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Resilience and strong leadership during challenging times

Global events had a profound effect on the outlook for business in 2022. Russia's invasion of Ukraine had far reaching consequences for both the cost of living and the cost of doing business. Much of our focus over the last 12 months has been on mitigating the impact of these global events.

It is times like these when resilience is most needed.

We have provided members with the ability to be able to continue to develop themselves. We have extended the breadth of what we do, and we are refreshing our course content to ensure it is up to date and relevant as the landscape shifts and changes.

As we publish our annual report, we will continue to be absolutely focused on adding value for members and building our community. And, we will seek to engage with government wherever we can to the wider economic benefit of our members, and indeed the country.

Chair of the Institute's report

In 2022 we continued to modernise and renew your Institute to make it fit for a more digital and dynamic future. Most visibly, we completely refreshed our brand, giving us a clean new look which reflects our aspirations for the future. As part of this we relaunched our website and Digital Academy in the middle of the year, a move which was well-received by members and non-members alike.



Patrick Macdonald
Chair

We saw our LinkedIn followership grow by another 10,000, reflecting our increasing salience across both traditional and social media. Our professional development offer continued to evolve, delivering over 400 programmes to almost 6,000 participants both online and in-person.

We renovated our flagship building at 116 Pall Mall, refurbishing the façade and developing our hospitality offer, leading to increased footfall and customer satisfaction.

Finally, we scored some notable policy wins, including persuading the UK Government to scrap the proposed National Insurance tax rise. We were also at the forefront of moves to encourage businesses to harness more diverse talent through the Shinkwin Commission on 'The Future of Business'.

Not everything went to plan. Our members felt the economic chill and, in turn, the IoD was not immune from its effects. We had planned for and invested in an economic recovery following the difficulties of Covid. The investment took place; the

economic recovery did not. Lingering pandemic concerns, cost inflation (including energy) and the illegal invasion of Ukraine all combined to impact on our activity. In addition, we saw a large number of members retire from business activity altogether, leading to a reduction in membership numbers.

Your Board responded swiftly to these challenges, adjusting costs to fit the current realities while continuing to invest in improved systems, technologies and processes.

Nevertheless, we were unable to avoid making a loss in 2022. We are focused on improving the result for 2023. We continue to push forward a strategy which builds upon the IoD's many strengths while continuing to update our business model for the present and future.

As one small example, we have worked to increase the reach of our Policy Voice platform. More members are now adding their input to the work of the Policy and Governance team who in turn delivered a higher profile and salience with policy makers and in the media. The team is also

delivering exciting new content including the new quarterly Director's Update, exclusively for members. We have had very positive feedback from members who appreciate every competitive edge they can find at the moment.

Strategic direction

In last year's report, I described four main imperatives for the Institute:

- Grow our membership, reflecting the communities that we represent
- Ensure we add value to our members in all our interactions, including our events, member hubs and the Information and Advisory Service
- Build on our many strengths in governance, policy and professional development
- Continue developing our finances to give a firm foundation for the future

We share the vision of a vibrant, dynamic Institute with a large and growing membership that reflects today's society; a modern Institute that influences the development of business leaders and business policy to the benefit of the economy and the UK as a whole; an Institute we are all proud to belong to. We are making progress – there is more to be done.

Council, Board and Management

The Board continued to set the direction and strategy for your Institute and to hold the executive to account for its

delivery. We have a strong team at the top and I'd like to thank all board members for the time and energy they devoted to the Institute in 2022.

This year, Dr Suzy Walton CDir completed an amazing nine years as a non-executive director, a special record of service. We will miss her wisdom, insight and humour on the Board, not least as Chair of the Accreditation and Standards Committee. Esther Teeken, Chief Operating Officer, left to take up a new position at the UN-backed Principles for Responsible Investment. She left, having started the transformation of the Institute's financial processes, with our best wishes.

In addition, Anita Bernie decided to step back from the Board to focus on personal commitments. Jean Church, our long-serving Senior Independent Council Member and Council Chair, retired. I'd like to thank Jean for her wise counsel and support through this transformational period for the Institute. I look forward to working with David Langworth, her successor, to continue our transformation.

I'd also like to thank Jonathan Geldart, our Director General, the management team and the entire executive for a year of, at times, hard-won results. We are lucky to have such a committed and dedicated team.

