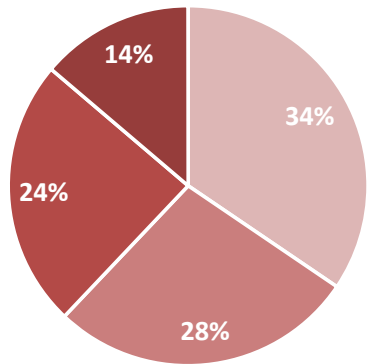


Approaches to governance in the sector

Martin Shaw, October 2022

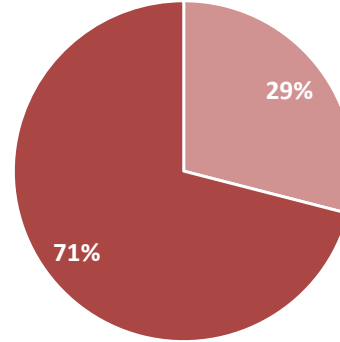
2021: Proportion of NEDs in place over 9 years

■ 0 ■ up to 20% ■ 20 to 40% ■ over 40%

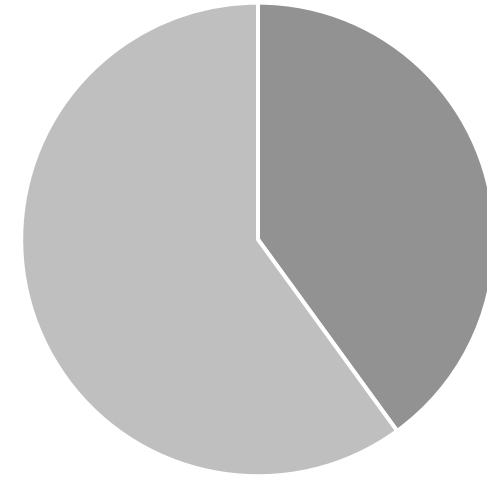


Gender diversity on Boards at the end of 2021

■ Women ■ Men



s172 report?



■ Yes ■ No

Key results

Some of the things we'll be covering.

