

Corporate Governance

Syllabus

icsa

Corporate Governance

Module outline and aims

The aim of the Corporate Governance module is to equip the Chartered Secretary with the knowledge and key skills necessary to act as adviser to governing authorities across the private, public and voluntary sectors. The advice of the Chartered Secretary will include all aspects of the governance obligations of organisations, covering not only legal duties, but also applicable and recommended standards of best practice.

The module will enable the development of a sound understanding of corporate governance law and practice in a national and international context. It will also enable you to support the development of good governance and stakeholder dialogue throughout the organisation, irrespective of sector, being aware of legal obligations and best practice.

Learning outcomes

On successful completion of this module, you will be able to:

- Appraise the frameworks underlying governance law and practice in a national and international context.
- Advise on governance issues across all sectors, ensuring that the pursuit of strategic objectives is in line with regulatory developments and developments in best practice.
- Analyse and evaluate situations in which governance problems arise and provide recommendations for solutions.
- Demonstrate how general concepts of governance apply in a given situation or given circumstances.
- From the perspective of a Chartered Secretary, provide authoritative and professional advice on matters of corporate governance.
- Assess the relationship between governance and performance within organisations.
- Apply the principles of risk management and appraise the significance of risk management for good governance.
- Compare the responsibilities of organisations to different stakeholder groups, and advise on issues of ethical conduct and the application of principles of sustainability and corporate responsibility.

Syllabus content

Candidates will be required to discuss in detail statutory rules and the principles or provisions of governance codes, and apply them to specific situations or case studies. Candidates will also be expected to understand the role of the company secretary in providing support and advice regarding the application of best governance practice. Although the syllabus presents governance issues mainly from the perspective of companies, candidates may be required to apply similar principles to non-corporate entities, such as those in the public and voluntary sectors.

Governance is a continually developing subject, and good candidates will be aware of any major developments that have occurred at the time they take their examination.

The detailed syllabus set out here has a strong UK emphasis, and it is expected that UK corporate governance will be the focus of study for most candidates. A good knowledge of the principles and provisions of the UK Corporate Governance Code will therefore be required, together with any supporting Guidance on the Code published from time to time by the Financial Reporting Council. However, a good knowledge and understanding of the code of corporate governance in another country will be acceptable in answers, provided that candidates indicate which code they are referring to in their answer.

The UK Corporate Governance Code ('the Code'; formerly 'the UK Combined Code') is subject to frequent review and amendment by the Financial Reporting Council. You are advised to check the student newsletter and student news area of the ICSA website to find out when revisions to the Code will first be examined.

Candidates will not be required to learn in detail codes of governance in countries other than the UK, although they will be given credit for referring to the code in their own country outside the UK. Similarly they will not be required to learn in detail codes of governance for unquoted companies, public sector bodies or not-for-profit organisations. However they must be prepared to discuss governance issues in these organisations, and be aware of how these issues differ from corporate governance in listed companies.

General principles of corporate governance – weighting 10%

The nature of corporate governance and purpose of good corporate governance

- Separation of ownership and control
- Agency theory and corporate governance
- Stakeholder theory and corporate governance

Key issues in corporate governance

- Leadership and effectiveness of the board; accountability; risk management and internal control; remuneration of directors and senior executives; relations with shareholders and other stakeholders; sustainability

Principles of good corporate governance

- OECD Principles of Corporate Governance

Framework of corporate governance

- Legal framework
- Rules-based and principles-based approaches
- Codes of corporate governance and their application: UK Corporate Governance Code
- Concept of 'comply or explain'

