



Chartered  
Governance  
Institute  
UK & Ireland

The Chartered Governance Qualifying Programme

# Corporate Governance

Syllabus



# Corporate Governance

Level 6, Part One Programme

Total hours study time: 200

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## Introduction

The aim of this module is to provide advanced knowledge and key skills necessary for the company secretary or governance professional to act as chief adviser to the board and other stakeholders on best practice in corporate governance, and as the facilitator for systematic application across a wide range of organisations.

## Learning outcomes

After successful completion of this module you should:

- 1 Be able to research and critically apply the growing global, regional and local information sources on corporate governance.
- 2 Be able to advise on the duties of directors as well as the role, membership, composition and effectiveness of the board, within legal and regulatory frameworks and ethical standards.
- 3 Be able to apply the concepts of disclosure (including accountability, audit and transparency), corporate social responsibility and stakeholder engagement.
- 4 Be able to critically appraise and apply corporate governance principles and best practices in risk management for the board in the employing or client organisation.
- 5 Be able to exercise appropriate judgment in the use of professional knowledge and skills to the resolution of practical issues and problems in the proper governance of an organisation, including shareholder engagement and directors' remuneration.

**Module content**

<b>Section A: Corporate governance – principles and issues</b>	
<b>25% – 50 Learning hours</b>	
<i>LO.1: Be able to research and critically apply the growing global, regional and local information sources on corporate governance</i>	
<i>LO.5: Be able to exercise appropriate judgment in the use of professional knowledge and skills to the resolution of practical issues and problems in the proper governance of an organisation, including shareholder engagement and directors' remuneration.</i>	
<b>Topic area</b>	<b>Exemplification</b>
Definitions and issues in corporate governance	<ul style="list-style-type: none"> <li>• Origins of the term corporate governance</li> <li>• Definitions of corporate governance</li> <li>• Theories of corporate governance: <ul style="list-style-type: none"> <li>• shareholder primacy theory</li> <li>• agency theory: <ul style="list-style-type: none"> <li>– agency conflict</li> <li>– agency costs</li> </ul> </li> <li>• stakeholder theory</li> </ul> </li> <li>• Approaches to corporate governance: <ul style="list-style-type: none"> <li>• shareholder value approach</li> <li>• stakeholder approach</li> <li>• inclusive stakeholder approach</li> <li>• enlightened shareholder value approach</li> <li>• convergence of approaches to corporate governance</li> </ul> </li> <li>• Principles of corporate governance: <ul style="list-style-type: none"> <li>• responsibility</li> <li>• accountability</li> <li>• transparency</li> <li>• fairness</li> </ul> </li> <li>• Reputational management</li> <li>• The corporate governance framework: <ul style="list-style-type: none"> <li>• applicable laws, regulations, standards and codes <ul style="list-style-type: none"> <li>– rules-based approach</li> <li>– principles-based approach</li> <li>– hybrid approach</li> </ul> </li> <li>• concepts of 'comply or else', 'comply or explain', 'apply or explain'</li> <li>• organisation's constitution</li> <li>• structures</li> <li>• policies</li> <li>• procedures</li> </ul> </li> <li>• Implementation of a governance framework: <ul style="list-style-type: none"> <li>• the organisation's purpose</li> <li>• assimilation of corporate governance practices</li> <li>• organisational success</li> </ul> </li> </ul>