Introduction to this year's governance report

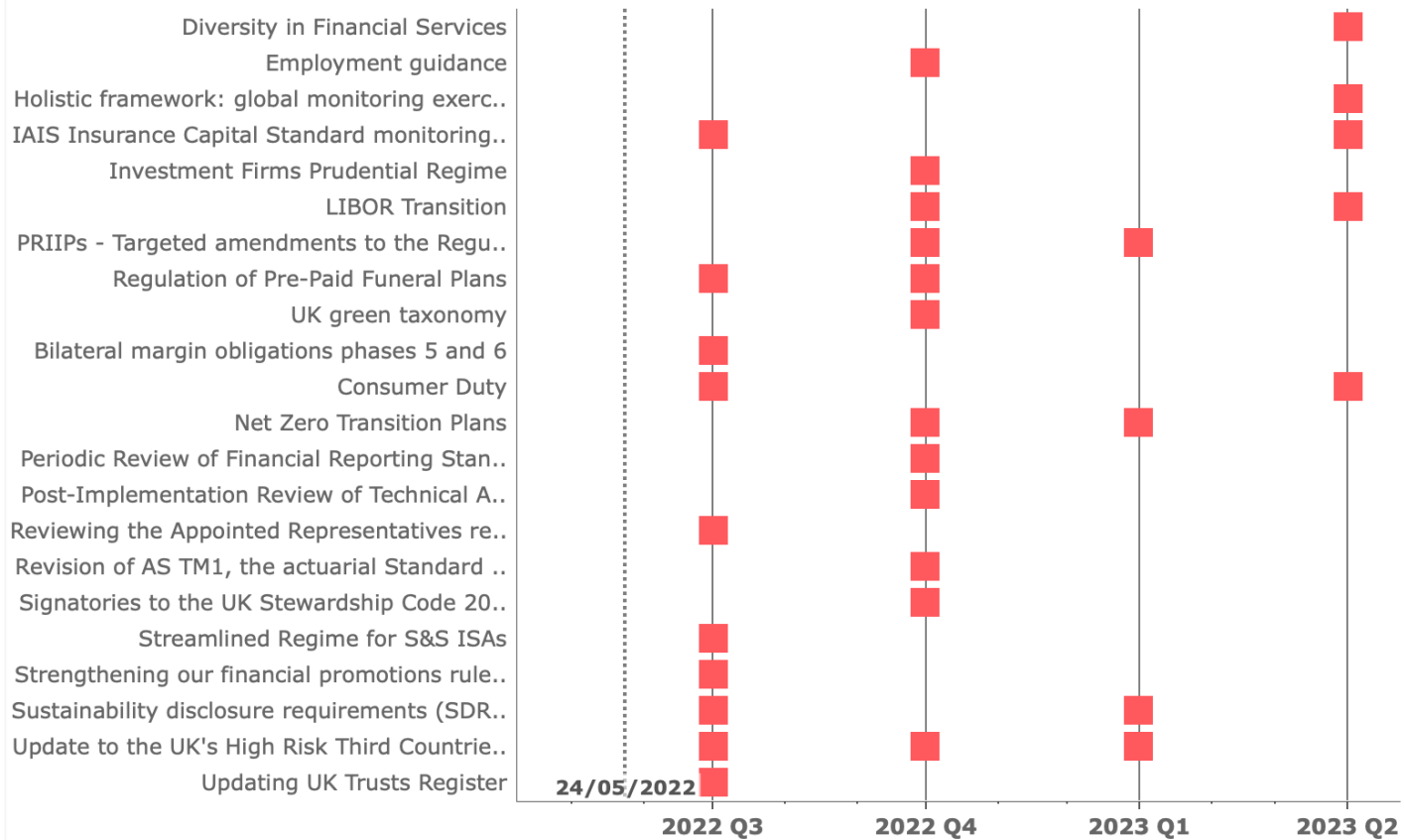
144

Number of fields of data collected for each organisation in the review

The report covered:

1. The overall effectiveness of the report and accounts.
2. The clarity of corporate governance reporting,
3. An overview of board composition in AFM members.
4. The development of climate change reporting.
5. An assessment of social impact.
6. A review of board remuneration in 2021.
7. A high-level overview of diversity in the sector, including the gender pay gap.

Timeline - hover over squares for further information and scroll where necessary.



The context is a busy range of regulatory activities

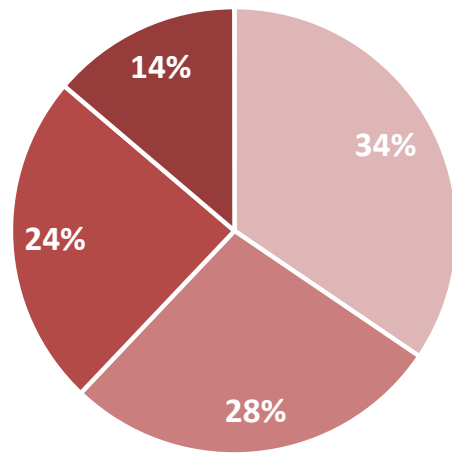
Source: FCA, [Regulatory Initiatives Grid](#)

Board tenure

- 20% of NEDs had served more than nine years.
- 10 organisation had no long-serving members at the end of 2021, compared to 5 in 2020.