Grassroots and beyond

At times like these we turn even more to our incredible network of volunteers. Alongside our brilliant staff, they work day in, day out to

support our members and I can never be thankful enough for all the work they do.

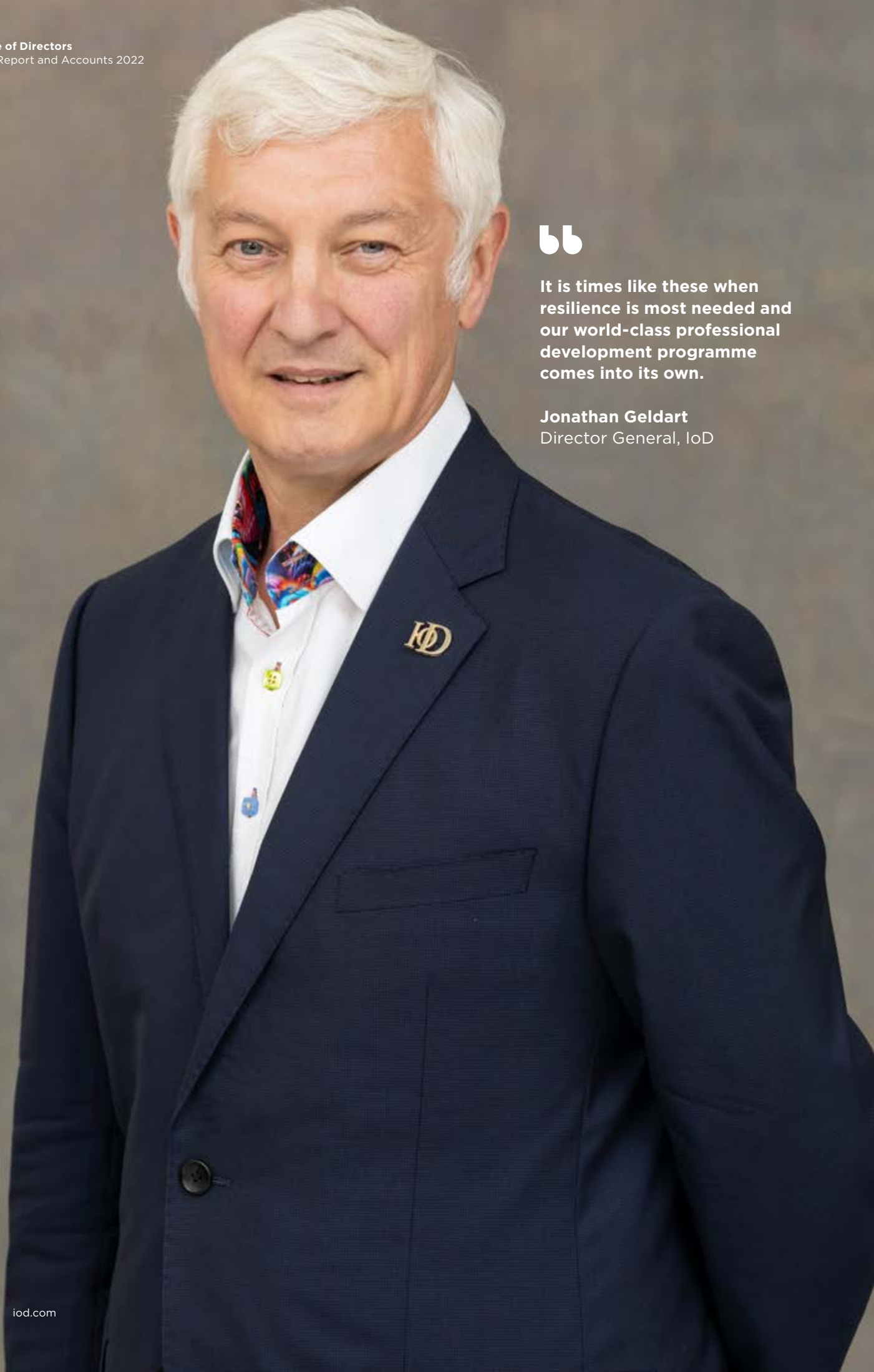
I have mentioned the renovation of 116 Pall Mall. We are fortunate to be able to offer a base in the heart of London for members from all over the globe. As we carried out important, careful restoration, with the building shrouded in scaffolding, it was for a while a less attractive place for our members. Hopefully everyone can now see the fruits of those labours and once again it is refreshing to see the place back in operation as a vibrant hub of activity.