Topic area	Exemplification
Definitions and issues in corporate governance ( <i>cont.</i> )	<ul style="list-style-type: none"> <li>• The importance of adopting good corporate governance practices</li> <li>• Consequences of weak governance practices</li> <li>• Governance and management</li> </ul>
Corporate governance in the UK	<ul style="list-style-type: none"> <li>• History of corporate governance in the UK: <ul style="list-style-type: none"> <li>• from the Cadbury Report to the Combined Code: <ul style="list-style-type: none"> <li>– board of directors</li> <li>– non-executive directors</li> <li>– executive directors</li> <li>– audit committee</li> <li>– a ‘going concern’ statement</li> <li>– internal financial controls</li> </ul> </li> <li>• UK Stewardship Code</li> <li>• relevance of historic corporate governance developments</li> </ul> </li> <li>• UK Law and Governance: <ul style="list-style-type: none"> <li>• UK law and governance</li> <li>• Companies law</li> </ul> </li> <li>• UK Listing Regime: <ul style="list-style-type: none"> <li>• UK Listing Rules</li> <li>• Disclosure and transparency rules (DTRs)</li> </ul> </li> <li>• UK Corporate Governance Code</li> <li>• Financial Reporting Council (FRC) guidance</li> <li>• Guidance from Investors</li> <li>• Quoted Companies Alliance (QCA) Corporate Governance Code 2018</li> <li>• Corporate governance and unlisted companies: <ul style="list-style-type: none"> <li>• Companies (Miscellaneous Reporting) Regulations 2018</li> <li>• Wates Corporate Governance Principles for Large Private Companies</li> </ul> </li> </ul>
Role of the company secretary/governance professional in governance	<ul style="list-style-type: none"> <li>• The company secretary and corporate governance</li> <li>• The requirements for a company secretary: <ul style="list-style-type: none"> <li>• Companies Act 2006</li> <li>• UK Corporate Governance Code</li> <li>• CGI guidance on the corporate governance role of the company secretary</li> </ul> </li> <li>• The role of the company secretary: <ul style="list-style-type: none"> <li>• governance</li> <li>• statutory and regulatory compliance</li> <li>• advising the board and senior management</li> <li>• the board’s communicator</li> <li>• additional responsibilities</li> </ul> </li> </ul>

Topic area	Exemplification
Role of the company secretary/governance professional in governance <i>(cont.)</i>	<ul style="list-style-type: none"> <li>• The company secretary as the ‘conscience of the company’</li> <li>• The Company Secretary: Building trust through governance</li> <li>• Qualifications and skills:               <ul style="list-style-type: none"> <li>• Companies Act 2006</li> <li>• interpersonal skills</li> <li>• commercial and business acumen</li> </ul> </li> <li>• Position in the organisation:               <ul style="list-style-type: none"> <li>• reporting line</li> <li>• remuneration</li> <li>• evaluation</li> </ul> </li> <li>• Independence of the company secretary:               <ul style="list-style-type: none"> <li>• dual roles</li> </ul> </li> <li>• Liability of the company secretary</li> <li>• In-house versus outsourced company secretary               <ul style="list-style-type: none"> <li>• reasons to outsource</li> <li>• reasons not to outsource</li> </ul> </li> </ul>
Other governance issues	<ul style="list-style-type: none"> <li>• Corporate governance outside the UK</li> <li>• The USA and Sarbanes-Oxley Act 2002:               <ul style="list-style-type: none"> <li>• role of the Investor Stewardship Group (ISG)</li> </ul> </li> <li>• South Africa and the King Codes</li> <li>• Corporate governance frameworks in:               <ul style="list-style-type: none"> <li>• Germany</li> <li>• Japan</li> <li>• China</li> <li>• Scandinavia</li> <li>• The Netherlands</li> </ul> </li> <li>• Governance in other sectors:               <ul style="list-style-type: none"> <li>• governance in the public sector:                   <ul style="list-style-type: none"> <li>– Nolan’s seven principles of public life</li> </ul> </li> <li>• governance in the not-for-profit sector</li> </ul> </li> <li>• Governance for family-controlled companies</li> <li>• Global principles of corporate governance:               <ul style="list-style-type: none"> <li>• G20/OECD Principles of Corporate Governance</li> <li>• Basel Corporate Governance Principles for Banks</li> <li>• International Corporate Governance Network (ICGN) principles</li> </ul> </li> <li>• Key issues in corporate governance:               <ul style="list-style-type: none"> <li>• composition of boards</li> <li>• financial reporting</li> <li>• stakeholder relations</li> <li>• corporate culture</li> </ul> </li> </ul>

