Governance

Labour Market Information Report

2012

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Foreword

This report examines Labour Market Intelligence (LMI) relating to Governance.

The report draws on:

- regulatory documentation
- commercial survey reports
- information included in Government and other consultation documents relevant to UK Governance
- national statistics websites, datasets and reports

This report presents a snapshot of Governance in the UK. It looks at current information about the Governance workforce, current issues in Governance and what lies ahead.

The principle purpose of this report is to provide a robust analysis of what Governance looks like across the UK.

Executive summary

Corporate governance centres on the board of a company as distinct from the day to day operational management of the company by its management team. This report consequently focuses on the boards of companies. The roles that form part of the Governance workforce are[1]:

- The Chairman: The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role
- Senior Independent Director: The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary.
- Non-Executive Directors: As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy
- Executive Directors

As the role of the Company Secretary includes key functions concerning the Governance of organisations, it is also referred to within this report.

For the most part, the report draws on sources of information that focus on large listed organisations within the FTSE 100, FTSE 350 and Alternative Investment Market (AIM). Although the vast majority of companies in the UK are SMEs or start-up companies that remain under the ownership and control of the founder or founding family their governance is rarely referred to in studies and recommendations. Also, there are few sources of data that allow identification of statistics or specific issues that relate to individual UK nations. Where this information is available, it has been used and is shown. However, the majority of sources relate to the UK in its entirety and thus this report is presented at UK level.

It is estimated that there are approximately 2,797,803 boards in the UK. Whilst it is very difficult to arrive at any reliable estimate for the number of individuals undertaking Governance roles (the report suggests an estimate of over 8 million), it is probably fair to say that the numbers are higher than many commentators recognise.

The report presents a profile of the Governance workforce in the UK which covers board structure, director mix, separation of chairman and CEO roles, board appointments and tenure and frequency of meetings together with data on workforce status, gender, age, ethnicity and salary levels.

The section on drivers of skill demand examines some of the key and current issues in Governance, presented under the headings of:

- Economic conditions, board performance and evaluation
- Risk management
- Shareholder involvement
- Executive pay and corporate reporting
- Gender diversity of boards

It is clear that Governance is undergoing significant change, largely in response to the recent financial crisis and the determination of Governments to avoid any future repetition.

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[1] *UK Corporate Governance Code, June 2010, Financial Reporting Council*

Executive summary

Whilst the changes discussed in section 3 of this report must surely have an impact on the skills required by board members, there is little information that addresses either issues with recruitment or skills shortages. Information on future skills requirements tends to be anecdotal rather than empirical, with many sources structured around the roles and responsibilities of chairmen, directors and company secretaries rather than the skills that are required to discharge those responsibilities. Work carried out by the Institute of Chartered Secretaries and Administrators on boardroom behaviours is an exception and the Financial Reporting Council's "Guidance on Board Effectiveness" offers helpful insights.

On the basis of available information it is suggested that future skills needs of board members will include:

For chairmen:

- Leadership
- Establishing culture and vision
- Encouraging debate and critical challenge
- Coaching
- Evaluation of performance
- Communication
- Decision-making
- Developing effective working relationships

For directors, in particular non-executive directors:

- Communication
- Independent thinking
- Questioning of assumptions and constructive challenge
- Decision making
- Evaluation of performance

Board members will also need substantial industry expertise, a depth of knowledge about the particular organisation within which they are working and a good understanding of governance requirements.

Whilst there are many training/development programmes and some qualifications aimed at board members, there is very little information on take-up. Presumably, the decision to take a qualification in this area is largely a matter of personal choice and it may well be that a considerable amount of training and development is undertaken, through courses provided by organisations such as the Institute of Directors, bespoke training delivered by consultants and mentoring/coaching that takes place within organisations. However, as there seems to be no mechanism for collecting take-up information, it remains hard to quantify.

Promotional material for the newly-launched Financial Times Non-Executive Director Certificate, which has been developed with Edexcel, states that the programme has been designed "to aid the much needed professionalisation of the sector". Perhaps this signals the start of a trend towards more formalised training and qualifications at board level.

Finally, it is suggested that there is a need to encourage the collection of more wide-ranging data that can be used to make better sense of the needs of this workforce in its entirety.

1. Introduction

1.1 Defining Governance

According to a factsheet from the Institute of Directors (IoD)[2] there is no single accepted definition of the term 'Corporate Governance'. Common themes in definitions include the control, supervision or management of a company and/or reference to a legal framework, rules and procedures and private sector conduct. Some practitioners feel that governance encompasses relationships between shareholders, boards and managers.

The IoD factsheet quotes the most comprehensive definition as that set out by the Organisation for Economic Co-operation and Development (OECD) which states:

"Corporate governance is one key element in improving economic efficiency and growth as well as enhancing investor confidence. Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring." (OECD Principles, 2004, Preamble)[3]

The UK Corporate Governance Code (2010)[4] quotes from the first version of the UK Code on Corporate Governance which was produced in 1992 by the Cadbury Committee and sites paragraph 2.5 as the classic definition of the context of the Code:

"Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting."

In both of these definitions, it is clear that Corporate governance centres around the board of a company and can thus be distinguished from the day to day operational management of the company by its management team.

In outline terms governance involves[5]:

- Establishing and monitoring an effective board structure and composition
- Complying with laws, regulations and voluntary codes of practice
- Developing effective relationships between the company and its shareholders
- Ensuring honest and responsible conduct and behaviour throughout the company
- Dealing competently with relevant stakeholders such as employees, local authorities, community members and clients.

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[2] *Corporate Governance in the UK, Institute of Directors, 2010*
[3] *OECD Principles of Corporate Governance, 2nd Edition, 2004*
[4] *The UK Corporate Governance Code, June 2010, Financial Reporting Council*
[5] *Pierce C and Glanville R. (2007) Governance Matters in Growing Businesses: Published by CfA*

1. Introduction

This report will consequently focus on the boards of companies, as distinct from their management teams, which are covered within the Labour Market Report on Leadership and Management (2012) produced by CFA. The roles that form part of the Governance workforce are as follows[6]:

- The Chairman: The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role
- Senior Independent Director: The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary.
- Non-Executive Directors: As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy
- Executive Directors

As the role of the Company Secretary includes key functions concerning the Governance of organisations, it is also referred to within this report.

1.2 The importance of Governance

Whilst Governance has been an area increasing in importance over the past 20 years, the recent financial crisis highlighted the consequences of weaknesses in governance structures and brought the need for good governance into sharp focus.

To quote again from the IOD factsheet[7]:

"Corporate governance means rigorous supervision of the management of a company; it means ensuring that business is done competently, with integrity and with due regard for the interests of all stakeholders. Good governance is, therefore, a mixture of legislation, non-legislative codes, self-regulation and best practice, structure, culture, and board competency. The board and the individuals comprising it are at the heart of the company. They are the link between those who provide the capital and to whom they are accountable, and those, who carry out the policies and decisions they make and who are therefore accountable to the board. Corporate governance exists to provide a framework within which these regulations can operate effectively and the board can fulfil its key purpose."

However, it should be noted that good governance applies not only to financial institutions and large listed companies, but also to UK companies of all types and sizes, including those that are unlisted or privately held.[8]

Governance is therefore central to the operation of many organisations in the UK and, as such, its importance cannot be understated.

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[6] *UK Corporate Governance Code, June 2010, Financial Reporting Council*
[7] *Corporate Governance in the UK, Institute of Directors, 2010*
[8] *Corporate Governance Guidance and Principles for Unlisted Companies in the UK: An initiative of the IoD and EcoDa (European Confederation of Directors' Associations), November 2010*

1. Introduction

1.3 Scope of research

1.3.1 Secondary data

The aim of this report is to provide an up-to-date analysis of the Governance workforce in the UK. It draws on national secondary data sources to ensure that an accurate picture of the workforce is reported on. The key sources used in this report include (but are not limited to):

- The UK Corporate Governance Code (June 2010), published by the Financial Reporting Council
- Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton: This review covers the annual reports of 298 UK FTSE 350 companies, with years ending between May 2010 and April 2011
- The 2011 UK Board Index. This is a comprehensive review of governance practice in the largest 150 companies in the FTSE rankings
- Government Consultation papers
- Financial Reporting Council publications and consultation documents
- The Office of National Statistics (ONS)
- NOMIS: database of official labour market statistics published by the ONS

In addition to these key sources more specific data was used. Sources, including website references, are given in footnotes and the bibliography provides a full list, excluding website references.

1.3.2 Methodological issues and information validity

The primary methodological issue concerns the use of the Standard Occupational Classification (SOC) Codes[9] to try to quantify the size of the Governance workforce.

In 2010 The Office for National Statistics (ONS) revised and updated the Standard Occupational Classification 2000 (SOC) codes. The revision focused upon particular areas of classification where changes in the organisation of work or in the type of work performed had been most apparent and included jobs related to information and communications technologies, health, social care, education, culture, media, sport and leisure. The definition of 'manager' has been updated to incorporate the more strategic managerial functions that define managerial roles in other countries and facilitate comparison of UK data with similar information from overseas.

The use of SOC Codes as a way of quantifying information about the Governance workforce is problematic for two main reasons. Firstly, as mentioned in the definition section of this report, Governance places a focus on board members as distinct from executive management and the SOC system does not recognise this distinction. The codes that offer the 'best fit' for the Governance workforce are:

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[9] *Standard Occupational Classification 2010, Office for National Statistics, 2010*

Table 1: 'best fit' SOC Codes

SOC2000	Description	SOC2010	Description
1111	Senior officials in national government	1115	Chief executives and senior officials
1112	Directors and chief executives of major organisations		
1113	Senior officials in local government		
1114	Senior officials of special interest organisations		
1131	Financial managers and chartered secretaries	1131	Financial managers and directors (Note that Secretary, company (director) are also coded within this group)
4214	Company secretaries	4214	Company secretaries
		2429	Business, research and administrative professionals n.e.c. (includes qualified Company Secretaries)

Source: ONS (2000) Standard Occupational Classification 2000.[10] *and ONS (2010) Standard Occupational Classification 2010*

If it were possible to search for information by individual SOC Code, this would offer a reasonable, if not perfect, way forward. However, the vast majority of the relevant employment data held by the ONS cannot be provided at this level of detail. Thus the second issue is that it is only possible to search for data at the level of the major groups, or, in some cases, at sub-major group level, which are as follows:

Table 2: Major and sub-major groups relevant to Governance

SOC2000	Description	SOC2010	Description
Major Group 1	Managers and senior officials	Major group 1	Managers, directors and senior officials
Sub-major Group 11	Corporate managers	Sub-major Group 11	Corporate managers and directors
Major group 4	Administrative and secretarial	Major group 4	Administrative and secretarial occupations
Sub-major Group 42	Secretarial and related occupations	Sub-major group 42	Secretarial and related occupations
		Major group 2	Professional occupations
		Sub-major group 24	Business, media and public service professionals

Source: ONS (2000) Standard Occupational Classification 2000.[11] *and ONS (2010) Standard Occupational Classification 2010*

As can be seen from Table 2, it is not possible to distinguish data on board members from that on executive management in major group 1 or sub-major group 11. It is also not possible to distinguish information that relates to Company Secretaries from that for other professionals in major group 2 (and sub-major group 24) and from that for other secretarial roles in major group 4 (and sub-major group 42).