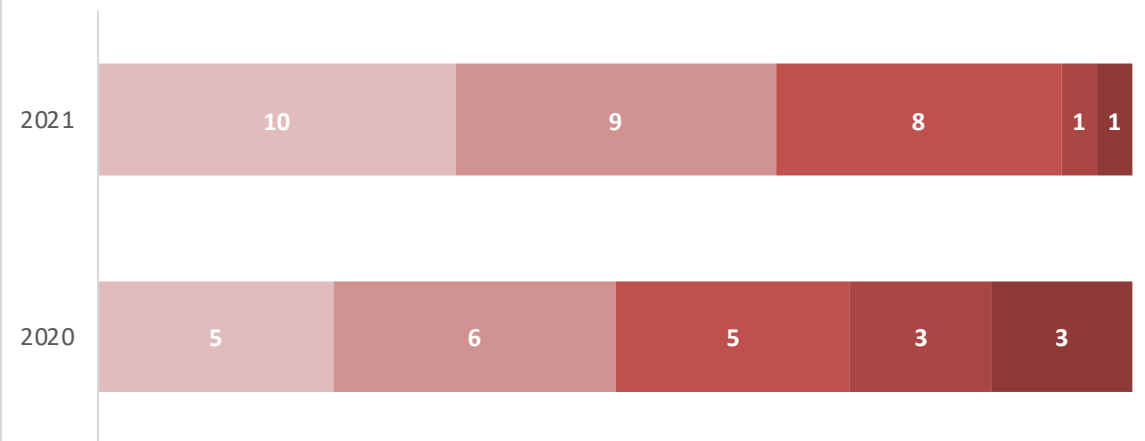
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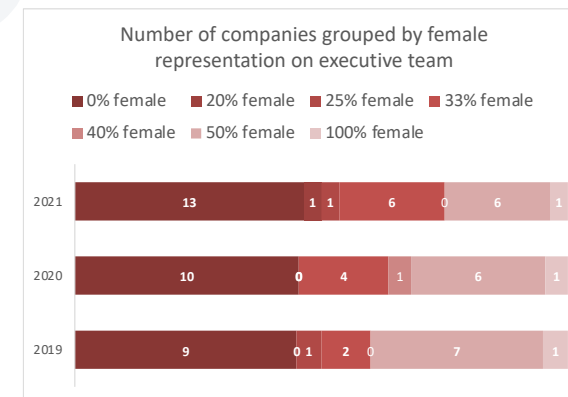
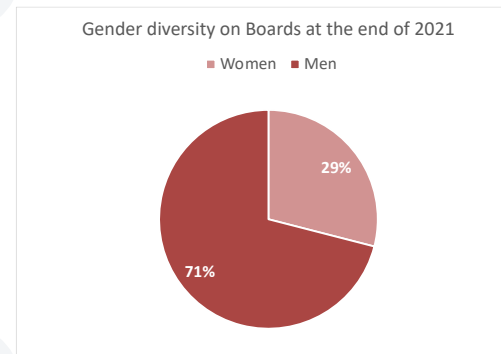
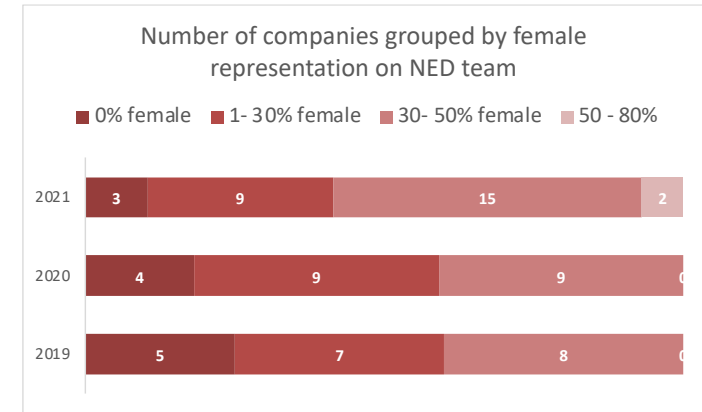
Number of companies grouped by percentage of board with over 9 years of service