As I write, the war in Ukraine rages on. The human suffering alone is terrible enough but without stability in Europe, we will still face uncertainty and challenges. The resilience we have shown in recent years will be called on again but I am confident that we, and you, are more than up to those challenges.

Vision

Thank you for your support in 2022. Our values, guided by our founding Royal Charter, remain as relevant today as they ever have. The IoD has never had a more important role to play in UK business and we are working hard to fulfil that role for the benefit of members and the wider economy.





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It is times like these when resilience is most needed and our world-class professional development programme comes into its own.

Jonathan Geldart
Director General, IoD

Director General's report

I have always believed one of our great strengths as an organisation is that, as a business, we are no different to those we represent. We are a similar size to many and as such, face similar challenges.

That means when times are tough for you, they are tough for us. And that's when one of the most important qualities any business needs comes into play – resilience.

It is a quality that we have had to call on far too often in recent years and I feel we all may still need that resilience for some years to come. It was perhaps a little too optimistic, as 2022 began, to hope that the travails of the past few years might finally be behind us.

As the year began, some Covid restrictions remained in place, but it was possible to begin considering a world after the pandemic. Any glint of hope, however, was quickly extinguished as events began to unfold that would shape much of the global outlook for the rest of the year and beyond.

Russia's illegal invasion of Ukraine on February 24 2022 plunged Europe into a conflict with far reaching consequences and is a tragedy that is still playing out today.

At the IoD, within hours of the invasion, we took the decision to suspend all activity in Russia and our position will remain as long as this illegal war continues. This war is the fault of Vladimir Putin, not ordinary Russians, but it was important for the Institute to support sanctions against his country and we made it clear that it was not tenable for directors working

with any companies linked to Russia and Belarus to remain in a governance position.

The decision to pull out of Russia had an immediate financial effect on the Institute but we were determined it was the right thing to do.

The war also had an impact on businesses everywhere as the cost of energy, which was already high, began to increase more sharply but more broadly, it affected the fragile economic confidence that had begun to return.

Resilience

While much of our focus at the Institute over the last 12 months has been on mitigating the impact of these global events, we were still able to focus on more positive aspects.

It is times like these when resilience is most needed and our world-class professional development programme comes into its own, providing directors with the skills and support they need to face new challenges and throughout the year demand remained high.

We also looked at changes we could make behind the scenes investing in revamping our brand and website as well as bringing in a new CRM system. Some work remains to be done but I am confident we are on the right path.

We launched a well-received, new policy paper which

Director General's report

Average age of new members

46

From Jan-May 2023

Female new joiners

1 in 3

From Jan-May 2023

made recommendations to government on how to create favourable conditions for businesses and directors with specific reference to gender, ethnicity, disability and sexual orientation — 'The Future of Business: harnessing diverse talent for success'.

And again we were able to recognise the best of us with our annual Director of the Year Awards.

After Louise Macdonald left to join the Scottish Government, we appointed Catherine McWilliam as our new Director of Nations - Scotland. Our Management Team was also bolstered with the appointment of Kate Cooper who joined us as Director of Finance from the energy sector in March 2023. We are continuing to make positive changes to ensure the Institute's staff is more diverse.

Membership

Over the last few years, we have reshaped the Institute to make it more attractive to a wider range of members especially those outside London and from diverse backgrounds. That work is beginning to pay off, although the complications of the last year made progress slower than it should have been.

Membership declined last year from 20,005 at the end of 2021, to 18,220 at the end of 2022. However, this was for understandable reasons. For example, having endured the difficulties of the last few years during the pandemic, it was unsurprising that a few of our members decided to accelerate their decision to retire or close their businesses as new challenges created more uncertainty. But the underlying membership figures do provide some encouragement. The number of full members only fell slightly, and we saw increases in some areas, such as Northern Ireland. I am also pleased that the signs in 2023 are that we are seeing a steadying of our membership numbers. As we look across our membership as whole, we can see how the Institute is changing day by day. One in three of our new joiners is female and the average age of new members is now 46. Across every branch, every region and every nation the IoD is more reflective of the community we support.

