

THE RESEARCH

Company Secretary -v- General Counsel

Does it matter?

Following our research into who holds the top governance job in the FTSE350, our findings showed:

- 28% of FTSE350 have outsourced role of Company Secretary (although predominantly investment trusts and REITs in the FTSE250)
- Fairly even split of who holds the role of Company Secretary (35% respectively for Company Secretaries and General Counsel & Company Secretaries)
- Female Company Secretaries fare better than female GC & CoSecs
- Ethnicity is higher in Company Secretaries (eg 8.5% in the FTSE250) than GC & CoSecs (4%)
- Over 40% of Company Secretaries have 'no' visibility on corporate websites
- A number of FTSE350 companies do not publish senior leadership information
- Greater likelihood of being a member of ExCo/Senior Management team if a GC & CoSec

Does it matter who holds the title?

As a matter for the Board, the Board should decide what is most appropriate for the organisation (size, maturity, sector) in doing so, the Board should consider the background, experience, skills, training and ability to perform the role of Company Secretary. It is a statutory role which has evolved to meet the changing regulatory landscape and nuanced with ability to act with independence, integrity and transparency.

Suggestions include:

- A recruitment process similar to that of a Board recruitment process led by the Nomination Committee – a diverse longlist comprising of both General Counsel and Company Secretaries, including gender and ethnicity instead of adopting a legacy approach to what has gone before.
- In determining the preferred candidate, the Board should consider the scope and boundaries of the role (including additional resources) taking into account feedback from management and the results from the board effectiveness review.
- If the role of Company Secretary is outsourced – is this a false governance economy? How can outsource providers demonstrate ability to understand the governance culture within an organisation - can they act as the conscience of the company?

Visibility and availability of information

The company secretary is a strategic position of considerable influence at the heart of governance operations within an organisation. Governance is a strong enabler of an organisation's success. Therefore, visibility is an important factor in understanding the effectiveness and evolution of the governance culture, whether there are separate roles for GC and Company Secretary or where the roles are combined. The role is increasingly outward focused (shareholder consultations on exec remuneration, retail & institutional investor engagement, proxy advisory bodies, government, regulators).

Suggestions include:

- Work with IR team (if applicable) to ensure that a biography is available on the website (a quick win)
- Educate the organisation on ‘who does what’ and ‘why’ – a clear distinction between roles if held separately. Ideally through functional meetings, induction programmes, intranet etc.
- Consider a new award category at the Chartered Governance Institute UK & Ireland’s annual award ceremony – “Best website for governance disclosures” (not just annual report) – this would dovetail nicely with the IR society’s awards.

Title mindset/power struggle

It’s not a case of which title is better (or not), more a case of who has the right capability to be able to effectively discharge the role of Company Secretary. Many Company Secretaries may feel there is a barrier to holding the top job, yet many have completed law degrees and obtained a post graduate diploma in legal practice. Whether the role of Chief Governance Officer will gain momentum in the UK is unclear, however, the combined role seems unlikely to disappear and enables the GC access to the Boardroom on a regular basis through the role of Company Secretary. For Company Secretaries who report into a GC, they can often feel undervalued or demotivated despite doing the work of the Company Secretary and great thought and care should be given to promote and recognise their work. Continued training and development could allow Company Secretaries additional scope to increase their responsibilities, potentially in sustainability affairs, corporate communications and investor relations. One thing is clear is that the scope of a GC’s role is very broad – perhaps too broad to effectively carry out the role of Company Secretary whilst also keeping abreast of subsidiary governance, plc operations etc. Whilst there is a cost element to retaining separate roles, it is often remarked that there is great value by having a GC and a separate Company Secretary – again this depends on the size, maturity and sector in which the organisation operates.

Training & development

This is a vital component around effectiveness of the role of Company Secretary. What additional training is needed to be truly effective in the role of Company Secretary. GC’s are not obliged to participate in the CGI’s chartered governance qualification programme and a minority of GC’s in the FTSE350 have voluntarily sought affiliate membership, a few have undertaken the qualification which is helpful.

The CoSec Coach offers coaching, training & development for anyone taking on the top governance role, whether a solicitor or a governance professional. Make sure that the person taking on the role has the right knowledge, capability and experience.

Stay tuned for our next webinar on the role of the outsourced company secretary on 29th February at 11am.

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