■ 0% ■ 1-25% ■ 26-50% ■ 51-75% ■ 75-100%



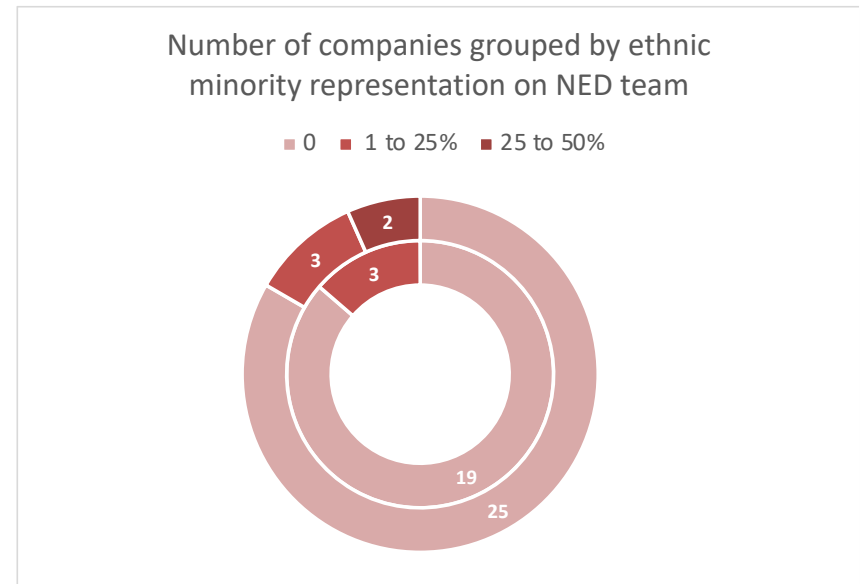
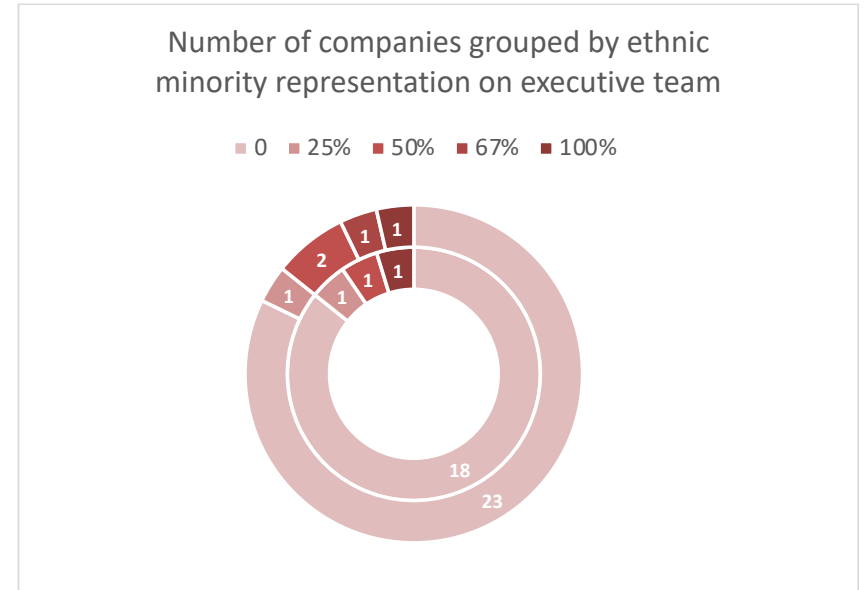
Gender split across the Board

- 29% of Directors were women at the end of 2021, compared to 18% in 2016.
- 26% of Executives are female across the sector, but in 50% of organisations there was no female director at the end of 2021.
- 90% of Boards had at least one female NED, compared to 75% in 2019.
- 15% of report and accounts (only) suggested action was needed on board longevity or diversity.