Topic area	Exemplification
Other governance issues ( <i>cont.</i> )	<ul style="list-style-type: none"><li>• social responsibility and sustainability</li><li>• sexual harassment in the workplace</li><li>• remuneration of directors and senior executives</li><li>• shareholder dialogue</li><li>• performance of directors</li><li>• risk management</li><li>• tax planning</li><li>• technology and information governance</li><li>• Corporate governance issues in developing and emerging markets</li></ul>

<b>Section B: The board of directors and leadership</b>	
<b>30% – 60 Learning hours</b>	
<i>LO.2: Be able to advise on the duties of directors as well as the role, membership, composition and effectiveness of the board, within legal and regulatory frameworks and ethical standards.</i>	
<b>Topic area</b>	<b>Exemplification</b>
Directors' duties and powers	<ul style="list-style-type: none"> <li>• Powers of directors:               <ul style="list-style-type: none"> <li>• general management powers</li> <li>• special powers</li> <li>• power to delegate</li> <li>• shareholders' reserve power to give directions</li> </ul> </li> <li>• General duties of directors under the Companies Act 2006:               <ul style="list-style-type: none"> <li>• common law and fiduciary duties of directors</li> <li>• summary of the general duties of directors</li> <li>• consequences of a breach of the general duties</li> </ul> </li> <li>• Duty to act within powers and for proper purposes</li> <li>• Duty to promote the success of the company:               <ul style="list-style-type: none"> <li>• Section 172 statement in the strategic report</li> </ul> </li> <li>• Duty to exercise independent judgement</li> <li>• Duty to exercise reasonable skill, care and diligence:               <ul style="list-style-type: none"> <li>• delegation and the duty of skill and care</li> </ul> </li> <li>• Duty to avoid conflicts of interest:               <ul style="list-style-type: none"> <li>• managing conflicts of interest</li> </ul> </li> <li>• Duty not to accept benefits from third parties</li> <li>• Duty to declare interests in transactions:               <ul style="list-style-type: none"> <li>• interests in proposed or existing transactions or arrangement</li> <li>• declarations of interest</li> <li>• related party transactions</li> </ul> </li> <li>• Who can bring an action for a breach of the general duties:               <ul style="list-style-type: none"> <li>• derivative actions</li> </ul> </li> <li>• Fraudulent and wrongful trading</li> <li>• Directors' and officers' insurance:               <ul style="list-style-type: none"> <li>• indemnities</li> <li>• funding of legal expenses</li> </ul> </li> </ul>
Role and membership of the board	<ul style="list-style-type: none"> <li>• Role of the board:               <ul style="list-style-type: none"> <li>• governance role under the UK Corporate Governance Code</li> <li>• functions carried out through committees</li> <li>• critical management decisions</li> <li>• matters required by law</li> </ul> </li> <li>• Matters reserved for the board</li> <li>• Composition of the board:</li> </ul>

Topic area	Exemplification
Role and membership of the board ( <i>cont.</i> )	<ul style="list-style-type: none"> <li>• balance of executive and non-executive directors</li> <li>• reporting on board composition</li> <li>• Role of the chair: <ul style="list-style-type: none"> <li>• duties and powers of the chair under the law</li> <li>• chair should be independent on appointment</li> <li>• the chair's time commitments</li> <li>• appointment of the chair</li> <li>• typical background and characteristics of a FTSE chair</li> </ul> </li> <li>• Role of the chief executive officer (CEO)</li> <li>• Separation of the roles of chair and CEO: <ul style="list-style-type: none"> <li>• CEO should not become chair of the same company</li> <li>• non-compliance with the UK Code on separation of the roles</li> </ul> </li> <li>• Role of other executive directors</li> <li>• Non-executive directors (NEDs) – role and independence: <ul style="list-style-type: none"> <li>• role of NEDs in transactions</li> <li>• independent non-executive directors</li> </ul> </li> <li>• NEDs – effectiveness: <ul style="list-style-type: none"> <li>• time commitments</li> <li>• lack of effective challenge</li> <li>• delays in decision-making</li> </ul> </li> <li>• Senior independent director</li> <li>• Board committees and NEDs</li> <li>• Role of the corporate secretary: <ul style="list-style-type: none"> <li>• governance role of the company secretary</li> <li>• appointment and removal of the secretary</li> <li>• reporting lines and remuneration</li> </ul> </li> </ul>
Board composition and succession planning	<ul style="list-style-type: none"> <li>• Board size: <ul style="list-style-type: none"> <li>• requirements for a 'balanced board'</li> <li>• requirements of the UK Code on composition</li> <li>• servicing board committees</li> <li>• ability of the board to hold productive, constructive discussions and make prompt rational decisions</li> </ul> </li> <li>• Balance of skills, knowledge and experience</li> <li>• Diversity: <ul style="list-style-type: none"> <li>• current UK Code principles and provisions</li> <li>• gender diversity – Women on Boards review</li> <li>• gender diversity – Hampton-Alexander review</li> <li>• ethnic diversity: <ul style="list-style-type: none"> <li>– Parker review</li> </ul> </li> <li>• recruiting non-executives from diverse backgrounds</li> <li>• reporting on diversity</li> <li>• diversity policy disclosures under the DTRs</li> </ul> </li> </ul>