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[10] *Standard Occupational Classification 2000, Volume 1 structure and description of unit groups, 2000. London Stationery Office*
[11] *Standard Occupational Classification 2000, Volume 1 structure and description of unit groups, 2000. London Stationery Office*

However, although data presented by SOC code has limitations in providing accurate information on the Governance workforce, the ONS employment data is a major source and thus should not be completely disregarded. Also, much of the information in this report is provided at UK level. Using the employment information provided by the ONS by SOC code is one of the few ways of showing data for each UK nation. It has consequently been decided to:

- Use the information from major group 1, sub-major group 11 for the Governance workforce, acknowledging its limitations
- Supplement this data with data from other sources that are provided at board level
- Seek information from other sources to give more accurate information for the Company Secretary population (as the SOC major and sub-major groups merge this role with a large number of other professional or secretarial roles to the extent that any data presented at these levels would give a picture that is inaccurate and misleading)

A second issue is that the vast majority of sources of information used in this report focus on large listed organisations within the:

- FTSE 100: the 100 largest companies listed on the London Stock Exchange
- FTSE 350: 350 largest companies listed on the London Stock Exchange
- FTSE 250: companies ranked from 101-350 in terms of market capitalisation
- The Alternative Investment Market (AIM): The London Stock Exchange's international market for smaller growing companies. Consists of approximately 3000 companies.

However, as the IoD points out[12], most of the UK's 2.6 million registered companies are not listed or quoted on tradable equity markets. The overwhelming majority are SMEs or start-up companies that remain under the ownership and control of the founder or founding family and include start-ups, single owner-manager companies, family businesses, private equity-owned companies, joint ventures, and subsidiary companies. Also, many state-owned organisations are also unlisted companies. The key difference between unlisted and listed companies is that unlisted companies do not issue their shares to the public. Consequently, their shares are not traded on public equity markets. They may also impose restrictions on the transferability of their shares.

According to the OECD, improved corporate governance amongst unlisted companies has the potential to significantly boost productivity growth and job creation[13]. However, despite their large numbers and economic importance, the governance of unlisted companies is an often neglected area of corporate governance studies and recommendations.

Finally, as mentioned above, there are few sources of data that allow identification of information or specific issues that relate to individual UK nations. Where this information is available, it has been used and is shown. However, the vast majority of sources are for the UK in totality and thus this report is presented at UK level.

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[12] *Corporate Governance Guidance and Principles for Unlisted Companies in the UK: An initiative of the IoD and EcoDa (European Confederation of Directors' Associations), November 2010*
[13] *OECD Principles of Corporate Governance, 2nd Edition, 2004, page 11*

1.3.3 Time limits on data

This report uses the most up to date reports and statistics available. Each source is explicitly referenced with the year of collection to ensure full transparency of data sources.

2. Profile of the UK Governance workforce

2.1 Size and composition of the Governance workforce

2.1.1 Board Structures

UK boards are based on a unitary or one tier board structure. The UK Corporate Governance Code (June 2010, p 6) states that "every company should be headed by an effective board, which is collectively responsible for the success of the company." The Code states that "the board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The board should set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met. All directors must act in what they consider to be the best interests of the company, consistent with their statutory duties." (UK Corporate Governance Code, June 2010, p9).

2.1.2 Size of the Governance workforce

Data from the Annual Population Survey for July 2010 – June 2011 gives the following numbers of Corporate Managers and Directors.

Table 3: Employment by occupation (SOC2010) sub-major group 11

People (000s)	Corporate Managers and Directors	
	Number	Per cent
United Kingdom	2,007,600	
Great Britain	1,965,800	97.9
England	1,748,800	87.1
Scotland	141,900	7.0
Wales	75,100	3.7
Northern Ireland	41,900	2.0

Source: NOMIS, Annual Population Survey- July 2010 – June 2011

However, given the limitations of this data explained in paragraph 1.3.2 on methodological issues, an alternative approach is to look at the number of boards rather than at the number of individuals involved in supporting governance activities. This is not straightforward, as there is no one single source of information available.

The Company register statistics for January 2012 published by Companies House[14] provide the following information for the week ending 29 January 2012.

[14] http://www.companieshouse.gov.uk/about/businessRegisterStat.shtml

2. Profile of the UK Governance workforce

Table 4: Company Register Statistics

UK Total Register	Of which public companies	England and Wales	Of which public companies	Scotland	Of which public companies	Northern Ireland	Of which public companies
2,812,258	8,840	2,618,456	8,478	155,136	330	38,866	32
UK Active Register		**England and Wales**	**Of which public companies**	**Scotland**	**Of which public companies**	**Northern Ireland**	**Of which public companies**
2,569,135	7,591	2,394,261	7,293	139,292	269	35,582	29

Source: Company Register Statistics, Companies House, January 2012, week ending 29/01/2012

These statistics show over 2.5 million active companies within the UK, all of which require boards. All of the boards, however small, require directors that are aware of their governance duties and, in addition, until the 2006 Companies Act, all companies required a Company Secretary (although since 2006 it is only public limited companies that do so).

Organisations in the public and third sector also require boards. There is no single source of information for this, but the figures below attempt an estimate of the numbers involved.

Table 5: Estimate of Number of Boards in the UK

Type of organisation	Number of boards	Number of Board Members (where available)
Charities (England and Wales)[15]	161,744	810,000
Charities (Scotland)[16]	23,428	
Charities (NI)[17]	6,674	
Schools (UK)[18]	33,000	300,000[19]
FE Colleges (UK)[20]	412	
Universities (UK)[21]	115	
Housing associations (UK)[22]	2,350	
Non-departmental Government Bodies (UK)[23]	766	12,210
Trade Unions (UK)[24]	179	
Total	**228,668**	**1,122,210**

Adding these figures to those given in Table 4 from Companies House gives a total estimated figure for boards in the UK of **2,797,803**.

The UK Board Index (2011)[25] identified that the average board size is 10.4, although 30 per cent of Boards have 12 or more members. Grant Thornton's Corporate Governance

[15] Current figures taken from the Charity Commission at http://www.charity-commission.gov.uk/showcharity/registerofcharities/registerhomepage.aspx?&=&
[16] Figures taken from the Office of the Scottish Charity regulator at http://www.oscr.org.uk/
[17] As Charities in Northern Ireland are not yet registered, figures have been taken from the Charity Commission Northern Ireland's list of 'deemed charities'
[18] Figures taken from the Schools Web Directory http://www.schoolswebdirectory.co.uk/
[19] Current figures taken from the National Governors Association at http://www.nga.org.uk/
[20] Figures at 1 December 2011 taken from the Association of Colleges at http://www.aoc.co.uk/en/about_colleges/index.cfm
[21] Figures at August 2011 taken from Universities UK at http://www.universitiesuk.ac.uk
[22] Current figures taken from Housingnet at http://www.housingnet.co.uk/abouthn.php
[23] Figures at 31 March 2009 taken from Public Bodies 2009, Cabinet Office
[24] Figures taken from Abstract of Statistics, Quarter 1 2011 http://www.ons.gov.uk/ons/publications
[25] Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com

review, 2011[26] states that the average FTSE 100 board has 11 members, compared with 8.5 members in FTSE 250 companies. The smallest boards, with 5 directors, are all in the FTSE 250.

These figures, however, focus on large publicly listed companies. Some directors serve on more than one board and board numbers within smaller organisations (which make up the vast majority of the figures quoted by Companies House in Table 4) are likely to vary significantly with many small companies having just one director.

If we assume that the public companies given in the statistics from Companies House (Table 4:7591) have average board sizes of 10, that produces a figure of 75,910 board members. If we then assume that the remaining 2,790,212 companies would have much smaller boards, say an average of 3 people, this would give an estimate of over 8 million people involved in Governance.

In summary, it is very difficult to arrive at any reliable estimate for the number of individuals undertaking Governance roles. It is, though, probably fair to say that the numbers are higher than many commentators recognise.

2.1.3 Director Mix

The UK Corporate Governance Code (June 2010) states that "The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively." (p12). Furthermore, "except for smaller companies (i.e. a company that is below the FTSE 350 throughout the year immediately prior to the reporting year), at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non-executive directors" (p13).

The UK Board Index (2011)[27] states that the split between non-executive and executive directors, excluding the chairman, has returned to 2009 proportions: non-executives make up 67 per cent of boards compared with 68 per cent in 2010. Excluding chairmen, the proportion of non-executive directors now deemed to be independent has remained unchanged for 3 years at 94 per cent, with 115 companies considering all their non-executives to be independent.

Grant Thornton's Corporate Governance review, 2011[28], states that non-executive directors were in the minority until 2006 but now represent 5.3 of an average FTSE 350 9-strong board, and 7 of the 11 members of a FTSE 100 board.

2.1.4 Chairman and CEO Separation

The UK Corporate Governance Code (June 2010) states that:

"There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision" (p 10).

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[26] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[27] *Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com*
[28] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*

The Code further recommends that the roles of chairman and chief executive should not be exercised by the same individual and that the division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board. The chairman should on appointment meet independence criteria and a chief executive should not go on to be chairman of the same company. If exceptionally a board decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report (UK Corporate Governance Code, June 2010 p 10).

The UK Board Index (2011)[29] identified that the number of chairmen who are also chief executive has remained at two, as in 2010.

Grant Thornton's Corporate Governance Review 2011 states that 11 companies combine the role of chairman and chief executive, compared to 13 in 2009, the lowest number since the corporate review was first issued ten years ago.[30]

However, a report by Deloitte Touche Tohmatsu Limited (DTTL) Global Center for Corporate Governance[31] examined board leadership structures in five countries (Canada, Germany, France, the United Kingdom, and the United States) and looked at whether boards had separated the roles of chairman and CEO. The study revealed small declines in split CEO/chairman roles in three of the five markets and a strong increase in independent chairs in the United States.

According to the findings of the report, while splitting the CEO/chairman roles remained the norm in many countries, signs of declines were witnessed in 2010 in Canada, France, and the United Kingdom. In the United Kingdom, separation of CEO/chairman roles declined from 97 per cent in 2009 to 94 per cent in 2010, as a percentage of DTTL's sample of 34 of the United Kingdom's largest 350 companies. In France, the percentage of CAC 40 companies splitting CEO/chairman roles dropped from 58 per cent in 2009 to 55 per cent in 2010, and in Canada from 87 per cent (as percentage of CSSBI100) in 2009 to 85 per cent in 2010.

According to the report's authors, it is possible that boards are seeking more centralised leadership in the aftermath of the financial crisis and that some boards are more comfortable with a combined CEO and chairman, as the relative percentage of other independent board members has increased in recent years. They suggest that there is unlikely to be a 'one size fits all' solution to board leadership and also that international debate on the topic of board leadership structures is likely to continue as investors see board leaders as having a strong influence on corporate performance.

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[29] Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com
[30] Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton
[31] Board Leadership: A global perspective: Deloitte Touche Tohmatsu Limited (DTTL) Global Center for Corporate Governance, May 2011, available at http://www.corpgov.deloitte.com/site/us/board-governance/roles-and-responsibilities/

2.1.5 Board appointments and tenure

The UK Corporate Governance Code (June 2010) states that "There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board." (p13).

The nomination committee is responsible for board appointments and ensuring there is an appropriate balance of skills, experience, knowledge and independence.

Grant Thornton's Corporate Governance Review 2011[32] reports that disclosures of nomination committee work remain poor, in comparison to audit and remuneration committees. Only 37 per cent (compared with 31 per cent in 2010) provide the extra detail necessary to explain nomination committee activity, with eight companies providing no insight at all.

The UK Corporate Governance Code (June 2010) states that "All directors of FTSE 350 companies should be subject to annual election by shareholders." (p17)

Grant Thornton's Corporate Governance Review 2011[33] reports that 70 per cent of FTSE 350 companies (compared with 6 per cent in 2010) have already introduced annual re-election. This number is expected to increase in 2012, with only a small proportion of companies choosing not to comply. The percentage of companies that annually re-elect directors has risen from 7 per cent to 70 per cent in the course of one year and is expected to rise even more in the next reporting season.