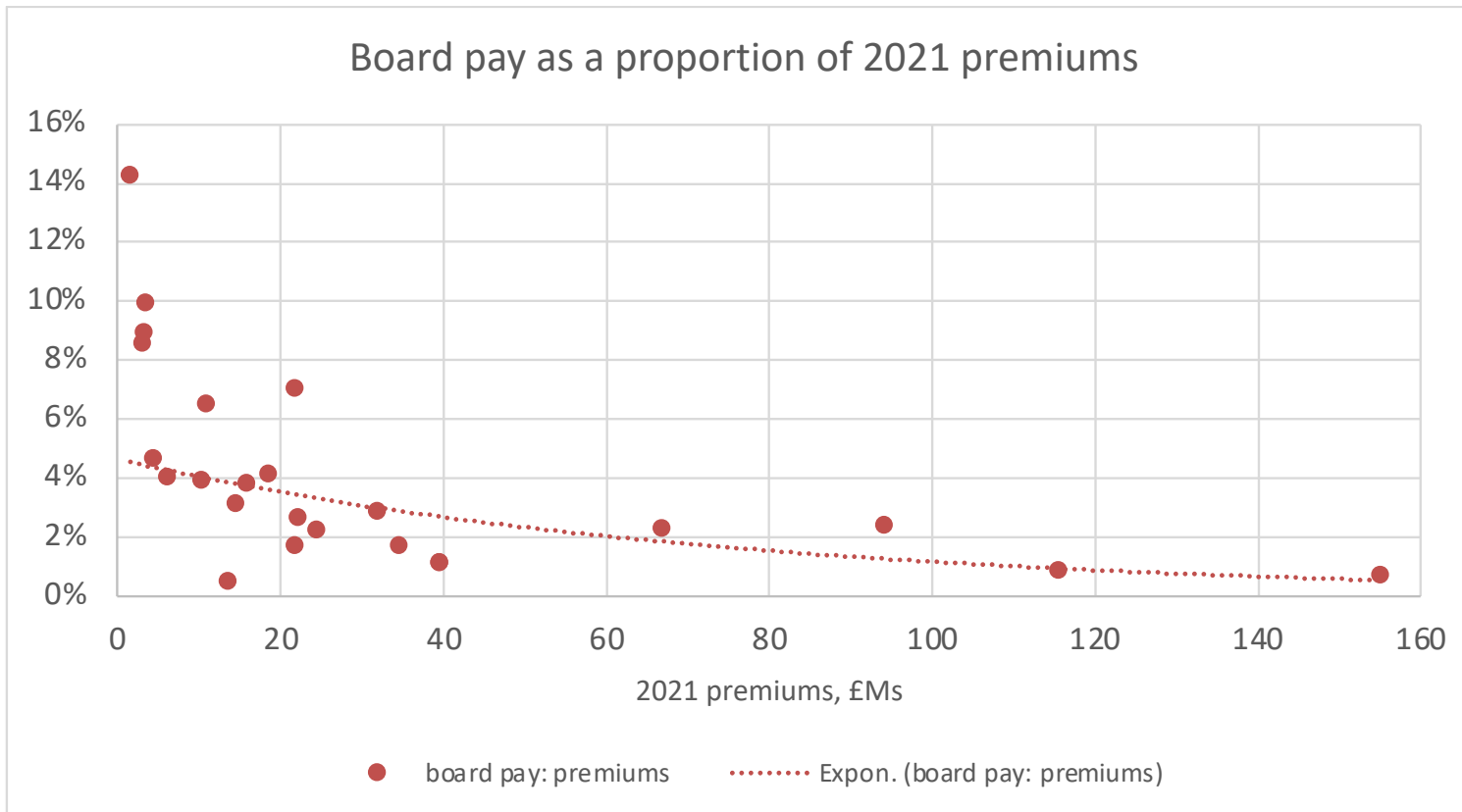


Other diversity factors on the Board

- 10% of Executives and 4% of NEDs were from an ethnic minority in 2021, compared to 10% and 2% in 2020.
- 4 Executives and 4 NEDs reported a disability or long-standing impairment, compared to 1 in total in 2020.



Total Board Remuneration

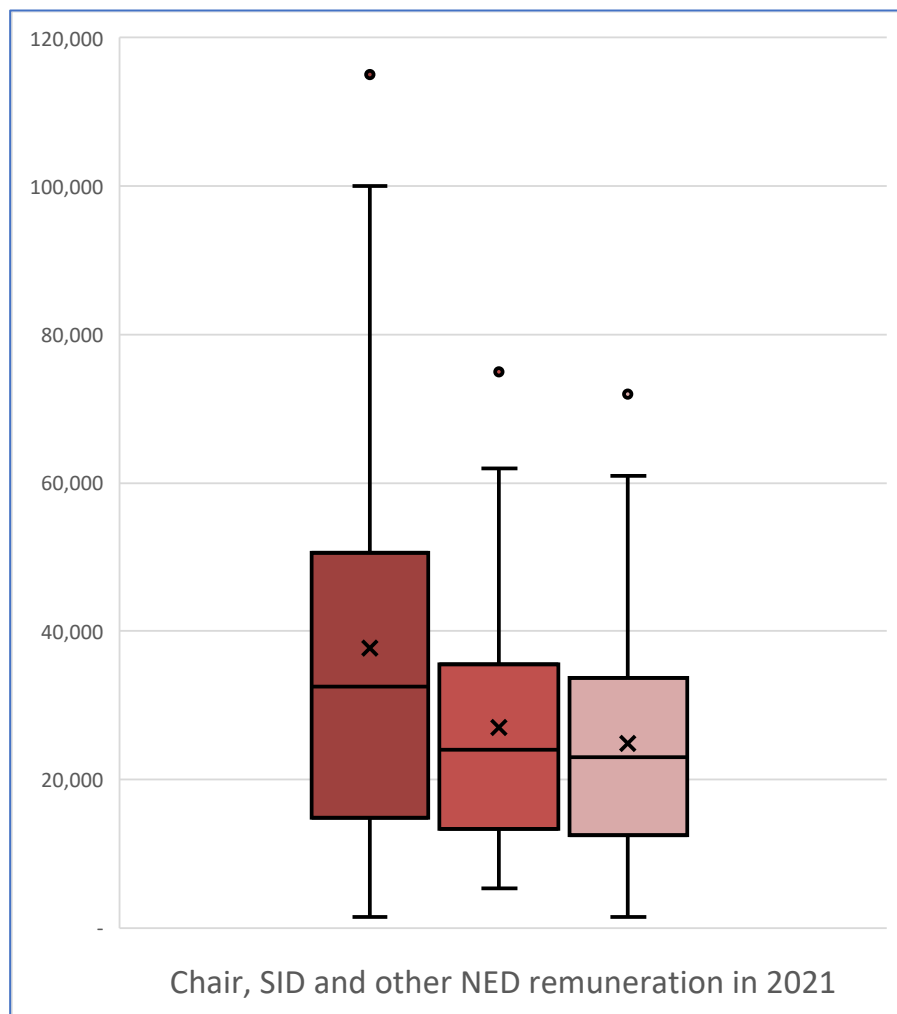


The chart tracks Board pay as a proportion of total premiums.