Connect

One of our strengths is how we connect members, in-person and online. Last year, we focused our resources as efficiently as possible, going in-person for larger events while utilising our digital capability more widely for smaller, regional gatherings. Our regular virtual events, ensure that, no matter where you are based, you are able to appreciate the value of membership. Alongside engagement at our events, other measures showed that interest in the Institute remains high and our engagement through the media using the work of our Policy and Governance team was significant with coverage bigger than an organisation of our size could reasonably expect.

Develop

In times of need, our professional development courses are more important than ever and despite the difficult environment, we saw demand for these increase last year. Based on member feedback, we introduced a new online ESG course in partnership with IoD Ireland — 'Leading Sustainability for Directors' — designed to equip directors with the knowledge and skills to strengthen their organisation's move towards sustainability.

Sustainability remains a key focus for us as a business and we know we can and must do more in this space. As an



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Jonathan Geldart

Director General, IoD

example, for the first time, this year's Annual Report and Accounts will not be printed.

Our core purpose remains 'Better directors for a better world' and over 100 members qualified as chartered directors in 2022. These CDir's are demonstrating the importance of good governance, leadership and progress across the world.

Influence

It was a challenging year politically with the period between the summer and late autumn particularly difficult with the continuing uncertainty at the top of UK Government. There is a little more stability now and the economic signs are more encouraging. I am grateful for the work of our small but brilliant Policy and Governance team who reacted astutely to the seemingly never-ending changing circumstances and were able to make our voice

heard at the highest levels. There is much to be proud of in this regard but I am particularly pleased at how we successfully led the #scrapthejobstax campaign for the Government to dump the proposed National Insurance tax rise alongside other significant wins including the introduction of the energy bill relief scheme. Under our governance remit, we are strengthening our proposals for the voluntary code of conduct for directors. Even when we face difficult challenges, we should never forget one of our primary purposes.

Finances

The war in Ukraine and the difficult economic conditions had a direct impact on our finances in 2022. That did mean, like so many of our members, we faced some difficult decisions but the Board and management approached those challenges head on.

Future

We have always been enormously proud that the Institute is governed by a Royal Charter and as King Charles' reign begins, that remains one of our key strengths as does our focus on leadership on governance and being a strong advocate for our members.

Many of the challenges of the last year remain but along with the Board, who again have been incredibly supportive over the past year, I believe that we have done our best to mitigate the worst impacts. That does not mean we no longer need to be resilient but alongside this maybe we can also try to be a little more optimistic about the future.

Governance structure

Our governance structure is an integral part of the way the Institute of Directors delivers its Royal Charter obligations and strategy, supporting effective decision-making. This enables the right people to have access to the right information at the right time.

We are immensely proud of the diversity and depth of experience contained in our Board and Council, which are responsible for the Institute’s strategic direction and sustainability.

Board

Sets the strategy and holds Management Team to account for its delivery, while also providing them with support and guidance

Non-executive Chair

- Leads the Board and ensures it operates effectively.
- Maintains a culture of openness and debate.
- Ensures effective dialogue between the Board and members.

Non-executive directors

- Work with and challenge executive directors.
- Provide independent, external perspective.
- Contribute a broad range of experience and expertise.

Director General and executive directors

Day-to-day management of the business and implementation of strategy.

Council

Guardian of the constitution to make sure that the Chartered Objects are being delivered.

- Appoints and removes the IoD non-executives and determines their independence.
- Critiques and provides opinion to the Board on the overall progress of the IoD.
- Holds the Board to account.
- Monitors the Board’s engagement with membership and stakeholders.
- Appoints and removes the Senior Independent Council Member.

Committee of the Board and Council

Nomination Committee

- Leads process for board and council appointments.

- Ensures the completion of an annual review of the performance of governance bodies with a focus on the structure, size and composition of the Board and Council.

- Ensures that the Board and Council have a reasonable geographical distribution of members and a balance of diversity, sector and background.

Committees of the Board

Audit and Risk Committee

Oversees financial reporting, internal control, risk management systems and audit processes.

Remuneration Committee

Advises on the Institute’s remuneration framework and policy and terms of employment for senior members of staff and executive directors.

Membership Committee

Advises on membership conduct matters.

Accreditation and Standards Committee

- Approves standards and competencies required by directors and boards and the methods for assessing directors.

- Responsible for independent assurance of the Chartered Director Programme.
- Ensures all current activity is reflected in the academic regulations.

Management Team

Executive remit

- Is responsible for the ongoing management of the Institute. It considers day-to-day operational matters for running the business and reviews performance of the Institute, in line with the strategic plan.