Topic area	Exemplification
Balance, composition and succession planning ( <i>cont.</i> )	<ul style="list-style-type: none"> <li>• Nomination committee: <ul style="list-style-type: none"> <li>• membership of the nomination committee</li> <li>• role of the nomination committee</li> <li>• description of the work of the nomination committee in the annual report</li> </ul> </li> <li>• Appointments to the board: <ul style="list-style-type: none"> <li>• led by the nomination committee</li> <li>• appointment process</li> <li>• time commitments</li> <li>• inspection of service contracts and terms of appointment</li> </ul> </li> <li>• Accepting an offer of appointment</li> <li>• Succession planning: <ul style="list-style-type: none"> <li>• succession planning in the UK Code</li> <li>• what succession plans should cover</li> <li>• overseeing the development of a diverse pipeline</li> <li>• reporting on succession planning</li> </ul> </li> <li>• Refreshing board membership</li> <li>• Annual re-election: <ul style="list-style-type: none"> <li>• UK Code requirements</li> <li>• biographical details</li> </ul> </li> <li>• Wates Corporate Governance Principles for Large Private Companies</li> </ul>
Board effectiveness	<ul style="list-style-type: none"> <li>• FRC Guidance on Board Effectiveness</li> <li>• Regular meetings</li> <li>• Decision-making processes: <ul style="list-style-type: none"> <li>• dynamics at board meetings</li> </ul> </li> <li>• Supply of information: <ul style="list-style-type: none"> <li>• board packs</li> <li>• other information</li> </ul> </li> <li>• Board portals, electronic board papers and virtual meetings</li> <li>• Use of social media by boards</li> <li>• Corporate culture: <ul style="list-style-type: none"> <li>• how corporate culture is reflected in the UK Code</li> <li>• monitoring culture</li> <li>• values and culture in the Wates Principles</li> </ul> </li> <li>• Business ethics</li> <li>• The role of the company secretary in building an ethical culture: <ul style="list-style-type: none"> <li>• speaking out against bad governance and unethical behaviour</li> <li>• ensuring the board sets standards of ethical business</li> <li>• developing a code of ethics:</li> </ul> </li> </ul>

Topic area	Exemplification
Board effectiveness ( <i>cont.</i> )	<ul style="list-style-type: none"> <li>– contents of a code of ethics</li> <li>• communicating the expected standards of ethical behaviour</li> <li>• alerting board management to the professional ethical standards of advisers and others</li> <li>• ensuring compliance with values and code of ethics is monitored and breaches are reported to the board</li> <li>• ensuring ethical values and code of ethics are reviewed</li> <li>• ensuring the board approves and monitors implementation of whistleblowing policies and procedures</li> <li>• Independent professional advice: <ul style="list-style-type: none"> <li>• independent advice for board committees</li> </ul> </li> <li>• Performance evaluation: <ul style="list-style-type: none"> <li>• general guidance</li> <li>• externally facilitated board evaluations</li> <li>• internal evaluations</li> <li>• what should be evaluated</li> <li>• role of the company secretary/governance professional</li> </ul> </li> <li>• Induction and professional development: <ul style="list-style-type: none"> <li>• CGI guidance on induction</li> <li>• professional development</li> <li>• encouraging senior executives to take up non-executive posts</li> </ul> </li> </ul>