The median level of Board pay was 3% of premiums, though the trend line is a better predictor for larger AFM members, though it shows that as organisations grow, Board remuneration grows at a slower rate.

The rate for investment focused firms is around half that for non-life (including health and income protection).

NED remuneration



Across 24 members, the mean pay was: Chair, £38,000; SID £27,000; and third highest paid NED £25,000.

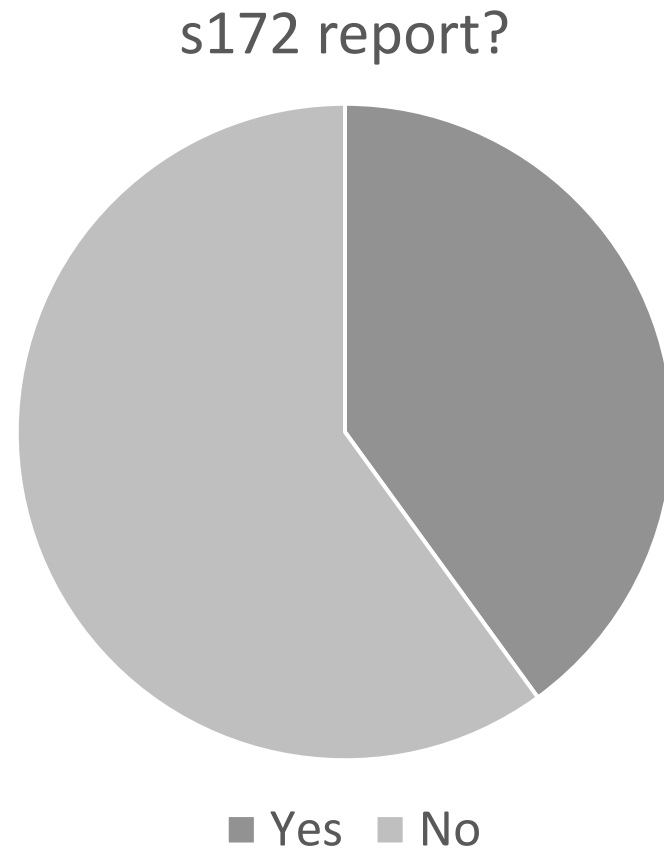
Chair's remuneration:

2018	2019	2020	2021
£31K	£33K	£35K	£38K

Chair's pay increased in 2021 (table above) at a greater rate than CEO's (table below showing gap).

CEO: Chair	2019	2020	2021
Mean multiple	7.8	7.4	6.9
Median multiple	6.8	6.3	5.5
Firms considered	16	16	24

Some themes on accountability



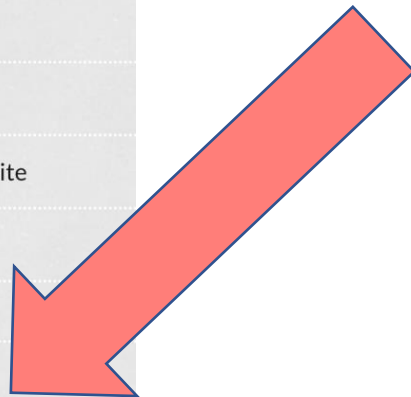
- Only 40% of PIEs completed a s172 report in 2021 as part of their strategic report
- Board reviews: often self-assessment of Directors. More external evaluation in 2022.
- Climate change reporting: 4 page average report; few metrics
- AGM: on average, 3% of members voted