- Generally meets on a monthly basis and is chaired by the Director General.
- The Director General then reports to the Board.
- Is responsible for the development and implementation of the strategy.

- Develops and delivers business plans and budgets.
- Approves of procedures and policies.
- Monitors operating and financial performance.
- Is responsible for health and safety management.

Region, Nation and Branch Chairs

- Work closely with all staff and volunteers in the IoD to promote the ethos of ‘OneIoD’.
- Represent the public face of the IoD at a local level.
- Play a vital role in the development of the IoD offering to our members, ensuring everything the IoD does places the member first.

**Argentina Hung, Jeremy Duncan
and Keith Donnelly**
IoD London committee members





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Good governance is at the heart of successful business: ensuring processes and controls reflect company values, balancing the needs of different stakeholders, and as a critical part of effective risk management.

Giles Ward
Chair, IoD Insurance Group

Governance of the Institute

The IoD is committed to a high standard of governance and uses best practice recommendations to guide our own governance.

The Institute of Directors was established in 1903 and became a body corporate under Royal Charter in 1906. The IoD's constitution comprises the charter, by-laws and regulations.

The Institute's principal office is at 116 Pall Mall, London, SW1Y 5ED. The Board is responsible for all of the affairs of the Institute and the Council is the forum in which the Board is held directly accountable to the charter.

As a chartered organisation, initial control of the Institute is vested in the members and the Institute is fundamentally controlled by the Privy Council and in turn the King in Council. The Institute does not have owners and is not subject to the normal laws and regulations relating to the operation of registered companies. The Institute, however, is accountable to the public as well as its members, and must therefore meet the public interest test in the pursuit of its objects.

The IoD is committed to a high standard of governance and uses best practice recommendations to guide our own governance. Our governance structure shapes the way that information flows throughout the Institute, and we constantly strive to improve our own governance procedures and processes.

The relationship between the Board, Council and sub-committees as defined in the Institute's constitution are:

- The King in Council and Privy Council granted the Institute its Royal Charter and by-laws.
- The membership approves any changes to the Royal Charter prior to submission to the King in Council and Privy Council, who approve any changes to the charter and by-laws.
- The Council is the guardian of the constitution and considers any changes to the constitution before they are considered by members.
- The Council also appoints board members, via the recommendations of the Nomination Committee (the joint committee of the Board and Council). Council member appointments are approved by members at the Annual General Meeting.
- The Board is responsible for the overall leadership of the Institute and for holding the executive to account. The Board approves the strategy and is responsible for setting the Institute's values, standards, aims and objectives and delivering them in line with the Charter Objects. The Board has a number of committees that support its decision-making across the Institute. The committees of the Board are: the Audit and Risk Committee, Remuneration Committee, Membership Committee and the Accreditation and Standards Committee. There is also an established geographic network, which reports to the Board via the regional chairs.

The Institute is accountable to the public as well as its members, and must therefore meet the public interest test in the pursuit of its objects.

Council report

In my first contribution to the Annual Report and Accounts since taking over the Senior Independent Council Member and Council Chair role from (Ceinwen) Jean Church MBE in 2022 I would firstly like to pay tribute to her. Jean's stewardship of the Council and of its responsibilities was first class, bringing about initiatives to realign the composition of the Council to better effect, and seeking a clearer understanding of the Council's role by the membership, as well as steadfastly upholding the Council's role as guardian of its constitution.



David Langworth CDir
Chair, IoD Council and SICM

I was delighted to be asked by Council members to take the chair and become Senior Independent Council Member following Jean's term. My aim is to further the aims that Jean set in motion and to continue to engender an ever more constructive relationship with the board.

It's clear that the Institute was facing difficult times and we, as Council, must ensure that we're fulfilling our own role whilst mindful of the enormous pressures upon the Board and management as working patterns of members, and potential members, continue to evolve post-Covid and they and their organisations face increasing supply chain and energy costs. All of this is changing our membership demographic and the Institute had to cut its cloth accordingly and re-envisioned its offering.

"Our role" is to act on behalf of the members to ensure that the Institute meets the obligations of its Royal Charter and by-laws. It's important to remember that those obligations include not just the interests of its membership

but also the wider business community; we should be the very benchmark for 'better directors'. Our role also includes providing constructive critique to the Board on the Institute's direction of travel and we, ultimately, appoint the Institute's Chair and the other non-executive directors.