**Section C: Disclosure, corporate social responsibility and stakeholders****25% – 50 Learning hours**

*LO.3: Be able to apply the concepts of disclosure (including accountability, audit and transparency), corporate social responsibility and stakeholder engagement.*

Topic area	Exemplification
Financial reporting to shareholders and external audit	<ul style="list-style-type: none"> <li>• Financial and reporting</li> <li>• Requirements for financial reporting: <ul style="list-style-type: none"> <li>• Companies Act 2006</li> <li>• Listing, Disclosure Guidance and Transparency Rules</li> <li>• Standards</li> <li>• UK Corporate Governance Code</li> <li>• Brexit</li> </ul> </li> <li>• Investor confidence in financial reporting: <ul style="list-style-type: none"> <li>• FRC review of corporate reporting</li> <li>• Wates Principles reporting</li> <li>• FRC: A matter of principles: The Future of Corporate Reporting</li> </ul> </li> <li>• Role of the board in financial reporting</li> <li>• Role of the company secretary/governance professional in financial reporting</li> <li>• Audit committee requirements: <ul style="list-style-type: none"> <li>• requirements for an audit committee</li> <li>• composition of the audit committee</li> </ul> </li> <li>• Role and responsibility of the audit committee</li> <li>• Meetings of the audit committee</li> <li>• Audit committee relationship with the board</li> <li>• Audit committee relationship with shareholders</li> <li>• Audit committee report</li> <li>• Role of the company secretary/governance professional in relation to the audit committee</li> <li>• External auditor: <ul style="list-style-type: none"> <li>• auditor's liability to third parties</li> <li>• criminal liability of auditors</li> </ul> </li> <li>• Role of the external auditor</li> <li>• Auditor independence: <ul style="list-style-type: none"> <li>• threats to auditor independence</li> <li>• measures to protect auditor independence</li> </ul> </li> <li>• Non-audit services: <ul style="list-style-type: none"> <li>• restrictions</li> <li>• FRC principles of operational separation</li> <li>• role of the audit committee</li> </ul> </li> <li>• Auditor rotation: <ul style="list-style-type: none"> <li>• rotation of audit partner</li> <li>• rotation of audit firm</li> </ul> </li> </ul>

Topic area	Exemplification
Financial reporting to shareholders and external audit ( <i>cont.</i> )	<ul style="list-style-type: none"> <li>• The Report of the Independent Review into the Quality and Effectiveness of Audit 2019 (Brydon Review)</li> <li>• Audit and FRC reform</li> <li>• Restoring trust in audit and corporate governance</li> <li>• Role of the company secretary/governance professional in relation to external auditors</li> </ul>
Corporate social responsibility and stakeholders	<ul style="list-style-type: none"> <li>• Definition of corporate social responsibility (CSR): <ul style="list-style-type: none"> <li>• corporate citizenship defined</li> <li>• sustainability defined</li> <li>• ESG (environmental, social and governance) defined</li> </ul> </li> <li>• History of CSR</li> <li>• Business case for CSR: <ul style="list-style-type: none"> <li>• organisations</li> <li>• governments and bilateral organisations</li> <li>• investors</li> <li>• shareholder trade associations</li> <li>• ‘greenwashing’</li> <li>• impact of the millennial generation</li> </ul> </li> <li>• Categories of CSR activity: <ul style="list-style-type: none"> <li>• creating CSR partnerships</li> </ul> </li> <li>• CSR frameworks: <ul style="list-style-type: none"> <li>• UN Guiding Principles on Business and Human Rights</li> <li>• UN Global Compact</li> <li>• SIGMA Project</li> <li>• Equator Principles</li> <li>• OECD Guidelines for Multinational Enterprises:</li> </ul> </li> <li>• Measuring CSR initiatives: <ul style="list-style-type: none"> <li>• CSR and senior executive remuneration</li> <li>• sustainable development goals</li> </ul> </li> <li>• CSR benchmarking <ul style="list-style-type: none"> <li>• Dow Jones Sustainability Indexes (DJSI)</li> <li>• FTSE4Good Indexes</li> <li>• Business in the Community (BITC) Responsible Business Tracker</li> </ul> </li> <li>• Integrated thinking</li> <li>• Advising the board on being socially responsible</li> <li>• Engagement with stakeholders: <ul style="list-style-type: none"> <li>• ways to engage with stakeholders</li> <li>• engagement with the workforce</li> <li>• CGI and The Investment Association: The Stakeholder Voice in Board Decision Making</li> </ul> </li> </ul>