The UK Board Index (2011)[34] has identified that the average length of service of non-executive directors has dropped to 4.2 years from 4.5 in 2010. The average tenure of chairmen has risen from 4.3 years in 2010 to 4.8 years. Full-time chairmen who are not also chief executive have an average tenure of 6.2 years. Part-time chairmen have an average tenure of 4.5 years, up slightly from 4.2 years in 2010. 35 per cent of part-time chairmen have been in office for fewer than three years. The length of service of chief executives has fallen slightly, to 5.2 years from 5.3 in 2010.

2.1.6 Board Meeting Frequency

The UK Corporate Governance Code (June 2010, p 9), recommends that boards should meet sufficiently regularly to discharge their duties effectively and should have a formal schedule of matters specifically reserved for its decision.

The UK Board Index (2011)[35] states that 75 per cent of companies now hold between 6 and 10 meetings per year. These are the scheduled number, but many companies held additional meetings as required by economic circumstances or corporate activity. It goes on to say that assessing the number of days worked by non-executives on behalf of a company continues to be difficult. In 2011, 48 per cent of companies disclosed the data in their annual report or did so in response to the survey request, compared with 37 per cent in 2010. Financial services companies require the most commitment, along with those who have international meetings. Of those who have quantified it, almost half

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[32] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[33] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[34] *Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com*
[35] *Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com*

expect a commitment of between 20 and 30 days. In addition to regular meetings, extraordinary meetings and the AGM, many companies hold a strategy session of one or two days.

Grant Thornton's Corporate Governance review, 2011[36] states that the average number of board meetings per year is 8.7 and the highest number is 33. 28 companies held meetings more than once a month, typically unscheduled meetings to deal with specific issues.

2.2 Status of the Governance workforce

Table 6 shows that, according to the ONS Annual Population Survey, 91.2 per cent of corporate managers and directors are employed full-time, compared to only 8.78 per cent part-time.

Table 6: Corporate Managers and Directors in full-time/part time employment

	Sub major group 11	All people	Full-time	%	Part-time	%
UK	Corporate Managers and Directors	2,007,600	1,830,800	91.2	176,300	8.78
England	Corporate Managers and Directors	1,748,800	1,595,800	91.3	152,500	8.72
Northern Ireland	Corporate Managers and Directors	41,900	38,800	92.6	3,000	7.16
Scotland	Corporate Managers and Directors	141,900	130,500	92.0	11,400	8.03
Wales	Corporate Managers and Directors	75,100	65,700	87.5	9,400	12.5

Source: NOMIS, Annual Population Survey- July 2010 – June 2011

The role of a non-executive director is, by its very nature, part-time. However, a 2010 survey of non-executive directors and company secretaries of FTSE 350 companies conducted by PriceWaterhouseCoopers[37] indicated that since 2009, non-executive time commitment has increased by an average of 4 days per year, although there has been no change for company chairs.

Table 7: Time commitment of non-executives in FTSE 350 companies

Time commitment (estimate of days per annum)	FTSE 100	FTSE 250
Company chair	100	48
Senior independent director	28	24
Committee chair	30	24
Non-executive director	24	20

Source: PwC Company secretary survey 2010

Also, 51 per cent of non-executives expect their time commitment to increase. The average increase in expected time commitment is five days per year. The most common reasons for the increase in time commitment were due to more risk and regulatory requirements, and more demanding business challenges.

The PriceWaterhouseCoopers 2010 survey[38] also includes information on the amount of time that non-executive directors spend on different aspects of their roles (see Table 8).

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[36] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[37] *More Pain, More Gain? Non-Executive Director Survey 2010, PriceWaterhouseCoopers*
[38] *More Pain, More Gain? Non-Executive Director Survey 2010, PriceWaterhouseCoopers*

Table 8: Activities of non-executives in FTSE 350 companies

Activity	% non-executive time
Board meetings (attendance and preparation)	More than 35
Committee meetings (attendance and preparation)	20
Additional time required as a committee chair	More than 10
Site visits and employee meetings	More than 5
External stakeholder meetings (e.g. shareholders, clients)	5
Training and development	5
Social events and networking	5
Travel	5
Other	5

Source: PwC non-executive survey 2010

2.3 Gender of the Governance workforce

Table 9 shows the information on gender balance from the ONS Annual Population Survey for SOC2010 Code 11 'Corporate Managers and Directors'. This shows, for all UK nations an approximate split of two-thirds male to one-third female within this grouping.

Table 9: Corporate Managers and Directors gender balance

	Sub major group	All in employment who are - 11: corporate managers and directors	Males in employment who are - 11: corporate managers and directors	%	Females in employment who are - 11: corporate managers and directors	%
UK	Corporate Managers and Directors	2,007,600	1,418,000	71	589,600	29
England	Corporate Managers and Directors	1,748,800	1,243,300	71	505,500	29
Northern Ireland	Corporate Managers and Directors	41,900	29,400	70	12,500	30
Scotland	Corporate Managers and Directors	141,900	96,400	68	45,500	32
Wales	Corporate Managers and Directors	75,100	48,900	65	26,100	35

Source: NOMIS, Annual Population Survey- July 2010 – June 2011

The issue of the gender diversity of boards is a significant one for the Governance workforce. In February 2011, Lord Davies published his independent report 'Women on Boards'[39] which recommends that UK listed companies in the FTSE 100 should be aiming for a minimum of 25 per cent female board member representation by 2015. This will be discussed in greater detail in section 3 of this report. Information in this section is given to indicate the current gender profile of the Governance workforce.

Since 1999, Cranfield School of Management has provided an annual benchmark of the number of women directors in the UK's top companies in its Female FTSE Index Report[40]. Table 10 shows the progress that has been made over the last 12 years, culminating in 2010 in a rate of 12.5 per cent of female FTSE 100 directors.

[39] Women on Boards, February 2011, an independent report by Lord Davies of Abersoch, CBE
[40] The Female FTSE Board Report 2010: Opening up the Appointment Process, Cranfield University School of Management

Table 10: Change of FTSE 100 boards over time

	1999	2004	2008	2009	2010
Female held directorships	6.2%	9.4%	11.7%	12.2%	12.5%
Female executive directorships	2.02%	4.1%	4.8%	5.2%	5.5%
Female non-executive directors	10.82%	13.6%	14.9%	15.2%	15.6%

Source: The Female FTSE Board Report 2010

The Female FTSE Index Report 2010[41] provides information for both FTSE 100 and FTSE 250 companies, which is as follows.

The report states that "2010 saw another year of barely perceptible change in the representation of women in leadership positions of UK PLC's top 100 companies. The incremental increases include three additional women on FTSE 100 boards taking the total to 116; one additional female executive director (ED); four more companies with women on their boards; and two more companies with more than one woman on the board, returning to 2008 levels. Overall, the percentage of women on FTSE 100 boards is 12.5 per cent, showing a three year plateau. The number of companies with no female directors has decreased to 21 and the number of companies with more than one woman on the board has returned to the 2008 figure of 39. Only 13 per cent of new appointments went to women" (p8) (see Table 11).

Table 11: FTSE 100 Companies 2010

FTSE 100 Companies	Number	%
Female held directorships	135	12.5
Female executive directorships	18	5.5
Female NEDs	117	15.6
Women holding FTSE directorships	116	
Companies with female executive directors	16	
Companies with at least one female director	79	
Companies with multiple female directors	39	
Companies with no female directors	21	

Source: The Female FTSE Board Report 2010

The FTSE 250 describes the companies ranked from 101-350 in terms of market capitalisation. The report states that, of the FTSE 250 companies, 119 have women in the boardroom, which at 47.6 per cent is significantly below the 79 per cent of FTSE 100 firms with female directors. In 2010 less than half of these companies have women on their boards (see Table 12).

One reason sometimes given for this is that FTSE 250 boards are smaller than FTSE 100 boards. However, several of the top ranking FTSE 100 companies have boards of only eight or nine members, including the top two. The trend in the FTSE 100 companies of boards with women being larger than those without is also reflected in the FTSE 250. The report suggests, therefore, that each of these boards considers increasing their board by one member and that this member be a woman.

[41] *The Female FTSE Board Report 2010: Opening up the Appointment Process, Cranfield University School of Management*

Table 12: FTSE 250 Companies 2010

FTSE 250 Companies	Number	%
Companies with female directors	119	47.6
Companies with 2 female directors	25	10.0
Companies with 3 or 4 female directors	5	2.0
Companies with female executive directors	24	9.6
Companies with 2 female executive directors	3	1.2
Average board size	7.9	
Average number of executive directors	2.6	
Average number of non-executive directors	5.3	

Source: The Female FTSE Board Report 2010

In October 2011, Cranfield School of Management produced a 6-month Monitoring Report following Lord Davies' review of Women on Boards. In this, it states that:

"The percentage of FTSE 100 board seats held by women is now 14.2 per cent (up from 12.5 per cent). Since the Davies Report was published there have been 21 new female appointments. These new 21 female appointments represent 22.5 per cent of all appointments since March 1st 2011 to FTSE 100 boards. This is some way short of the 33 per cent recommended in the Davies Report. Among the 21 new female appointments 3 are Executive Directorships and 18 are Non-Executive Directorships.

On FTSE 250 boards there have been 28 new female appointments since March 1st 2011, representing 18 per cent of all new appointments. 8.9 per cent of all board seats on FTSE 250 boards are now held by women; up from 7.8 per cent in late 2010. For the first time it is now the minority of FTSE 250 companies that have all-male boards."[42](p6)

The UK Board Index (2011)[43] states that women represent 12.3 per cent of the total number of directors in the FTSE 150, up from 11.5 per cent in 2010. They form 17.5 per cent of non-executives (up from 14.4 in 2010), but only 5.7 per cent of executive directors (up from 4.5 per cent in 2010). There were 2 women chairmen at the time of the analysis and 7 women chief executives, exactly the same as in 2010. The proportion of companies that have at least one woman non-executive has risen to 73 per cent from 68 per cent. 15 per cent have one or more woman executive director, a rise from 12 per cent in 2010. For the first time, the survey asked how many of the women directors had been appointed in the previous year (July 2010 to 7 July 2011). 23 per cent were appointed in that time period. This will provide a benchmark against which the impact of moves to increase the gender diversity of boards can be measured in future years.

2.4 Age of the Governance Workforce

The UK Board Index (2011)[44] has identified that Executive and non-executive directors have an average age of 51 years and 59 years respectively, the same as the last 2 years.

Identical results were obtained in research by Deloitte in 2008[45] concerning the age of FTSE 350 directors where:

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[42] *Women on Boards, 6-month Monitoring report, October 2011, Cranfield University School of Management*
[43] *Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com*
[44] *Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com*

- the average age of an executive director is 50, down from 53 in 2003 and
- the average age of a non executive director is 58, down from 59 in 2003.

Grant Thornton's Corporate Governance review, 2011 presents the following data on the age profile of directors of FTSE 350 companies.[46]

Table 13: Average age of FTSE 350 directors

	Number of directors	Average age
Executive	896	51.8
Non-executive	1,581	59.4
Chair	298	63.3
TOTAL	**2,775**	**57.5**

Source: Grant Thornton Corporate Governance review 2011

Table 14: Age of directors in FTSE 350 companies

	Number of directors	% of directors
<40	39	1
40–50	505	18
50–65	1,702	61
65–70	407	15
>70	122	4

Source: Grant Thornton Corporate Governance review 2011

In September 2010, because of the under-representation of young trustees on charity trustee boards, the Charity Commission commissioned research to explore what it could do in its role as regulator to encourage young trusteeship, and to help to create more diverse boards[47]. The research found that:

- The average *mean* age of a charity trustee is 57. Two-thirds of charity trustees are aged 50 or over
- Out of a total of over 810,000 trustees, just over 4,200 trustees are aged 18-24
- Fewer than 30 trustees, out of a total of over 810,000, are aged under 18.