The Council is a diverse group with a collective breadth of experience and geographies. We regularly engage with the Institute's Chair and DG and, occasionally, with the whole board to monitor that we're remaining true to our Royal Charter. It is also our role to constructively voice our concerns and observations, as would, say, a shareholder at a company AGM.

I should add that whilst the last year has been disappointing in terms of membership numbers, including the financial consequences for the Institute that flow from that, the commitment of all board members, executive and non-executive, to stabilise the situation and create a new future has been exceptional and on behalf

IoD Council

Chair of Council and Senior Independent Council Member (SICM)

David Langworth CDir

Elected Council members

Mehrdad Mansourpour
Prof Marie McHugh OBE
Anneliese Reinhold
Andrew Griffiths
Dr Eelco Fiole CDir

New elected Council members

Kahumbya Bashige CDir (July 2022)
Robert Stansbury CDir (July 2022)
Derek McIntyre (July 2022)

Elected Council member departures

Sarah Soar (July 2022)
Ceinwen Jean Church MBE
(November 2022)

Regional Council members

Brian Hall CDir
Paul Terrington CBE

Regional Council member departures

Aidan O'Carroll CDir
(October 2022)

International appointed representative

Rick Denton

of the Council, I would like to pay tribute to their extraordinary dedication.

Looking forward to 2023, as a Council we will actively maintain our dialogue with the Board and will have an ear to the membership and potential membership whenever and wherever possible. We will also be contributing to a review of the Institute's governance, ensuring that the constitution is current. There will be three vacancies for Council members to complement the very able team that we have on Council – those leaving at the end of their terms and those remaining – and to who I would like to thank for their enormous support, dedication and contribution.



“Our role” is to act on behalf of the members to ensure that the Institute meets the obligations of its Royal Charter and by-laws. It’s important to remember that those obligations include not just the interests of its membership but also the wider business community.

David Langworth CDir

Chair, IoD Council and SICM

IoD Board

The Board's responsibility for leading the Institute and overseeing the governance of the organisation continues to be supported by a robust structure which allows for constructive debate and challenge.

This approach enables the members of the Board to make effective decisions at the right time and based on the right information.

Leadership

As at 31 May 2023, the Board comprised the Chair, the Director General and eight other independent non-executive directors. We continue to have a strong mix of experienced individuals on the Board. The majority are independent non-executive directors who are not only able to offer an external perspective on the business, but also constructively challenge executive directors, particularly when developing the Institute's strategy and in their performance. Our governance structure is designed to ensure that decisions are taken at the appropriate level and with the proper degree of oversight and challenge. Elements of our business require quick decision-making and this is enabled by an agile Board and Management Team that collaborate effectively on complex issues.

Strategy days

Following the lifting of pandemic restrictions, the Board was able to hold its annual strategy day in person in London in September 2022. The strategy days are structured to provide the directors, and the non-executive directors in particular, with an opportunity to focus on the development of, and challenge to, the Institute's corporate strategy. The Director General and Management Team members delivered a number of presentations to attendees, providing in-depth analysis on

aspects of the business and the external environment. The days were carefully structured to achieve a balance between presentations, debate and discussion. Areas focused on at the 2022 strategy days included: immediate matters related to internal systems, finance, membership model and growth, creating sustainable long-term value and professional development.

Role of the Board

The Board has reserved key decisions and matters for its own approval, including its core responsibilities of setting the Institute's strategic direction, overseeing the delivery of the agreed strategy, managing risk and establishing the culture, values and standards of the Institute as a whole. Matters below the financial limit set by the Board are delegated to the Management Team. The board culture is one of openness and constructive debate; when running board meetings, the Chair maintains a collaborative atmosphere and ensures that all directors have the opportunity to contribute to the debate. The directors are able to voice their opinions in a calm and respectful environment, allowing coherent discussion. The Chair also arranges informal meetings and events throughout the year to help build constructive relationships between Board members and the Management Team.

Division of responsibilities

There is a clear written division of responsibilities between the Chair (who is responsible for the leadership and effectiveness of the Board) and the Director General (who is responsible for managing the Institute's business). The Board has delegated authority for the day-to-day management of the business to the Director General, with specific areas of the business being managed by the other members of the Management Team. The Management Team has been given delegated authority by the Board to make decisions within specified parameters. Decisions outside of these parameters are reserved for the Board, although management will often bring decisions within their delegated authority to the Board for scrutiny and challenge.