Topic area	Exemplification
Corporate social responsibility and stakeholders ( <i>cont.</i> )	<ul style="list-style-type: none"> <li>• Wates Corporate Governance Principles for Large Private Companies</li> <li>• Impact of Section 172 to promote the success of the company on stakeholder engagement</li> <li>• Role of the company secretary/governance professional in stakeholder engagement: <ul style="list-style-type: none"> <li>• explaining to the board the business case for stakeholder engagement</li> <li>• assisting the board with stakeholder engagement</li> <li>• advising the board on reporting on stakeholder engagement</li> <li>• alerting the board and/or management to opportunities and risks associated with stakeholder engagements</li> <li>• advising the board on the setting up of a committee responsible for stakeholder issues</li> </ul> </li> </ul>
Reporting on non-financial issues, including corporate social responsibility reporting	<ul style="list-style-type: none"> <li>• Non-financial reporting: <ul style="list-style-type: none"> <li>• narrative reporting</li> <li>• corporate governance report</li> <li>• strategic report</li> </ul> </li> <li>• CSR reporting and the law: <ul style="list-style-type: none"> <li>• Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013</li> <li>• The Companies, Partnership and Groups (Accounts and Non-Financial Reporting) Regulations 2016</li> <li>• Companies (Miscellaneous Reporting) Regulations 2018</li> </ul> </li> <li>• Drivers for voluntary CSR reporting</li> <li>• Triple bottom line reporting</li> <li>• Integrated reporting: <ul style="list-style-type: none"> <li>• the importance of 'integrated thinking'</li> <li>• responding to stakeholder issues</li> <li>• difference between sustainability reports and integrated reports</li> </ul> </li> <li>• Global Reporting Initiative (GRI) <ul style="list-style-type: none"> <li>• GRI Universal Standards</li> <li>• topic-specific GRI Standards</li> </ul> </li> <li>• Sustainability Accounting Standards Board (SASB)</li> <li>• International Integrated Reporting Council (IIRC) reporting framework</li> <li>• Corporate Reporting Dialogue</li> <li>• Climate change reporting</li> <li>• Moves to single reporting standard</li> <li>• External assurance</li> <li>• Environmental Profit &amp; Loss Accounts (EP&amp;L)</li> <li>• The governance professional's role in CSR reporting</li> </ul>