2.5 Ethnicity of the Governance Workforce

The UK Board Index (2011)[48] reports an upsurge of foreign directors on boards. It identified that the proportion of non-British directors on boards (both executive and non-executive) has risen to almost 32 per cent from 24 per cent in 2010. This is a return to the levels of 2005. The proportion of companies having at least one foreign non-executive director has fallen slightly to 76 per cent from 79 per cent in 2010. 54 per cent of companies now have at least one foreign executive director, up from 50 per cent in 2010. Only 18 per cent of companies have no foreign director at all.

This year the survey sought information about the nationality of directors. 65 per cent of foreign directors come from either the United States or continental Europe/Republic of

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[45] *Masters, B. (2008) Absence of old hands prompts boardroom concern. Financial Times, 26 September 2008, p 25*
[46] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[47] *A Breath of Fresh Air: Young People as Charity Trustees, September 2010, The Charity Commission for England and Wales*
[48] *Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com*

Ireland. The Americas account for 40 per cent, with 31 per cent from the USA and 5.5 per cent from Canada. Continental Europe and the Republic of Ireland account for 34 per cent, with 8 per cent French, 6 per cent Dutch and 3 per cent each from Germany and Italy. 10 per cent of directors have African citizenship, coming mainly from South Africa. 15 per cent are from Asia-Pacific, of whom almost half are Australian. 10 per cent of the foreign executive directors had been appointed since July 2010, as had 12 per cent of the foreign non-executives.

Research by Marx (2009) [49] identified that 44 per cent of the FTSE 100 female board directors are foreign born. This reflects the trend towards more international boardrooms. More than two-thirds of the women had an advanced degree with almost half of the directors earning their degree from a prestigious university.

2.6 Disability of the Governance Workforce

It has not been possible to find any meaningful data on disability within the Governance workforce.

2.7 Salary levels of the Governance Workforce

2.7.1 Remuneration of Executive Directors

The level of Executive pay is a current political 'hot potato' and an issue that has received a great deal of media coverage over the last few years. The issues surrounding this debate and current developments concerning executive pay will be discussed in greater detail in section 3 of this report. Information in this section is given to indicate current pay levels of the Governance workforce.

The UK Corporate Governance Code (June 2010) states that "Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance." (p22). It also states that "Upper limits should be set and disclosed" (Schedule A, p27)

Grant Thornton's Corporate Governance review, 2011[50] provides the following 'fast facts' about executive pay in FTSE 350 companies:

- Half of companies pay executive bonuses in a mix of cash and shares
- 32 per cent pay bonuses in cash only and 3 per cent in shares only
- 17 per cent of companies do not provide information on how bonuses are paid
- 21 per cent of companies have in place some form of claw back mechanism for annual performance related bonuses
- In virtually all companies (96 per cent) executive directors participate in long-term incentive schemes.

Research by Growth Company Investor[51], published in February 2012, reviews the remuneration of the directors of 865 companies on the Alternative Investment Market (AIM) which between them employ over 4,500 directors. Reported highlights[52] include:

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[49] *Marx, E. (2009) Route to the top: what does it take for women to get onto FTSE 100 boards? London: Heidrick and Struggles*
[50] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*

- Chief executive pay on AIM has broken the £200,000 threshold for the first time, with median pay at £200,352 compared to £190,300 in the previous year
- Despite disappointing returns for investors last year, with a 25 per cent slump in the AIM All-Share index, board pay is at a record high, rising to £496,500 from £460,670
- 16 CEOs of AIM-quoted companies are earning over £1 million, and 90 are earning more than £500,000
- Of all AIM chief executives, 32 per cent saw their total pay fall last year, while 11 per cent suffered a freeze
- Finance directors are consistent winners in AIM pay reviews. Their median pay has increased every year since 2003, now standing at £143,542. Over the eight-year period since Growth Company Investor began its survey, it has gone up 69 per cent, compared to 62 per cent for CEOs and 54 per cent for boards.
- But while 63 per cent of Finance Directors saw their pay increase last year, the same was true for only 48 per cent of non-executives. Median pay for a non-executive chairman is £38,821
- The link between pay and company profitability is a weak one. Although CEOs at profitable companies tend to receive a higher salary than those at loss-making concerns (£223,991 compared to £177,356), some of the highest salaries go to the directors of loss-making organisations
- The highest-paid director on AIM, the Gulf Keystone Petroleum executive chairman, earned £6.46 million in 2010, mostly in the form of share-based payments, though the company lost £17 million during the period in question. The CEO of African Minerals, was paid £2.54 million despite the company losing £46.5 million.

Grant Thornton's Corporate Governance review, 2011[53] states that whilst 91 per cent of FTSE 350 companies set upper limits for annual bonuses of executive directors as required by the Code, 28 companies (9 per cent) do not (see Table 15). Of these, half are in the financial industry. In 2011 the average maximum bonus increased to 147 per cent (compared with 138 per cent in 2010) of basic salary. Bonuses above 150 per cent of basic salary were offered by 111 companies (compared to 99 in 2010).

Table 15: Level of potential maximum bonus in FTSE 350 Companies

% of salary	2011	2010
Between 0-50	7	8
Between 51-100	84	116
Between 101-150	96	80
Between 151-200	58	47
Over 200	25	32
No limit	28	20
TOTAL	298	303

Source: Grant Thornton Corporate Governance review 2011

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[51] *Annual Director's Pay Survey, 2012, Growth Company Investor at http://www.growthcompany.co.uk/features/1692063/directors-pay-on-aim-2012.thtml*
[52] *Article by Nick Britton at http://www.growthbusiness.co.uk/news/research-news/1692313/ceo-pay-on-aim-hits-alltime-high.thtml*
[53] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*

2. Profile of the UK Governance workforce

Grant Thornton's Corporate Governance review, 2011[54] goes on to state that companies awarded, on average, actual bonuses at 108 per cent of basic salary (2010: 91 per cent) which compares to an average maximum of 147 per cent. However, the FSA's updated Remuneration Code of December 2010[55], which covers 2,700 regulated firms, and sets out the standards that banks, building societies and some investment firms have to meet when setting pay and bonus awards for their staff, has not stopped the financial industry awarding the largest bonuses, at an average of 143 per cent of basic salary (see Table 16).

Table 16: The level of Executive bonuses by industry in FTSE 350 companies

Industry (size)	Average maximum potential bonus as % of salary	Average actual bonus awarded as % of salary	Average actual bonus awarded as % of maximum
Telecommunications (7)	196	94	48
Financials (61)	193	143	74
Healthcare (7)	166	112	67
Oil & gas (18)	151	98	65
Consumer goods (26)	144	117	82
Technology (15)	149	90	62
Basic materials (27)	144	88	61
Consumer services (66)	135	116	86
Industrials (62)	123	77	62
Utilities (9)	120	79	65
TOTAL	**147**	**108**	**73**

Source: Grant Thornton Corporate Governance review 2011

The Department for Business Innovation and Skills' discussion paper on Executive Remuneration states that the median total remuneration of FTSE 100 CEOs has risen from an average of £1m to £4.2m for the period 1998-2010. This is faster than the increase in the FTSE 100 index, retail prices or average remuneration levels across all employees for the same period. By comparison, executive remuneration in FTSE 250 companies has grown at a slower rate and growth in median CEO salaries in Small Cap and AIM companies has been more modest.[56]

The UK Corporate Governance Code (June 2010) states that "There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration." (p 23).

According to Grant Thornton's Corporate Governance review, 2011[57] the average remuneration committee meets 5 times a year, more than any other board committee.

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[54] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[55] *FSA Remuneration Code, Section SYSC19A of FSA Handbook at http://fsahandbook.info/FSA/html/handbook/SYSC/19A*
[56] *Taken from Executive Remuneration, Discussion paper, September 2011, Department for Business Innovation and Skills (BIS)*
This figure includes all types of remuneration: salary, bonus, deferred bonus, other benefits, long-term incentives, share options and pensions. Taken from: Manifest/ MM&K, The Executive Director Total Remuneration Survey 2011, May 2011. Available at: http://blog.manifest.co.uk
[57] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*

This demonstrates the increased sensitivity and public interest in executive remuneration, the growing complexity of executive pay and long-term incentive schemes and the extensive disclosures required in the annual report. However, 11 per cent of companies (36) do not meet remuneration committee membership criteria. Of these, 23 either had their chairman taking the chair of the committee (9) or had a committee chairman who was not considered independent on appointment (14). The remainder had insufficient independent non-executives.

2.7.2 Remuneration of Non-Executive Directors

The UK Corporate Governance Code (June 2010) states that "levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for non-executive directors should not include share options or other performance-related elements. If, exceptionally, options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the non-executive director leaves the board. Holding of share options could be relevant to the determination of a non-executive director's independence" (p22).

Grant Thornton's Corporate Governance review, 2011[58] reports that average non-executive director fees have risen by 5 per cent in FTSE 250 companies, with no real movement in FTSE 100 companies. Non-executive directors in the FTSE 100 receive an average per meeting rate of £4,300 compared to £3,050 in the FTSE 250. The average fees for a non-executive director are £79,500 for FTSE 100 companies and £48,500 for companies in the FTSE 250.

The 2010 survey of non-executive directors and company secretaries of FTSE 350 companies conducted by PriceWaterhouseCoopers[59] provides the following information on fee levels and other remuneration:

- 43 per cent of companies surveyed had reviewed non-executive director fees in 2010. However, 13 per cent of companies have not reviewed fees since 2007. 60 per cent of non-executives surveyed do not envisage a fee increase over the next financial year
- After a decrease in fees, fee levels are now broadly at the same level as 2008
- In light of the growing responsibility and time commitment required for the role, fees of FTSE 100 non-executives are increasing. This trend is likely to continue as the demands on the role intensify
- 53 per cent of companies in the FTSE 100 increased non-executive base fees in 2010
- While base fee increases for non-executives were generally around 11 per cent (excluding nil increases), overall the highest increases were in committee chair and membership fees. There has been a significant increase in fee levels for senior independent directors
- The median chairman salary in the FTSE 100 is £325,000 compared to £150,000 in the FTSE 250
- 18 per cent of FTSE 100 companies disclose that non-executives have a proportion of fees paid in shares. A further 14 per cent have a shareholding requirement; where stated this is typically equal to 100 per cent of annual fees.

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[58] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[59] *More Pain, More Gain? Non-Executive Director Survey 2010, PriceWaterhouseCoopers*

Non-executive shareholding is less common in FTSE 250 companies. Company chairs receive a lower proportion of fees in shares than their non-executives, although in absolute terms the amount paid in shares is greater

- Currently, less than 1 in 10 FTSE 350 companies (9 per cent FTSE 100, 5 per cent FTSE 250) pay fees on a daily rate basis
- A small number of companies provide a benefit allowance on top of base and committee fees. Where provided, the majority of supplementary fees are for a company car and travel allowances, particularly for meetings overseas
- Around 80 per cent of company chairs in the FTSE 350 have the use of a personal office and secretary. These facilities are not generally extended to other non-executives. Company chairs may also be eligible for a company car (or cash alternative) and access to a chauffeur.

The UK Board Index (2011)[60] includes information on remuneration for Chairmen, Senior Independent Directors and Non-Executive Directors, as follows:

Chairmen

The average remuneration of chairmen has fallen slightly to £390,000 from £393,000 in 2010. There are more chairmen described as full-time, and the average for part-time chairmen has remained at £332,500, compared with £334,000 in 2010.

