

The case for change: evolve for the future

The strategic reforms your Council has put before you are motivated by the need to ensure that the Institute is a vibrant, growing and sustainable organisation and that a platform exists to enable all of our Divisions to grow, to invest in the future and to have the resources they need to support stronger advocacy programmes and introduce new services that members expect and require in the 21st century.

Your Council has looked at the trends that are shaping our world and it is clear that more and more people have governance responsibilities in an increasingly regulated and risk-conscious environment. However, this growing focus on governance has not translated into an increase in the number of professionals becoming members of the Institute as many do not see the Institute as their relevant professional body with its focus on 'secretaryship'.

Whilst the Institute is the leading qualifying organisation for company secretaries and for those who value the practice of good governance, the wider business world and not-for-profit community may not fully appreciate the relevance of our training and qualification to the governance challenges they face. In addition, in some of our Divisions the demand for company secretaries has decreased either because of lack of a statutory requirement or industry consolidation.

Membership levels overall for the Institute have fallen over the last two decades although not in all Divisions. Some Divisions are growing but we cannot ignore that some are barely sustainable and must attract more members or they will not survive. The underlying reasons for the decrease in membership needs to be addressed and this is best undertaken by the Institute evolving with the needs of the international community and the global market.

We can use the changes in the governance landscape as a driver for change in the Institute. It is important that your Institute uses its 125-year history and reputation for high standards as a springboard for adaptation to 21st century needs. It is important that your Institute evolves in step with the environment in which it operates.

Your Council has agreed to recommend the implementation of the two strategic changes to enable the Institute to advance. The first initiative - the new designation - will create a home for many individuals who have an interest in governance but do not operate as company secretaries. We know that many of them do not see the Institute as relevant to them and we must address this.

The second initiative - Affiliated Member - will attract younger and aspiring professionals to the Institute earlier in their careers who may then move on to Chartered membership. It will also attract people who have an interest in governance but for whom the full Chartered Qualifying Programmes do not cater for their needs.

These changes are aimed at increasing the attractiveness of becoming a member in order to grow membership and ensure a sustainable organisation. To do nothing, to not take advantage of the changes in community expectations and in our profession, would not be in the best interests of the Institute and could result in the loss of some Divisions in the coming years. To widen the scope of the Institute whilst at the same time preserving standards and protecting the core designation of Chartered Secretary, is a sound business strategy and will preserve the international nature of the 125-year-old organisation.

Everyone expects the organisations they are involved in to be profitable and sustainable while acting ethically and responsibly. Your Council is confident that these strategic changes will put the Institute on a path for growth that ensures it will remain a strong organisation with an enviable reputation for high standards well into the future.

Summary of the amendments proposed

Background

Your Institute has a 125-year history of qualifying people to become Chartered Secretaries. It is a history to be proud of and over those 125 years the Institute has continually updated its qualifying programme to be in line with changing conditions and requirements. The examinations are rigorous and ensure that anyone who possesses the designation of Chartered Secretary is a highly qualified and respected professional.

Over the last couple of decades there has been a clear increase in focus on governance throughout the world, initially driven by institutional investors but now widely embraced by most quarters of the community. Community attitudes have extended governance beyond the corporate sector to other organisations such as not-for-profit organisations (NFPs) and non-government organisations (NGOs). This increased focus has led to the creation of a range of new roles in the private and public sectors that do not carry the title of 'Company Secretary' but include the ethos, knowledge and skills associated with our Institute and its membership. Given the Institute's reputation as the leader in governance training and qualification, your Council sees it as a natural progression to create the second designation of Chartered Governance Professional to rank alongside Chartered Secretary.

Your Council is also aware that a great number of people who work or have an interest in the governance sector wish to be associated with the Institute but do not have the wish or career necessity to be as fully qualified as those who aspire to Chartered status. The creation of the intermediate level of membership called Affiliated Member will give these individuals a home which does not exist today.

Please be assured however, that the future of the Institute will remain in the hands of Associates and Fellows.

The initiatives proposed are important so you are urged to carefully read the detail of the changes that are summarised below.

Key proposed amendments to the Charter

- **Provisions that clarify the role of the byelaws in making provisions for the conditions governing membership** for all four classes of member (Articles 10, 11 and 14).
- **Provisions that confine voting rights to Fellows and Associates (except where the rights of existing Affiliated Members are affected)** and therefore Chartered members (Articles 15, 19, 20, 21 and 22).
- **Clarification that the titles of the Director General and Chief Executive represent the same role** (Article 9).

Key proposed amendments to the byelaws

The principal amendments to the byelaws concern the introduction of the second professional designation - *Chartered Governance Professional* - and the new class of member - *Affiliated Member*.

Chartered Governance Professional

As Chartered Governance Professionals are either Associates or Fellows, the necessary amendments to the byelaws are limited and no amendments to the Charter are necessary.

- **Entitlement to use designation:** As an individual must be a Fellow or Associate to have Chartered status, only minor amendments are necessary within the byelaws governing eligibility for Fellows (new byelaw 5.3) and Associates (new byelaw 6.2). Eligibility to use either designation will depend upon the examinations an individual successfully completes. A person can use both designations if they have passed the necessary examinations or qualify for 'grandfathering'.

It has been agreed that Chartered Governance Professionals will have designatory letters with the precise form of those letters to be advised.

No material changes have been made to the eligibility requirements, entitlements or professional obligations for Fellows or Associates.

Affiliated Members or Graduates cannot use either of the two Chartered designations.

- **Regulations for members in public practice:** Amendments have been made in order for both designations to have the same public practice requirements.

Affiliated Member

In the case of amendments for Affiliated Member, new byelaws regarding eligibility for membership have been drafted to mirror the structure in the byelaws for Fellows and Associates. The opportunity was also taken to address some inconsistencies in the byelaws for Fellows and Associates. Finally, as Affiliated Members are not Chartered (Associates or Fellows), a number of provisions have been drafted to ensure voting and management control of the Institute remains in the hands of Chartered Members.

The byelaws regarding Part-qualified persons have been deleted as the class of Affiliated Members is seen as more prestigious and supersedes it.

- **Eligibility for membership:** New byelaw 8A sets out the detail relating to the new class of members - Affiliated Members - with parallel requirements for the qualifying examinations (although a fewer number), the requirement that they are fit and proper to be elected and possess the necessary experience (although fewer years) as Associates and Fellows. All members, regardless of their class of membership, are subject to byelaw 24.8 that concerns professional behaviour.

As some Divisions may not want to offer Affiliated Membership in their Division, new byelaws 8A.1, 8A.2 and 8A.3 have been drafted so that it will be a Division's decision to opt-in.

- **Voting rights:** As the Institute is a Royal Chartered body, it is important that control of it remains in the hands of Fellows and Associates. Accordingly, the voting rights of Affiliated Members have been restricted to only those matters that affect their current rights and entitlements as drafted in new byelaws 37.5 and 38.10.

The rights of Chartered members have been strengthened by the introduction of the term 'eligible member' and by specifying that only Fellows and Associates can: call a General Meeting (byelaw 30.0), make up a quorum (byelaw 33), chair a General Meeting (byelaw 34) or vote at General Meetings (byelaw 38) with the exception of circumstances contained in new byelaw 38.10.

- **Composition of Council and Divisional Committee:** Eligibility for membership of the Council is restricted to Fellows and this has been strengthened in byelaw 45 and only Fellows and Associates can elect members to Council. Furthermore, the number of Affiliated Members in a Division does not influence the number of representatives a Division is entitled to on the Council, as drafted in byelaw 45.1.