<b>Section D: Risk management and internal control</b>	
<b>10% – 20 Learning hours</b>	
<i>LO.4: Be able to critically appraise and apply corporate governance principles and best practices in risk management for the board in the employing or client organisation</i>	
<b>Topic area</b>	<b>Exemplification</b>
Systems of risk management and internal control	<ul style="list-style-type: none"> <li>• Corporate governance, risk and internal controls:               <ul style="list-style-type: none"> <li>• relevance of risk management and internal control systems for corporate governance</li> <li>• UK Corporate Governance Code requirements</li> <li>• FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting</li> <li>• FRC Guidance on the Strategic Report</li> </ul> </li> <li>• Risk:               <ul style="list-style-type: none"> <li>• business risk versus governance risk</li> </ul> </li> <li>• Internal controls:               <ul style="list-style-type: none"> <li>• internal control risks</li> </ul> </li> <li>• Elements of a risk management and internal control system:               <ul style="list-style-type: none"> <li>• Turnbull Report</li> <li>• Committee of Sponsoring Organizations of the Treadway Commission (COSO)</li> </ul> </li> <li>• Developing a risk management system:               <ul style="list-style-type: none"> <li>• risk identification</li> <li>• risk categories</li> <li>• methods of identifying risk</li> <li>• risk assessment</li> <li>• risk response</li> <li>• selecting a response</li> <li>• risk monitoring</li> <li>• risk reporting</li> </ul> </li> <li>• Benefits of risk management</li> <li>• Role of the board in risk management and internal control</li> <li>• Common failure of boards</li> <li>• Long-term viability statement</li> <li>• Corporate sustainability</li> <li>• Advising the board on planning for sustainability</li> </ul>
Risk structures, policies, procedures and compliance	<ul style="list-style-type: none"> <li>• Structures:               <ul style="list-style-type: none"> <li>• board committees</li> <li>• risk management committee</li> <li>• internal audit</li> </ul> </li> <li>• Governance players:               <ul style="list-style-type: none"> <li>• company secretary/governance professional role</li> <li>• CEO role</li> </ul> </li> </ul>

Topic area	Exemplification
Risk structures, policies, procedures and compliance ( <i>cont.</i> )	<ul style="list-style-type: none"> <li>• chief risk officer (CRO) role</li> <li>• internal auditors' role</li> <li>• Policies and procedures: <ul style="list-style-type: none"> <li>• risk policy and manual</li> <li>• procedure for monitoring and reviewing risk management and internal control systems</li> </ul> </li> <li>• Whistleblowing: <ul style="list-style-type: none"> <li>• introducing a whistleblowing procedure</li> <li>• questions for boards</li> </ul> </li> <li>• Cybersecurity: <ul style="list-style-type: none"> <li>• market abuse regulation</li> <li>• General Data Protection Regulation (GDPR)</li> <li>• Network and Information System (NIS) Regulations</li> </ul> </li> <li>• Governance of information</li> <li>• Disaster recovery plans</li> <li>• UK Bribery Act 2010</li> <li>• Conflict prevention and resolution</li> <li>• Senior executive remuneration and risk</li> </ul>

**Section E: Shareholder rights, shareholder engagement and directors' remuneration****10% – 20 Learning hours**

*LO.5: Be able to exercise appropriate judgment in the use of professional knowledge and skills to the resolution of practical issues and problems in the proper governance of an organisation, including shareholder engagement and directors' remuneration.*

Topic area	Exemplification
Shareholders rights and engagement	<ul style="list-style-type: none"> <li>• Definitions</li> <li>• Separation of ownership and control</li> <li>• Powers and rights: <ul style="list-style-type: none"> <li>• sources</li> <li>• shareholder rights</li> </ul> </li> <li>• Common abuses of shareholder rights: <ul style="list-style-type: none"> <li>• market abuse and insider dealing</li> <li>• insider dealing: criminal offence: <ul style="list-style-type: none"> <li>– disclosure of inside information</li> <li>– insider lists and control of inside information</li> <li>– dealings by directors and persons discharging managerial responsibilities (PDMRs)</li> <li>– dealing code and policy</li> </ul> </li> <li>• dilution</li> <li>• tunnelling</li> <li>• related party transactions</li> </ul> </li> <li>• Anonymity of shareholders</li> <li>• Institutional shareholder responsibilities <ul style="list-style-type: none"> <li>• CGI Shareholder Engagement</li> <li>• shareholder activism</li> </ul> </li> <li>• UK Stewardship Code: <ul style="list-style-type: none"> <li>• principles and guidance</li> </ul> </li> <li>• Shareholder representative bodies: <ul style="list-style-type: none"> <li>• Pensions and Lifetime Savings Association (PLSA)</li> <li>• Investment Association</li> <li>• international shareholder advisory bodies</li> </ul> </li> <li>• Responsible investment versus socially responsible investment: <ul style="list-style-type: none"> <li>• pursuing a socially responsible investment (SRI) strategy</li> </ul> </li> </ul>
Board engagement with shareholders	<ul style="list-style-type: none"> <li>• Shareholder engagement <ul style="list-style-type: none"> <li>• CGI guidance on engagement</li> </ul> </li> <li>• Annual General Meetings (AGMs) <ul style="list-style-type: none"> <li>• Hybrid and virtual AGMs</li> <li>• AGM trends</li> </ul> </li> <li>• Electronic communication: <ul style="list-style-type: none"> <li>• shareholder communications</li> <li>• CGI guidance on electronic communications</li> </ul> </li> </ul>