Senior Independent Directors

A few companies continue to feel that the appointment of a senior non-executive is not appropriate for their structure. In 2011 the survey asked about specific fees paid to senior independent directors in addition to other fees. A few companies pay no additional fees and some have calculated an inclusive fee for the senior independent director which encompasses all activities. In other companies, senior independent directors qualify for committee fees as well as receiving an additional fee. In those cases where additional fees do apply the amount varies considerably, with the top figure £150,000 and the average £18,000. Average total remuneration of senior independent directors is £91,600, up from £88,000 in 2010 and almost back to the 2009 figure of £92,000.

Non-executive directors

For non-executive directors, a few companies structure fees as a combination of retainer plus attendance and committee fees. Companies whose meetings regularly take place outside the UK or who have several overseas directors specify additional fees for travel.

Only three companies pay a basic retainer of less than £30,000. 73 per cent pay more than £50,000 and the average is £58,600 compared with £55,750 in 2010. The low retainers paid by some companies are supplemented by attendance payments, which bring the fees of conscientious non-executives into line with the mainstream. There is one company that pays differential rates to its non-executives according to experience.

More companies review board remuneration every year, rather than every two or three years, but do not necessarily make any changes. While many companies reviewed

remuneration but decided not to increase fees, those who had not increased fees for several years felt that an adjustment was justifiable in order to maintain a comparison with their competitors by both sector and market capitalisation. There is usually a

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[60] *Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com*

requirement that directors purchase shares in the companies on whose boards they sit. However, only 12 per cent either pay all or part of their directors' fees in shares or give directors a choice regarding payment.

2.7.3 Remuneration of Company Secretaries

The Chambers & Partners Salary Survey for Company Secretaries, 2010-2011[61], provides the following information:

Table 17: Average base salary by category of employer

Category of Employer	Top 10%	Average	Bottom 10%
FTSE 100	£ 305,600	£ 162,000	£ 95,000
FTSE 250	£ 187,500	£ 135,500	£ 86,850
Other PLCs	£ 167,500	£ 96,700	£ 66,000
Private t/o £1bn+	£ 180,000	£ 110,500	£ 55,000
Private t/o £250m - £1bn	£ 135,500	£ 84,000	£ 55,000
Private t/o under £250m	£ 123,000	£ 66,500	£ 42,000
Charity/Not for Profit	£ 114,500	£ 65,500	£ 40,000
Professions	£ 85,000	£ 60,000	£ 40,000

Source: Chambers & Partners Salary Survey 2010-2011

On average the Company Secretaries surveyed across all categories of employer received an increase of 5.3 per cent in the last year.

Table 18: Average bonus

Category of Employer	Average bonus
FTSE 100	£95,000
FTSE 250	£53,000
Other PLCs	£21,000
Private t/o £1bn+	£19,000
Private t/o £250m - £1bn	£16,000
Private t/o under £250m	£14,000

Source: Chambers & Partners Salary Survey 2010-2011

The survey notes that:

- 93 per cent of Company Secretaries act as Secretary to the Board
- 47 per cent also head their Company's Legal Department
- 10 per cent are Main Board Directors

[61] *Salary Survey, Company Secretaries 2010-2011, Chambers & Partners 36th Salary Survey*

3. Drivers of skill demand

This section examines the key drivers of skills demand for those involved in Governance across the UK. This is an area of significant development and change within which a number of high profile and far-reaching issues are being debated. The Grant Thornton Corporate Governance review, 2011[62] provides a very helpful overview of recent developments in Governance and this is reproduced below. Whilst there have been further developments in some of the areas mentioned since this document was produced, it nevertheless provides a useful snapshot of the context within which those involved in Governance are currently working. The section will go on to examine in greater detail the key issues that may have particular impact on skill needs.

Table 19: Recent developments in Governance

Governance of Companies	**Comments**	**Timing**
The UK Corporate Governance Code	FRC is consulting on changes to the Code in relation to: – disclosures around gender diversity in response to Lord Davies' report 'Women on Boards'. – tenders for audit at least every ten years with enhanced disclosures (Effective Company Stewardship: next steps).	Consultation ongoing Changes to the Code to be published in 2012 and apply to financial years beginning on or after 1 October 2012.
The Quoted Companies Alliance (QCA) Corporate Governance Guidelines for Smaller Quoted Companies (September 2010)	Adapted from the UK Corporate Governance Code specifically for AIM and smaller quoted companies.	Currently effective.
FRC discussion paper on Boards and Risk (September 2011)	A summary of discussions with companies, investors and advisers. The Turnbull guidance on Internal Control considered broadly fit for purpose with a limited review to be performed to reflect the Code's increased focus on risk. Recognises heightened awareness of risk at board level and need to develop more meaningful integrated reporting linking business model, strategy, key risks and mitigation.	Limited review of Turnbull guidance planned during 2012.
FRC guidance on Audit Committees (December 2010)	Limited changes made on consideration of non-audit services (including elements of internal audit) provided by a company's auditor.	Effective from 30 April 2011.
FRC Guidance on Board Effectiveness (March 2011)	Relates primarily to Sections A and B of the Code on the leadership and effectiveness of the board. Intended to stimulate board's thinking on how they can carry out their role most effectively. Emphasises the role of the chairman in leading the board.	Issued in March 2011.
Governance of Investors	**Comments**	**Timing**
Stewardship Code for Institutional Investors	Over 150 signatories accounting for about 40% of the equity market. Of the top 30 investors in the UK equity market, 25 are signed up and four of the remainder are sovereign wealth funds.	Voluntary disclosures from September 2010.
European Commission	**Comments**	**Timing**
European Commission Green Paper on the EU corporate governance framework	Considers the comply or explain principle and introduces concept of monitoring bodies. Poses 25 questions ranging from board governance practice to institutional engagement.	Initial consultation ended July 2011. No imminent change expected.

[62] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*

European Commission Green Paper on audit policy	Considers market concentration of auditors. Audit quality and governance. Audit mandate and communication.	Initial consultation ended December 2010 with summary of responses published in February 2011. No imminent change expected.
European Commission Green Paper on corporate governance in financial institutions	Questions the future of the 'comply or explain' principle. A broader review planned on corporate governance within listed companies.	Initial consultation ended September 2010. No imminent change expected.
Gender diversity	**Comments**	**Timing**
The Davies Report on Women on Boards (February 2011)	FTSE 350 chairman to announce the percentage of women they aim to have on boards in 2013 and 2015. FTSE 100 boards should aim for a minimum of 25% female representation by 2015.	FTSE 350 companies to publish 2013 and 2015 targets by September 2011.
Narrative reporting	**Comments**	**Timing**
Government consultation on "The Future of Narrative Reporting" Discussion paper on "Executive Remuneration"	Proposes a new framework for narrative reporting with the aim of cutting the complexity and length of annual reports. Introduces a new Strategic Report, a concise summary of the company's business model, financial results, strategic direction and risks. This should also include highlights from the governance and remuneration reports. Removes outdated disclosure requirements. Various proposals around remuneration disclosures and process including a separate discussion paper on executive remuneration.	Consultation closes on 25 November 2011. Further guidance to be developed before implementation
FRC "Effective Company Stewardship"	Discussion paper published by the FRC in January 2011 with a summary of responses published in September 2011 setting out the next steps: – Financial Reporting Laboratory launched in October 2011. – Proposes extending the remit of the audit committee to determine whether the annual report viewed as a whole is fair and balanced.	FRC supporting the government in its proposals. Financial Reporting Laboratory launched in October 2011.
International Integrated Reporting Committee (IIRC)	Discussion Paper, 'Towards Integrated Reporting – Communicating Value in the 21st Century' published in September 2011. Objective of developing a new approach to reporting, building on the foundations of financial, management commentary, governance and remuneration, and sustainability reporting in a way that reflects their interdependence. Two year pilot programme commencing in October 2011.	Consultation on discussion document closes 14 December 2011. Exposure Draft of an International Integrated Reporting Framework to be published for comment in 2012.

Source: Grant Thornton Corporate Governance review 2011

3.1 Economic conditions, board performance and evaluation

The economic recession in the UK has proven to be deeper and longer lasting than expected. From late 2008 to late 2009 the UK's Gross Domestic Product (GDP) growth rate remained stagnant, with GPD growth rates fluctuating in 2010. In the second quarter of 2011 UK growth figures ground to a halt, but by the third quarter GDP in the

UK expanded to 0.6 per cent[63]. In these conditions, the performance of the board in providing the leadership to create prosperity is crucial.

The UK Corporate Governance Code (June 2010) states that "the board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors (p16). Individual evaluation should aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties). The chairman should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, proposing new members be appointed to the board or seeking the resignation of directors. The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted. Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years. The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors". Thus the revisions in the 2010 Corporate Governance Code place a greater emphasis on the evaluation of board performance and includes provision for non-executive directors to appraise the Chairman's performance at least once a year.

According to Grant Thornton's Corporate Governance review, 2011[64], virtually all companies now undertake some form of annual evaluation. This is reflected in the more informative disclosures, particularly among FTSE 100 companies, with more than half now giving a detailed description of the process. However, there is more reticence around discussing the outcome of evaluations and action plans. Only 24 per cent of companies give real insight into how board effectiveness is being enhanced.

However, 59 companies, including 13 in the FTSE 100, do not make it clear that their non-executive directors have met to appraise the chairman's performance. Of these, just 10 report their non-compliance with the Code provision. This figure has not changed over the last 4 years, which suggests that these companies do not see the value in conducting separate appraisals. Very few companies provide good information on their evaluation process, with most quoting the Code verbatim[65].

Also, Grant Thornton points out that the involvement of an independent facilitator, to introduce a fresh perspective and add real value, was emphasised by the Financial Reporting Council in its 2010 revisions to the Corporate Governance Code. 74 companies (compared with 50 in 2010) engaged an external facilitator in 2011, with a further 51 planning to do so next year[66].

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[63] *United Kingdom GDP Growth Rate, 2012, 2012 Trading Economics http://www.tradingeconomics.com/united-kingdom/gdp-growth*

[64] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*

[65] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*

[66] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*

3. Drivers of skill demand

The UK Board Index (2011)[67] states that, in 2011, 54 per cent of companies used only internal resources, 23 per cent used only external consultants, and 23 per cent a combination of the two, a slight increase on 2010.

The use of independent facilitators is evolving and anecdotal evidence suggests that quality remains mixed. The best evaluations should be tailored to the specific circumstances of each company and be forward looking, rather than focusing on past decisions[68]. The Financial Reporting Council, in its Guidance on Board Effectiveness, has set out a number of areas that could be considered.[69] These include:

- the mix of skills, experience, knowledge and diversity on the board, in the context of the challenges facing the company;
- clarity of, and leadership given to, the purpose, direction and values of the company;
- succession and development plans;
- how the board works together as a unit, and the tone set by the chairman and the CEO;
- key board relationships, particularly chairman/CEO, chairman/senior independent director, chairman/company secretary and executive/non - executive;
- effectiveness of individual non - executive and executive directors;
- clarity of the senior independent director's role; effectiveness of board committees, and how they are connected with the main board;
- quality of the general information provided on the company and its performance;
- quality of papers and presentations to the board;
- quality of discussions around individual proposals;
- process the chairman uses to ensure sufficient debate for major decisions or contentious issues;
- effectiveness of the secretariat;
- clarity of the decision processes and authorities;
- processes for identifying and reviewing risks; and
- how the board communicates with, and listens and responds to, shareholders and other stakeholders (p11 & 12)

The Financial Reporting Council's Guidance on Board Effectiveness[70] also recognises that "good boards are created by good chairmen". The guidance emphasises the chairman's leadership role and provides a useful reference for senior independent directors who lead assessments of their chairman's performance. The chairman's role includes:

- demonstrating ethical leadership;
- setting a board agenda which is primarily focused on strategy, performance, value creation and accountability, and ensuring that issues relevant to these areas are reserved for board decision;
- ensuring a timely flow of high - quality supporting information;
- making certain that the board determines the nature, and extent, of the significant risks the company is willing to embrace in the implementation of its

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[67] *Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com*
[68] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[69] *Guidance on Board Effectiveness, March 2011, Financial Reporting Council*
[70] *Guidance on Board Effectiveness, March 2011, Financial Reporting Council*

strategy, and that there are no 'no go' areas which prevent directors from operating effective oversight in this area;
- regularly considering succession planning and the composition of the board;
- making certain that the board has effective decision - making processes and applies sufficient challenge to major proposals;
- ensuring the board's committees are properly structured with appropriate terms of reference;
- encouraging all board members to engage in board and committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence;
- fostering relationships founded on mutual respect and open communication – both in and outside the boardroom – between the non - executive directors and the executive team;
- developing productive working relationships with all executive directors, and the CEO in particular, providing support and advice while respecting executive responsibility;
- consulting the senior independent director on board matters in accordance with the Code;
- taking the lead on issues of director development, including through induction programmes for new directors and regular reviews with all directors;
- acting on the results of board evaluation;
- being aware of, and responding to, his or her own development needs, including people and other skills, especially when taking on the role for the first time; and
- ensuring effective communication with shareholders and other stakeholders and, in particular, that all directors are made aware of the views of those who provide the company's capital.(p3)

3.2 Risk Management

"The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems". (UK Corporate Governance Code, June 2010 p19).