Governance and ethics

Potential consequences of poor corporate governance

The board of directors and leadership – weighting 10%

Role of the board

Division of responsibilities on the board

Matters reserved for the board

Role and responsibilities of the board chairman

Role and responsibilities of the Chief Executive Officer

Role and responsibilities of non-executive directors

Independence and non-executive directors

Role of the Senior Independent Director

Statutory duties of directors

Rules on dealing in shares by directors: insider dealing; Model Code

Liability of directors: directors' and officers' liability insurance

Unitary and two-tier boards

Effectiveness of the board of directors – weighting 15%

Role of the company secretary in governance

Size, structure and composition of the board: board balance

Board committees

Appointments to the board: role of the Nomination Committee; succession and board refreshment

Induction and development of directors

Information and support for board members

Performance evaluation of the board, its committees and individual directors

Re-election of board members

Governance and accountability – weighting 10%

Financial and business reporting and corporate governance

The need for accountability and transparency

The need for reliable financial reporting: true and fair view, going concern statement

Responsibility for the financial statements and discovery of fraud

Role of the external auditors

Auditor independence; threats to auditor independence; auditors and non-audit work

The Audit Committee: roles, responsibilities, composition; FRC Guidance

Reporting on non-financial issues: narrative reporting; strategic report

Remuneration of directors and senior executives – weighting 10%

Principles of remuneration structure: elements of remuneration

Remuneration policy

Elements of a remuneration package and the design of performance-related remuneration

- Candidates will not be required to discuss performance targets in detail, but need to be aware of short-term incentives (e.g. cash bonuses) and longer term bonuses (share grants, share options).
- Difficulties in designing a suitable remuneration structure

Role of the Remuneration Committee

Compensation for loss of office

Disclosures of directors' remuneration

- Candidates will be expected to show an awareness of issues relating to the disclosure of directors' remuneration in the annual report and accounts, but not the detail (e.g. not the detail of the directors' remuneration report)

Shareholder approval of incentive schemes and voting rights with regard to remuneration

The recommendations or guidelines of institutional investor groups on matters relating to directors' remuneration

Relations with shareholders – weighting 10%

The equitable treatment of shareholders; protection for minority shareholders

Rights and powers of shareholders

Dialogue and communications with institutional shareholders (companies) or major stakeholders

Role of institutional investor organisations (or major stakeholders)

- In the UK, the role of the ABI and NAPF and the relevance for corporate governance
- UK Stewardship Code

Constructive use of the annual general meeting

Shareholder activism

Candidates will be required to have an awareness of the benefits of electronic communications between companies and their shareholders, but will not be required to know the detailed law and regulations on electronic communications.

Risk management and internal control – weighting 15%

The nature of risks facing companies and other organisations: categories of risk

- The difference between ‘business risk’ and ‘governance risk’ (internal control risk)
- Internal control risks: financial, operational and compliance risks
- Elements in an internal control system: FRC guidance

Risk and return; identifying, monitoring and reporting key risk areas; risk appetite and risk tolerance; responsibility of the board of directors

Responsibilities for risk management and internal control: board of directors, executive management, audit committee, internal and external auditors

- Risk Committees of the board
- Risk management committees
- Role of internal audit within an internal control system

Disaster recovery plans

Whistle-blowing policy and procedures

- ICSA best practice on whistle-blowing procedures

Reviewing and reporting on the effectiveness of the risk management and internal control systems

Corporate social responsibility and sustainability – weighting 10%

The nature of sustainability

The nature of corporate responsibility and corporate citizenship

Corporate responsibility and stakeholders

- Internal and external stakeholders

Elements of corporate social responsibility: employees, the environment, human rights, communities and social welfare, social investment, ethical conduct

Reputation risk: placing a value on reputation

Formulating and implementing a policy for corporate social responsibility

Reporting to stakeholders on sustainability and corporate social responsibility issues

- Voluntary social and environmental reporting
- Sustainability reporting: triple bottom line; GRI Guidelines
- Integrated reporting

Other governance issues– weighting 10%

International aspects of corporate governance

Governance problems for large global groups of companies

Corporate governance: unquoted companies and small quoted companies

Governance in the public sector

Governance in the not-for-profit sector



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