Topic area	Exemplification
Remuneration of directors and senior executives	<ul style="list-style-type: none"> <li>• Remuneration as a corporate governance issue: <ul style="list-style-type: none"> <li>• importance of remuneration of directors</li> <li>• overview of the governance framework on directors' remuneration in the UK</li> </ul> </li> <li>• Elements of remuneration for executive directors and senior executives: <ul style="list-style-type: none"> <li>• components of executive remuneration</li> <li>• short-term performance-based incentives</li> <li>• long-term incentives: share options</li> <li>• long-term incentives: grants of shares ('performance shares')</li> <li>• long-term incentive scheme performance measures</li> <li>• problems with linking rewards to performance</li> <li>• the use of benchmarks</li> <li>• drawbacks of share option schemes</li> </ul> </li> <li>• UK Code principles and provisions on remuneration: <ul style="list-style-type: none"> <li>• no director should be involved in deciding their own remuneration outcome</li> <li>• levels of remuneration</li> <li>• performance-related remuneration</li> </ul> </li> <li>• Remuneration committee: <ul style="list-style-type: none"> <li>• membership of the remuneration committee</li> <li>• duties of the remuneration committee</li> <li>• delegated powers or recommendations to the board</li> <li>• consultation with shareholders</li> <li>• remuneration consultants</li> <li>• UK voluntary code of conduct for remuneration consultants</li> <li>• remuneration committee report</li> </ul> </li> <li>• Wates Corporate Governance Principles for Large Private Companies</li> <li>• Directors' remuneration report: <ul style="list-style-type: none"> <li>• GC100 and Investor Group Directors' Remuneration Reporting Guidance</li> </ul> </li> <li>• Directors' remuneration policy: <ul style="list-style-type: none"> <li>• general requirements regarding remuneration policy</li> <li>• contents of directors' remuneration policy</li> </ul> </li> <li>• Annual remuneration report: <ul style="list-style-type: none"> <li>• advisory vote on the annual remuneration report</li> <li>• content of the annual remuneration report</li> <li>• Annual remuneration reports in practice</li> </ul> </li> <li>• Compensation for loss of office and rewards for failure: <ul style="list-style-type: none"> <li>• length of service contracts</li> </ul> </li> </ul>

Topic area	Exemplification
Remuneration of directors and senior executives ( <i>cont.</i> )	<ul style="list-style-type: none"> <li>• disclosure of unexpired contract term in the annual report</li> <li>• use of discretion</li> <li>• malus and clawback provisions</li> <li>• Listing Rule provisions on long-term incentive schemes: <ul style="list-style-type: none"> <li>• requirement for shareholder approval</li> <li>• prohibition on discounted share options</li> </ul> </li> <li>• Non-executive remuneration <ul style="list-style-type: none"> <li>• procedure for setting NED fees</li> <li>• levels of NED fees</li> <li>• additional fees</li> <li>• performance-related awards for NEDs</li> </ul> </li> <li>• Other guidance on remuneration <ul style="list-style-type: none"> <li>• Investment Association's Principles of Remuneration</li> <li>• PLSA Stewardship and Voting Guidelines 2021</li> <li>• Institutional Shareholder Services (ISS) Proxy Voting Guidelines</li> <li>• Prudential Regulation Authority (PRA)/Financial Conduct Authority (FCA) remuneration codes of practice</li> </ul> </li> </ul>



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