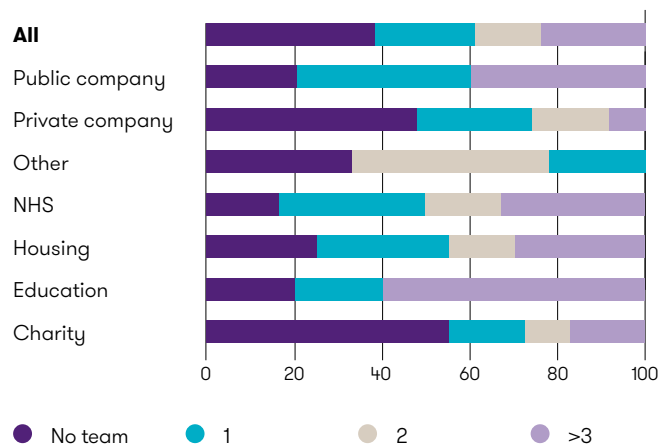
³ Although these were primarily when the FD was responsible for governance, so the qualification would be for their FD role more than the governance role.

Team

With the increasing responsibilities on the governance role it is encouraging to observe that in the majority of organisations the person responsible for governance or the company secretary function also has a support team. This can help to ensure diversity of qualifications and experience are on hand to cover the broad range of requirements of the role. For example, in 8% of respondents, while the person responsible for governance does not have governance qualifications or similar, someone in the team does. Having a team is also a valuable part of succession planning, to ensure there are people in line to fill this vital role.

The largest governance teams were in the education, public company and NHS sectors, who on average have a team of three or more. In the private company and charity governance sectors, individuals were most likely to be responsible for governance with little or no support.

Does the person responsible for governance have a team? (%)



“There are a lot of solicitors and a lot of accountants, and increasing number of compliance people. The advantage of doing a governance qualifications is it covers legal, administration, accountancy, tax and shareholding. It’s about learning the language of the board.”

Company Secretary, Public Company

The survey

The survey consisted of 14 questions across five areas:



Organisation



Governance responsibilities



Operations, team and qualifications



Impact of technology



Changes to the role

The 105 respondents came from the following sectors:



Fully listed companies



AIM companies



Private companies



Government and regulatory bodies



Charities



Education
(including universities, further education colleges, schools and academies)



NHS providers and commissioners

The respondents hold the following roles:



Board member/
Non-executive director



Chief executive



Company secretary



Director of finance/CFO



Head of governance



Monitoring officer

Are you fit for the future?



We finish with key questions that boards, chairs and company secretaries should ask themselves to challenge the effectiveness of the company secretary role, and ensure it is fit for the future.

Questions to ask



Does your organisation support the evolution of the profile of the company secretary?



Is there sufficient investment, development and time to support change?



How does the structure of the secretarial team or company secretary reporting line influence how they are treated by the board?



Could technology be used to support the company secretary in other ways apart from administration?



Are the qualifications in the company secretary team the most relevant and useful to delivering good governance?



Is the size of the team sufficient for the current responsibilities of the company secretary? Is it scalable?

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Advising on governance

1 Benchmarking and design

When is it relevant – Organisations wish to understand whether existing governance arrangements support strategy and/or reflect good practice

Value add – Detailed and insightful comparison to a database of peers and sectors and/or compliance

Types of solutions

- Benchmark reporting to market good practices
- Identification of areas to enable more effective oversight and messaging
- Design of roadmap and implementation
- Peer and sector comparison
- Compliance check
- Preparing for sale

2 Governance renewal

When is it relevant – Occurrence of a significant change event has occurred (growth, takeover, fraud, new strategy) leading to a governance framework that is no longer fit for purpose

Value add – Facilitation, design and implementation of corporate decision frameworks

Types of solutions

- Alignment, design and integration of governance framework with strategy
- Development and strengthening of governance frameworks, policies and procedures
- Group risk appetite identification and embedding
- Internal control reviews and redesign
- Internal audit effectiveness reviews
- Restructuring and implementation of performance and incentivisation measures

3 Effective boards

When is it relevant – Assessment of existing board or committee practices

Value add – External assessment of board structure, dynamics, capability and function

Types of solutions

- Board effectiveness review
- Committee effectiveness reviews
- Committee structure and terms of reference design
- MI quality and effectiveness assessments
- Succession planning through alignment of existing skill set with long term needs
- Facilitation and meeting support
- Company secretary support

4 Leadership and culture

When is it relevant – Alignment of behaviours to strategy and purpose

Value add – Value can be protected and enabled when values and behaviours are embedded into all systems and processes and actively managed

Types of solutions

- Cultural audit and monitoring
- High potential assessment and development programmes
- Executive and board level coaching
- Alignment and communication of reward mechanisms with purpose and strategy
- Leadership and development programmes
- Apprenticeship levy design

5 Strategic sustainable reporting

When is it relevant – Performance is focused on short term or unbalanced targets and/or supporting change in line with non-financial directives or UNSDG's, etc

Value add – Ensures that performance and reporting is aligned to sustainable, long term value creation and relevant policy

Types of solutions

- Review of and advice on front end reporting
- Alignment and integration of internal KPI reporting with strategy
- Creation of CSR/ESG reporting methodology
- Non-financial reporting assurance

6 Corporate reputation

When is it relevant – Perceived value gap between company, investors and stakeholders

Value add – Independent investor and stakeholder relations advisory services to company management

Types of solutions

- Refine investment case and investor toolkit materials
- Tailored investor and stakeholder relations training
- Capital markets perception audit – investors focus, analysts and press
- Investor and stakeholder reporting and communications
- Shareholder and debt holder register analysis (targeting, access and roadshow management worldwide)



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