Virtually all companies are now in full compliance with the Turnbull Guidance on Internal Control, which was first issued in 1999 and most recently revised in 2005. The debate has now shifted from undertaking an annual review of internal control and simple risk identification to the management of risk – its mitigation and link to internal control.

According to Grant Thornton's Corporate Governance review, 2011[71], strong progress is being made in this area. The Financial Reporting Council's September 2011 paper 'Boards and Risk'[72] summarises its discussions with companies, investors and advisers which reflects a growing board awareness of and focus on risk. This paper provides insights as to the issues boards are facing and their varying responses. Use of the classic risk map, prioritising risk by probability and impact, remains widespread although many boards are looking to develop new approaches to managing and monitoring their risks, in particular focusing on areas of change. They are now concentrating on strategic and reputational risks capable of undermining the long-term viability of their company rather

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[71] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*

[72] *Boards and Risk: A summary of discussions with Companies, Investors and Advisers, September 2001, Financial Reporting Council*

than more generic risks. Furthermore, the management of operational risks, such as health and safety, liquidity and quality control is being delegated to board or management sub-committees, although the board retains ultimate responsibility. The paper found that one of the greatest challenges faced by companies was judging how much information was required by the Board to perform its role, including determining when a particular risk should be brought to the Board's attention. The Chairman played a key role here, but senior executives carried responsibility to see that risks were properly reported to the Board. Good corporate culture was widely seen as essential to good risk management, and in this respect the Board needed to set the tone at the top. Boards were becoming more proactive in seeking to assure themselves about the risk and control culture in the company.

Grant Thornton's Corporate Governance review, 2011[73] highlights different approaches to reporting on risks and risk management in annual reports and notes a shift away from risk capture towards embedding risk management into the heart of the organisational culture.

The Walker Review[74] recommended that all financial institutions (i.e. banks and life insurance companies) introduce risk committees. Grant Thornton reports[75] that all but one have now established such committees with board representation. This practice is less widespread outside the sector, with just a third of companies having a separate risk committee. The majority continue to address risk through the full board and audit committee. The existence of a risk committee does not relieve the board of their ultimate responsibility for risk and they remain responsible for making all final decisions. But with the increasing focus on risk management, the debate on whether to separate risk from audit committee responsibility is likely to continue.

3.3 Shareholder Involvement

Corporate Governance in the UK is based on the principle of 'comply or explain'.

The UK Corporate Governance Code June 2010 is primarily a best practice standard of governance for the quality of a company's board leadership, effectiveness, accountability, remuneration process and investor relations. Apart from references to relevant statutory regulations, the code itself has no legal force but it does require a company to comply with the provisions of the code or explain why it has not done so.

The "comply or explain" approach recognises that good governance cannot be constrained by ever-increasing statutory regulations which tend towards a "one size fits all" solution. Sometimes, an alternative to following a provision of the code may be justified in particular circumstances. A condition of doing so is that the reasons for it should be explained to shareholders who may wish to discuss the position with the company and whose voting intentions may be influenced as a result.

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[73] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[74] *A review of Corporate Governance in UK Banks and other Financial Industry Entities, November 2009, Sir David Walker*
[75] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*

The principle of "comply or explain" means that companies are accountable to shareholders who can exercise sanctions rather than being accountable to a regulator such as the Securities and Exchange Commission (SEC) in the US.[76]

According to Grant Thornton's Corporate Governance review, 2011[77], the success of the 'comply or explain' principle relies on the active engagement of shareholders. The Financial Reporting Council emphasised the importance of shareholder engagement with its 2010 Stewardship Code[78]. This code's stated aim is to promote good governance in investee companies through high quality dialogue. Institutional investors were encouraged to publish a statement on their website of the extent to which they have applied the Stewardship Code. To date, more than 150 signatories – accounting for about 40 per cent of the equity market – have signed up to this code. Company disclosures on shareholder engagement have continued to improve, with 62 per cent (compared with 59 per cent in 2010) now providing detailed information on steps taken to communicate with their shareholders. There remains a significant disparity between the FTSE 100 and FTSE 250 companies. Only 53 per cent of FTSE 250 companies provide detailed information on shareholder relations, compared with 79 per cent of FTSE 100 companies.

Grant Thornton also point out that the 'comply or explain' debate has now been taken up by the European Commission's Green Paper on the EU Corporate Governance Framework, which questions whether optional principles and guidance, rather than hard regulation, can achieve effective governance. Grant Thornton suggests that the Code's 'comply or explain' approach has achieved significant success over the last ten years. But, as stakeholders and regulators call for more informed reporting, the bar will continue to rise[79].

3.4 Executive Pay and Corporate Reporting

In September 2011 the Department for Business Innovation and Skills (BIS) published a discussion paper on Executive Remuneration.[80] As Vince Cable states in his Foreword to this paper "Although concerns about executive pay are not new, the recent financial crisis has made shareholders, the public and Government more acutely aware of the issue and more critical of perverse incentives or excessive levels of reward. Shareholders and wider stakeholders, such as employees and customers, want to see executive pay that is proportionate and justified and are rightly concerned when it is not."

On 23 January 2012, the Secretary of State for Business announced the Government's next steps on tackling excessive executive pay.

The proposals will address this issue on four fronts[81]:

- Greater transparency so that what people are paid is clear and easily understood
- More shareholder power such as the introduction of binding votes, so they can hold companies to account

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[76] *http://lexicon.ft.com/Term?term=comply-or-explain*
[77] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[78] *The UK Stewardship Code, July 2010, Financial Reporting Council*
[79] *Corporate Governance Review 2011, A changing climate, Fresh Challenges Ahead, Grant Thornton*
[80] *Executive Remuneration, Discussion paper, September 2011, Department for Business Innovation and Skills (BIS)*
[81] *http://www.bis.gov.uk/Consultations/executive-remuneration-discussion-paper*

- More diverse boards and remuneration committees (REMCOs) to tackle the status quo
- Best practice led by the business and investor community

At the same time as publishing the discussion paper on pay the department published a consultation paper[82] setting out a simplified model for company annual reports. The consultation sought views on Government plans to make narrative reporting simpler, clearer and more focussed. It included proposals to change company narrative reports to make the framework clearer for companies and easier for investors to locate the information they need. BIS is also reviewing the disclosure requirements placed on companies to streamline and remove inconsistencies. The consultation also included a number of proposals to make the reporting of executive remuneration clearer and more relevant to investors. Specific proposals include:

- The current Business Review and Directors' Report be replaced with a Strategic Report and an Annual Directors' Statement
- The Strategic Report will be where the board sets out and signs off the strategy, direction and challenges facing the company
- The Strategic Report will be supported by detailed information in an Annual Directors' Statement presented in a consistent and coherent format aimed at publication online
- Companies will be able to include voluntary disclosures (for example of social and environmental issues) in the Annual Directors' Statement.[83]

The Government intends to publish draft regulatory and non-regulatory solutions with a view to any regulatory solutions becoming effective for years beginning 1 October 2012.

The Financial Reporting Council has also been consulting on how companies could improve the way they report to their shareholders, through publication, in January 2011, of a discussion paper entitled Effective Company Stewardship- Enhancing Corporate Reporting and Audit[84]. Actions in response to the results of this consultation are set out in a document 'Effective Company Stewardship: Next Steps'[85] and include a stated intention for the Financial Reporting Council to work with the Department for Business, Innovation and Skills to support implementation of the Government's proposals on narrative reporting due to be published in the autumn.

As a report by PriceWaterhouseCoopers, The Chartered Institute of Management Accountants and Tomorrow's Company[86] points out, these are far from the only initiatives and consultations happening around the world that are seeking to influence the corporate reporting systems (see page 5 of the report). However, the report argues that these initiatives focus on the content of the reports rather than on the system as a whole, treating the system as an information system for processing data rather than one that relies on people, institutions and professions, often with different mindsets, agendas, cultures and behaviours.

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[82] *The Future of Narrative Reporting, Consulting on a new reporting framework, September 2011, Department for Business Innovation and Skills (BIS)*
[83] *http://www.icaew.com/en/technical/financial-reporting/other-reporting-issues/narrative-reporting/bis-consultation-the-future-of-narrative-reporting*
[84] *Effective Company Stewardship- Enhancing Corporate Reporting and Audit, January 2011, Financial Reporting Council*
[85] *Effective Company Stewardship- Next Steps, September 2011, Financial Reporting Council*
[86] *Tomorrow's Corporate Reporting: A critical system at risk, April 2011, PriceWaterhouseCoopers, The Chartered Institute of Management Accountants and Tomorrow's Company*

One of its conclusions is that the sheer complexity of reporting will demand new thinking and new abilities and that the knowledge and skills of many in the system do not yet extend to areas of non-financial reporting such as risk, business models, intellectual capital and so on.

3.5 Gender diversity of boards

As mentioned in paragraph 2.3, the issue of the gender diversity of boards is a significant one for the Governance workforce.

A recent report by Cranfield University[87] states that gender diversity of top corporate boards has been monitored for more than a decade in the UK, Canada and the United States, as the percentage of women holding directorships on top corporate boards is taken by many as indicative of the degree to which women have equal access to power and influence in business. Reports during the past few years have indicated a plateauing of progress, as the UK has stagnated at around 12 per cent and the US and Canada at around 14-15 per cent of top board directorships being held by women.

The Cranfield authors go on to explain that since Norway's introduction of quotas in 2008 (for at least 40 per cent of each sex on publicly listed boards), a number of European countries have, or are considering, legislation in the form of quotas (e.g. Spain, Iceland, Finland, France, Netherlands, Belgium and Italy). Alternative approaches proposed by other countries include varying degrees of either mandated or recommended reporting of policies, pipeline targets and initiatives to increase the numbers of women on boards (e.g. Canada, Australia, Austria, Denmark, Germany, Sweden and Poland). At an EU level, the European Commissioner has stated that whilst she would prefer organisations to take action themselves to improve gender balance in their leadership, if there is no progress over the next couple of years, she is prepared to push for European-wide legislation on quotas to increase the numbers of women at board level.

In May 2010, the Financial Reporting Council (FRC) revised the UK Corporate Governance Code to include for the first time a principle recognising the value of diversity in the boardroom, stating that "the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender."[88]

In February 2011, Lord Davies published his independent report 'Women on Boards' [89]. This was commissioned in 2010 by the UK's coalition government, and aimed to "identify the barriers preventing more women reaching the boardroom and to make recommendations regarding what government and business could do to increase the proportion of women on corporate boards."