Making the accounts readable

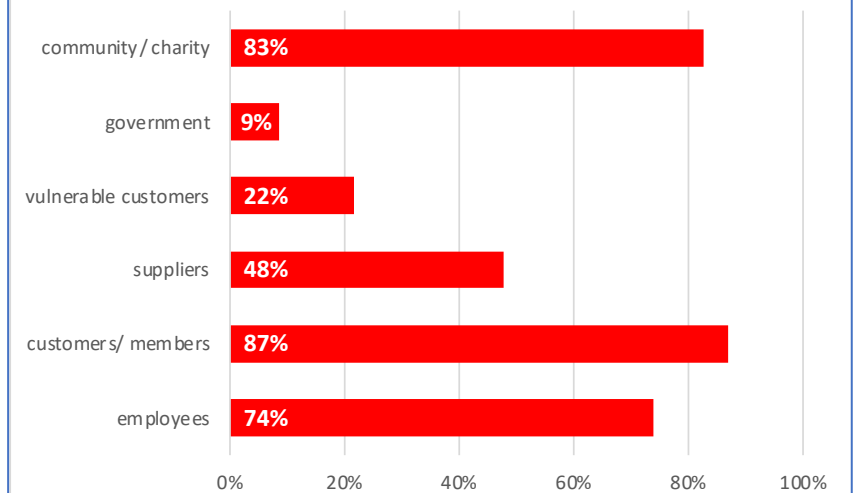
Hunger Games or Harvard Law Review?

Have a look at our table to see how you fare against other types of writing.

Grade	Score	Which is like
4	100+	This sign
5	90	Most comic books
6	80	<i>The Hunger Games</i>
7	70	Large chunks of The Writer's website
8	65	Reader's Digest
9	60	BBC News website
10	50	The Financial Times
11	40	Most of William Shakespeare
12	30	Harvard Law Review



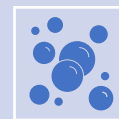
Stakeholders referenced in annual report



Most member accounts hovered between the readability of the Financial Times, and the works of William Shakespeare.



The most readable incorporated images, case studies, and summaries.

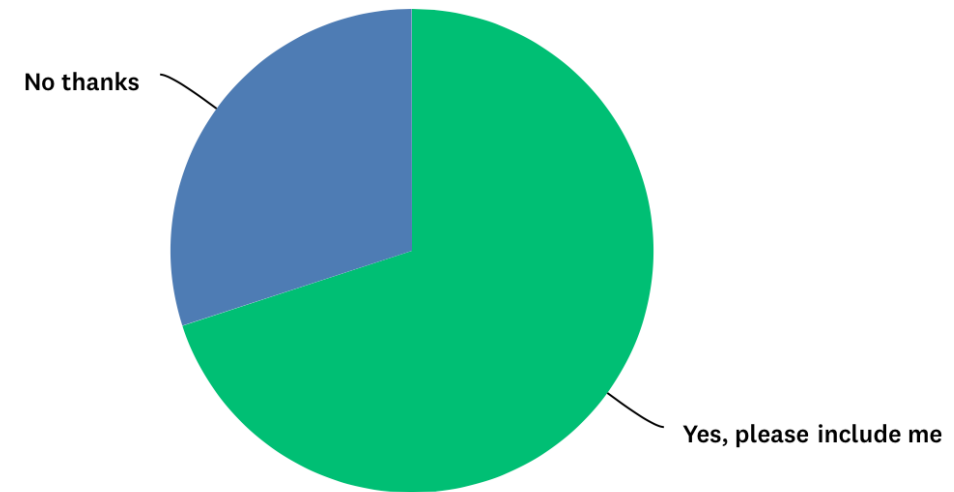


Some included interactive features for online versions.

NED roundtable

Let us know if you're interested in joining a virtual roundtable for NEDs

Answered: 20 Skipped: 1

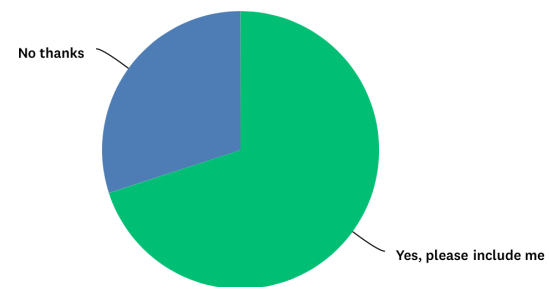


NED roundtable

- Virtual roundtables on a regular basis
- Next session in January
 - We have a Chair, but welcome comments on discussion topics

Let us know if you're interested in joining a virtual roundtable for NEDs

Answered: 20 Skipped: 1



Other support for NEDs

- Possible Chair's dinner in 2023
- The NED conference
- NED candidates' resource on the AFM website
- Extensive downloadable NED toolkit

Approaches to governance in the sector

Martin Shaw, October 2022