The report was based on consultation with a large number of stakeholders, including senior business leaders, senior women, executive search consultants, women's networks and entrepreneurs and included an on-line call for evidence which received over 2,600 responses.

The report summarises current literature on the business case for boardroom diversity and the challenges women face in accessing corporate board positions. It sets out a

[87] *Women on Boards, 6-month Monitoring report, October 2011, Cranfield University School of Management*
[88] *Supporting Principle B.2, UK Corporate Governance Code, Financial Reporting Council, May 2010*
[89] *Women on Boards, February 2011, an independent report by Lord Davies of Abersoch, CBE*

persuasive business case for increasing the number of women on boards and argues that this issue is as much about improving business performance as it is about promoting equality of opportunity for women.

The Davies report states that:

"There is a strong business case for balanced boards. Inclusive and diverse boards are more likely to be effective boards, better able to understand their customers and stakeholders and to benefit from fresh perspectives, new ideas, vigorous challenge and broad experience. This in turn leads to better decision making.

This business case is backed by a growing body of evidence. Research has shown that strong stock market growth among European companies is most likely to occur where there is a higher proportion of women in senior management teams.[90] Companies with more women on their boards were found to outperform their rivals with a 42 per cent higher return in sales, 66 per cent higher return on invested capital and 53 per cent higher return on equity[91].

This is not just a gender numbers game. It is about the richness of the board as a whole, the combined contribution of a group of people with different skills and perspectives to offer, different experiences, backgrounds and life styles and who together are more able to consider issues in a rounded, holistic way and offer an attention to detail not seen on all male boards which often think the same way, and sometimes make poor decisions.[92]"

The Davies report identified a number of barriers faced by women, including:

- An increasing focus on the need for candidates to have substantial business and board level experience. Findings showed that this has also evolved into a need for candidates to have had significant prior financial responsibility
- insufficient numbers of women at the top of the management structure and the under-representation of women in senior management generally
- the level of female attrition from the UK workforce. Male and female graduate entry into the workforce is relatively equal. This equality is maintained at junior management level but then drops at senior management levels
- women with corporate experience were frequently overlooked for development opportunities and that there were differences in the way that men and women were mentored and sponsored, which gave men the edge over their female peers
- gender behavioural traits can be an issue, as women tend to undervalue their own skills, achievements and experiences
- relatively low number of successful female role models can compound stereotypes and reinforce perceived difficulties in rising up the corporate ladder
- a perception that the many women in leadership positions in academia, the arts, the media, the civil service or professional services are often overlooked because they do not have specific corporate experience and Chairmen fear that they will not understand corporate issues or corporate board governance

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[90] *"Women Matter: gender diversity, a corporate performance driver", McKinsey & Company, 2007.*

[91] [4] *"The Bottom Line: Corporate Performance and Women's Representation on Boards", Lois Joy, Nancy M Carter, Harvey M Wagener, Sriram Narayanan, Catalyst, 2007*

[92] *Government Equalities Office, conducted by Ipsos MORi, sample of 1,071 adults in Great Britain aged 16+. 20-24 February 2010, published 11 March 2010. (59 per cent of those surveyed believe that single sex senior management teams were more likely to think the same way and so make poor decisions and 61 per cent believed that businesses are losing out on talent by having fewer women in senior roles).*

- informal networks influential in board appointments, the lack of transparency around selection criteria and the way in which executive search firms operate, were together considered a significant barrier to women reaching boards.

The report then made ten recommendations for Chairmen and CEOs, institutional investors, executive search firms and other stakeholders aimed at increasing the representation of women on boards. These are provided at Appendix 1.

In line with the tenth recommendation, the research team at Cranfield School of Management was asked to measure the progress specifically regarding recommendations numbers 1, 2, 3 and 5. Their findings are published in the Women on Boards, 6-month Monitoring report, October 2011[93] and indicate some progress including:

- Since the publication of the Davies Report, 22.5 per cent of new FTSE 100 board members appointed have been women, up from 13 per cent last year, and the number of all-male boards has dropped from 21 to 14
- 33 FTSE 100 companies have set targets to increase female representation on the boards and 52 companies have explicitly supported the aims of the Davies Report
- The executive search industry has agreed a voluntary code of good practice on diversity which includes a provision that search firms should ensure that at least 30 per cent of their long list of candidates are women. Over 20 companies have signed up since its launch.

In May 2011 the Financial Reporting Council issued a consultation document seeking views on whether the UK Corporate Governance Code should be amended as recommended by Lord Davies[94]. It consulted on a proposal that boards should be required to report annually on their boardroom diversity policy, including any measurable objectives they had set for themselves, and on the progress they had made in delivering that policy and those objectives.

The views of the vast majority of respondents were that the Council should implement these two amendments to the Code. The changes will be formally incorporated in an updated version of the Code to be published in 2012, although, in view of the importance of this issue, the Financial Reporting Council strongly encourages all companies voluntarily to apply and report on the intended additions to the Code immediately.

[93] *Women on Boards, 6-month Monitoring report, October 2011, Cranfield University School of Management*
[94] *Feedback Statement: Gender Diversity on Boards, October 2011, Financial Reporting Council*

4. UK overview – skills, qualifications and training

This section provides an overview of the current skill needs in the UK for the Governance workforce.

4.1 Recruitment and skills shortages

There is very little data that addresses either issues with recruitment or current skills shortages for the Governance workforce.

Vacancy data notified to Job Centre Plus in January 2012 is as follows.

Table 20: Job centre plus vacancies January 2012 by SOC2000

Occupation	Great Britain	England	Wales	Scotland
1111 : Senior officials in national government	1	1	0	0
1112 : Directors and chief executives of major organisations	37	32	2	3
1113 : Senior officials in local government	27	24	2	1
1114 : Senior officials of special interest organisations	29	25	1	3
1131 : Financial managers and chartered secretaries	131	117	2	12
4214 : Company secretaries	22	20	2	0
Column Total	**247**	**219**	**9**	**19**

Source: Nomis

However, there is no indication that these vacancies are not being filled, or are hard to fill.

As mentioned in paragraph 2.1.5, the UK Corporate Governance Code (June 2010) requires a formal, rigorous and transparent procedure for the appointment of new directors to the board and a nomination committee that is responsible for board appointments and ensuring there is an appropriate balance of skills, experience, knowledge and independence.

There is no evidence to suggest that companies have difficulty in recruiting board members. However, as the Davies Report on Women on Boards notes, informal networks are influential in board appointments. The lack of transparency around selection criteria and the way in which executive search firms operate, were together considered to make up a significant barrier to women reaching boards[95].

Also in the third sector, charities, particularly smaller ones, do report difficulties in recruiting the right people. Part of the reason for this is that historically, many organisations have relied on "word of mouth" to recruit their trustees and this obviously limits the pool of interest for trustee roles and can mean they do not recruit people with the skills and experience they require to govern effectively. [96]

It has not been possible to find empirical evidence of skills shortages amongst board members. However, as noted in the previous section, there is a great deal of change in this arena and it is hard to see how that will not influence the skills necessary to be effective in a board-level role.

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[95] *Women on Boards, February 2011, an independent report by Lord Davies of Abersoch, CBE*
[96] *http://www.guardianpublic.co.uk/charities-trustees-recruitment*

4. UK overview – skills, qualifications and training

The UK Board Index (2011) argues that the chairman's role has become more demanding of time and commitment than used to be the case. The chairman's influence over the board and the whole organisation continues to grow, yet there is a dearth of truly first-class candidates.

The style of leadership has also changed. It used to be that chairmen either provided robust leadership from the front or existed merely as ceremonial figures. Now, chairmen are required to co-ordinate a board of strong non-executive directors and, when things go wrong, be ready to slip into directive mode. Greater versatility is required and thus there are fewer people with the time, business experience, personality and maturity to be exceptional chairmen. It is no longer easy for a retiring CEO immediately to become an effective chairman. Executives aspiring to be chairmen need to develop their skills as non-executives and spend time observing other chairmen than their own[97].

4.2 Training and qualifications

4.2.1 Qualifications

There are relatively few qualifications that are targeted specifically at board members.

The Institute of Directors (IoD) offers the Chartered Director award, which comprises three distinct learning and assessment stages:

1. the Certificate in Company Direction (Cert IoD)
2. the Diploma in Company Direction (Dip IoD)
3. The Chartered Director (Peer) Interview.

The Certificate covers understanding of the role of a director, and the role of the board across four broad learning modules:

- Role of the Director and the Board
- Finance for Non-Financial Directors
- The Director's Role in Leading the Organisation
- The Director's Role in Strategy & Marketing.

The Diploma provides an opportunity to put into practice the knowledge gained from the Certificate in a realistic environment. It comprises a mandatory three day developing board performance exercise, where delegates run an organisation as its board. It is designed to encourage peer group support, challenge and discussion.

Chartered Director is assessed by two peer directors (professional review interviewers) and is based on a portfolio of documents. It requires some preparatory work and reflection on the experience that has been gained over a specified period of time[98].

The Financial Times has recently launched its Non-Executive Director Certificate, which has been developed with Edexcel.

The programme has been designed "to aid the much needed professionalisation of the sector" and is aimed at business leaders moving to their first non-executive role, or for non-executives seeking recognition and development of their knowledge and skills.

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[97] Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com
[98] http://www.iod.com/home/training-and-development/chartered-director/default.aspx

4. UK overview – skills, qualifications and training

Based on the UK Corporate Governance Code (June 2010), the syllabus covers the whole range of skills and knowledge needed for any non-executive role. It looks at the legal liabilities and duties of a non-executive; the correct structure and operation of a board; audit and financial reporting; internal control and risk management; as well as the all important behavioural skills needed to ensure an effective contribution to the board.

It is a six-month programme taught through a mix of workshops and online distance learning and the qualification is earned through successful completion of a case study and formal exam[99].

At a European Level, The INSEAD[100] International Directors Programme (IDP) aims to develop more effective directors. Set within an international context, it consists of three modules which represent the knowledge base that trained directors are expected to master and which form the basis of effective board membership.

Module 1: Creating and Safeguarding Value

- The Governance Challenge
- Evaluating the Growth Strategy
- Understanding the Sources of Financial Value Creation
- Managing the 'Street'
- Fair Process in the Boardroom
- Difficult Conversations

Module 2: Implementing Effective Board Processes

- Effective Audit Committees
- Red Flags in Financial Reporting
- CEO Oversight: Selection, Evaluation, Succession
- Compensation at the Top: C-suite and Board Members
- Decision-Making in the Boardroom
- CEO-Board Dynamics and Conflicts

Module 3: Managing Critical Events

- Crisis Management
- The Mergers & Acquisitions (M&A) Process
- The Challenge of Multicultural Boards
- Effective Communication in the Boardroom
- The Role of the Chair and Board Processes
- Within each module, the programme focuses on three fundamental questions:
- What do directors need to know in order to set the direction of the company?
- What are the proper boundaries within which the company should operate?
- How best can directors exercise their responsibilities to get things done in the boardroom?

Some MBAs include modules that might be relevant to board members (e.g. Strategy, Corporate Finance[101]), but they are not the primary audience for these qualifications. It might be argued that, as the board members of tomorrow are the senior managers of

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[99] *www.non-execs.com/certificate.*
[100] *INSEAD - The business school for the world. One of the world's leading and largest graduate business schools*
[101] *http://www.london.edu/programmes/mba/programmedetails/corecourses.html*

today, it would be helpful to see more about Governance issues in qualifications like MBAs that are aimed at managers.

For Company Secretaries, the Institute of Chartered Secretaries and Administrators offers the Chartered Secretaries Qualifying Scheme (CSQS) which consists of 8 modules:

Level 1

- Financial Reporting and Analysis
- Applied Business Law
- Corporate Governance *or* Health Service Governance
- Corporate Law

Level 2

- Financial Decision Making
- Strategy in Practice
- Corporate Secretarial Practice
- Chartered Secretaries Case Study

It is interesting to note that the Chambers & Partners Salary Survey for Company Secretaries, 2010-2011[102] gives the following breakdown of the qualifications held by company secretaries (note that some respondents hold more than one qualification).

- 41 per cent of Company Secretaries are FCIS (i.e. Chartered Secretary: Fellow)
- 29 per cent of Company Secretaries are ACIS (i.e. Chartered Secretary: Associate)
- 19 per cent of Company Secretaries are Lawyers
- 2 per cent of Company Secretaries are Accountants
- 2 per cent of Company Secretaries are Grad ICSA
- 5 per cent of Company Secretaries are ICSA Students
- 3 per cent of Company Secretaries have no professional qualification
- 12 per cent of Company Secretaries hold a Law degree
- 1 per cent of Company Secretaries hold the ICSA Employee Share Plan Certificate

Thus 70 per cent of company secretaries have Chartered Secretary status.

4.2.2 Training levels and activities

The UK Corporate Governance Code (June 2010) states that “All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge. The chairman should ensure that the directors continually update their skills and the knowledge and familiarity with the company required to fulfil their role both on the board and on board committees. The company should provide the necessary resources for developing and updating its directors’ knowledge and capabilities”.

There is a range of training and development opportunities for non-executive directors run by private providers and consultancies. For example Cranfield School of Management[103] offers a seminar on the roles and responsibilities of an effective non-executive director which covers:

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[102] *Salary Survey, Company Secretaries 2010-2011, Chambers & Partners 36th Salary Survey*
[103] *http://www.som.cranfield.ac.uk/som/p13732/Programmes-and-Executive-Development/OEP-Home/Programmes/Leadership/The-Non-Executive-Directors-Seminar*

- Understand your role and responsibilities and how to be effective
- Know how to overcome the pitfalls
- Appreciate your legal position
- Develop confidence in pursuing Non Executive Director placements
- Network with other high quality delegates
- Understand the impact of recent corporate governance reports on your Non Executive Director role.

The ICSA has a one-day course for non-executive directors[104] and the IoD runs an extensive range of Courses, Conferences, Seminars, Development Programmes and services specifically designed by directors for directors, for example[105]:

Roles on the Board

- Role of the Non-Executive Director
- Role of the Company Secretary
- Role of the Company Chairman
- Role of the Finance Director
- Role of the Managing Director

Directors' Skills

- Business Presentation Skills
- Negotiating Skills and Techniques
- Developing Strategic Thinking
- Effective Marketing Strategies
- Inspirational Leadership
- Directing a Successful Small Business
- Keys To Personal Effectiveness
- Coaching Skills for Directors
- Women as Highly Effective Directors
- The Director's Role in Managing Reputation
- Strategic Security in the Modern Business Environment
- Chairing Meetings Effectively

Whilst it is possible to identify both qualifications and training programmes that are aimed at board members, other than a note on the IoD website that indicates that the 1000th Chartered Directorship has just been awarded[106], it has not been possible to find information on take-up.

4.3 Future skill needs

There is some information on future skills needs of board members, although much of it is anecdotal rather than empirical. As noted in the previous section, there is a great deal of change in this arena which must surely influence the skills necessary to be effective at board level.

The UK Board Index (2011) argues that the chairman's role has become more demanding of time and commitment than used to be the case. The chairman's influence

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[104] *http://www.icsatraining.co.uk/disp.php?ID=68*
[105] *http://www.iod.com/home/training-and-development/courses/courses-list/default.aspx*
[106] *http://www.iod.com/home/training-and-development/chartered-director/default.aspx*

over the board and the whole organisation continues to grow, yet there is a dearth of truly first-class candidates.

The style of leadership has also changed. It used to be that chairmen either provided robust leadership from the front or existed merely as ceremonial figureheads. Now, chairmen are required to co-ordinate a board of strong non-executive directors and, when things go wrong, be ready to take charge. Greater versatility is required and thus there are fewer people with the time, business experience, personality and maturity to be effective chairmen. Executives aspiring to be chairmen need to develop their skills as non-executives and spend time observing other chairmen than their own[107].

One of the conclusions of the report by PriceWaterhouseCoopers, The Chartered Institute of Management Accountants and Tomorrow's Company[108] is that the sheer complexity of corporate reporting will, in the future, demand new thinking and new abilities and that the knowledge and skills of many in the system do not yet extend to areas of non-financial reporting such as risk, business models, intellectual capital and so on.

Other commentators[109] suggest that the current climate places greater emphasis on the role of the chairman, who will be required to take on more of a leadership role, coaching and developing the members of the board and evaluating their performance as individuals and as a whole. He or she will also be expected to encourage the use of behaviours in the boardroom that will develop honest, frank, open discussion and encourage critical challenge.

Non-executive directors will be expected to have substantial industry expertise and really know their organisation by spending more time with it. They will also need to challenge the authority of the chairman, query decisions and make suitable recommendations to move the business forward.

The Institute of Chartered Secretaries and Administrators (ICSA) carried out an analysis of boardroom behaviours, to inform the Walker Review[110]

ICSA's report observes that best practice boardroom behaviours may be characterised by:

- A clear understanding of the role of the board
- The appropriate deployment of knowledge, skills, experience and judgement
- Independent thinking
- The questioning of assumptions and established orthodoxy
- Challenge which is constructive, confident, principled and proportionate
- Rigorous debate
- A supportive decision-making environment
- A common vision; and
- The achievement of closure on individual items of board business.

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[107] *Spencer Stuart (2011) UK Board Index 2011. London: Spencer Stuart. Available at: www.spencerstuart.com*
[108] *Tomorrow's Corporate Reporting: A critical system at risk, April 2011, PriceWaterhouseCoopers, The Chartered Institute of Management Accountants and Tomorrow's Company*
[109] *http://www.crelos.com/insight/How-are-boardroom-behaviour-and-organisational-performance-linked*
[110] *ICSA Boardroom Behaviours, June 2009*

4. UK overview – skills, qualifications and training

The degree to which these behaviours can be delivered is shaped by a number of key factors:

- The character and personality of the directors and the dynamics of their interactions
- The balance in the relationship between the key players, especially the chair and the CEO, the CEO and the board as a whole, and between executive and non-executive directors
- The environment within which board meetings take place; and
- The culture of the boardroom and, more widely, of the company.

To improve behaviour in the boardroom, the ICSA suggests that directors need to develop greater awareness of 'fit for purpose' governance as the means by which the board can collectively agree the business objectives of the company and an implementation strategy for executive management.

The Financial Reporting Council's "Guidance on Board Effectiveness"[111] offers helpful insights on expectations of chairmen, as outlined in paragraph 3.1 above.

[111] *Guidance on Board Effectiveness, March 2011, Financial Reporting Council*

5. The way forward

The purpose of this report has been to provide a robust analysis of what Governance looks like across the UK. This has proved easier in some senses than in others. For example, it has not been difficult to identify current issues in Governance or to find information and data that applies to large, listed, companies, although few sources report information for individual UK nations.

What has proved more problematic has been to quantify, with any degree of accuracy, the size of the Governance workforce and to find empirical information on which to base judgements about current skill levels, skills shortages and future skills needs.

One difficulty is that the vast majority of companies in the UK are SMEs or start-up companies that remain under the ownership and control of the founder or founding family and their governance is rarely referred to in studies and recommendations. It is to be hoped that the publication of the Corporate Governance Guidance and Principles for Unlisted Companies in the UK[112] by the IoD might begin to change this scenario and that more information will become available that will enable presentation of a more complete picture.

Whilst the changes discussed in section 3 of this report must surely have an impact on the skills required by board members, there is little information that addresses either issues with recruitment or skills shortages. Information on future skills requirements tends to be anecdotal rather than empirical, with many sources (and again, they are focused on large companies) structured around the roles and responsibilities of chairmen, directors and company secretaries rather than the skills that are required to discharge those responsibilities. Work carried out by the Institute of Chartered Secretaries and Administrators on boardroom behaviours is an exception and the Financial Reporting Council's "Guidance on Board Effectiveness" offers helpful insights.

Whilst there are many training/development programmes and some qualifications aimed at board members, there is very little information on take-up. Presumably, the decision to take a qualification in this area is largely a matter of personal choice although the UK Corporate Governance Code (June 2010) does include a condition that all directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge. It may well be that a considerable amount of training and development is undertaken, through courses provided by organisations such as the IoD, bespoke training delivered by consultants and mentoring/coaching that takes place within organisations. However, as there seems to be no mechanism for collecting take-up information, it remains hard to quantify.

It is interesting that promotional material for the newly-launched Financial Times Non-Executive Director Certificate, which has been developed with Edexcel, states that the programme has been designed "to aid the much needed professionalisation of the sector". This suggests that there is a gap here, but without more detailed information, it is difficult to be any more precise about its nature.

In summary, there is a need to encourage the collection of more wide-ranging data that can be used to make better sense of the needs of this workforce in its entirety.

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[112] *Corporate Governance Guidance and Principles for Unlisted Companies in the UK: An initiative of the IoD and EcoDa (European Confederation of Directors' Associations), November 2010*

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7. Appendices

Appendix 1

Summary of recommendations from Davies Report February 2011

1. All Chairmen of FTSE 350 companies should set out the percentage of women they aim to have on their boards in 2013 and 2015. FTSE 100 boards should aim for a minimum of 25 per cent female representation by 2015 and we expect that many will achieve a higher figure. Chairmen should announce their aspirational goals within the next six months (by September 2011). Also we expect all Chief Executives to review the percentage of women they aim to have on their Executive Committees in 2013 and 2015.

2. Quoted companies should be required to disclose each year the proportion of women on the board, women in Senior Executive positions and female employees in the whole organisation.

3. The Financial Reporting Council should amend the UK Corporate Governance Code to require listed companies to establish a policy concerning boardroom diversity, including measurable objectives for implementing the policy, and disclose annually a summary of the policy and the progress made in achieving the objectives.

4. Companies should report on the matters in recommendations 1, 2 and 3 in their 2012 Corporate Governance Statement whether or not the underlying regulatory changes are in place. In addition, Chairmen will be encouraged to sign a charter supporting the recommendations.

5. In line with the UK Corporate Governance Code provision B2.4 “A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments”. Chairmen should disclose meaningful information about the company’s appointment process and how it addresses diversity in the company’s Annual Report including a description of the search and nominations process.

6. Investors play a critical role in engaging with company boards. Therefore investors should pay close attention to recommendations 1-5 when considering company reporting and appointments to the board.

7. We encourage companies periodically to advertise non-executive board positions to encourage greater diversity in applications.

8. Executive search firms should draw up a Voluntary Code of Conduct addressing gender diversity and best practice which covers the relevant search criteria and processes relating to FTSE 350 board level appointments.

9. In order to achieve these recommendations, recognition and development of two different populations of women who are well-qualified to be appointed to UK boards need to be considered:

- Executives from within the corporate sector, for whom there are many different training and mentoring opportunities; and
- Women from outside the corporate mainstream, including entrepreneurs, academics, civil servants and senior women with professional service backgrounds, for whom there are many fewer opportunities to take up corporate board positions.

7. Appendices

A combination of entrepreneurs, existing providers and individuals needs to come together to consolidate and improve the provision of training and development for potential board members.

10. This steering board will meet every six months to consider progress against these measures and will report annually with an assessment of whether sufficient progress is being made.[113]

[113] *Women on Boards, February 2011, an independent report by Lord Davies of Abersoch, CBE*