Operations of the Board

Our governance structure set out on page 38 ensures that the Board is able to focus on strategic proposals, major transactions and governance matters which affect the long-term success of the business. Regular board and committee meetings are scheduled throughout the year. Ad hoc meetings may be held at short notice when board-level decisions of a time-critical nature need to be made or for exceptional business. Care is taken to ensure that information is circulated in good time before board and committee meetings, and that

papers are presented clearly and with the appropriate level of detail to assist the Board in discharging its duties. The Institute Secretary assists the Board and Committee Chairs in agreeing the agenda in sufficient time before the meeting to allow for input from key stakeholders and senior executives. Chairs of Committees are also sent draft papers in advance of circulation to committee members to give time for input.

Papers for scheduled meetings are circulated one week prior to meetings and clearly marked as being 'For decision', 'For information' or 'For discussion'. To enhance the delivery of board and committee papers, the Board uses a board portal which provides a secure and efficient process for meeting pack distribution.

Under the direction of the Chair, the Institute Secretary facilitates effective information flows between the Board and its committees, and between senior management and non-executive directors.

Each scheduled meeting includes a director general report delivered by the Director General and a finance report, as well as regular updates on the activities of various standing committees. Discussions also take place on strategic proposals, risk management, legal and governance matters.

Our focus on governance, underpinned by our committed approach to making the right

decisions, at the right time, based on the right information, has guided us through a year of uncertainty and difficult conditions. The Board has worked closely with management to provide oversight, challenge and debate to drive positive outcomes.

The Board has held a combination of virtual and face-to-face monthly meetings since July 2022. The Board has responded swiftly to the external environment, focusing on the financial stability of the organisation, adjusting costs to address the impact of the economic challenges, while continuing to invest in improved systems, technologies and processes.

During the year, substantial work has continued with a focus on brand and systems, the launch in Q1 2022 of a new customer relationship management system (CRM), website and Digital Academy, and the Institute's key policy priorities.

Board committees

Four standing committees have been operating throughout the year: Audit and Risk Committee, Remuneration Committee, Accreditation and Standards Committee and Nomination Committee (joint Board and Council), to which certain powers have been delegated. Membership of each of these committees is

IoD Board

comprised of independent non-executive directors and some council members. The reports of these standing committees are set out in the following pages. The terms of reference of each committee and the matters reserved for the Board are reviewed regularly.

Conflicts of interest

The directors are required to avoid a situation in which they have, or can have, a direct or indirect conflict with the interests of the Institute. The Institute has established a procedure whereby directors submit annual declaration of interest forms and are required to notify the Chair and the Institute Secretary of all new outside interests and actual or perceived conflicts of interest that may affect them in their roles as directors of the IoD.

Board non-executives

Chair

Patrick Macdonald

Senior Independent Director

Alexander Simpson

Members

John Watson
Deborah Davis CDir
Femi Bamisaiye
Amaechi Nsofor
Ieda Gomes Yell
Robin Watson CBE
Graeme Jenkins

Departed members

Anita Bernie (November 2022)
Dr Suzy Walton CDir
(December 2022)

Board executive directors

Jonathan Geldart

Departed members

Esther Teeken (August 2022)

Nomination Committee

The Nomination Committee supports the Board and Council on composition, succession and diversity matters.

The development and execution of our strategic objectives, embedding of our culture and values and promotion of the interests of our stakeholders are all dependent upon effective leadership at board, council and executive level.

Our rigorous and transparent procedures for appointing office holders are led by the Nomination Committee. It is the Committee's responsibility to maintain an appropriate combination of skills and capabilities amongst the directors and council members. Long-term succession planning remains a key priority of the Committee.

Role and responsibilities

The Committee ensures integrity in all IoD office holder appointments by setting the overall appointment principles and processes, conducting board, director general and council appointment processes and by ensuring ongoing succession planning. The Committee is a joint committee of the Board and Council.

The Committee's principal responsibilities remain:

- To approve the appointment principles for all IoD office holders and the processes by which the principles will be delivered.
- To ensure that the appointment of all board and council members delivers a balance of skills, knowledge, experience, diversity and a geographical spread of members.
- To annually review the effectiveness of governance across the Institute and to make recommendations regarding the structure, size and composition of the Board and Council. Effectiveness reviews are carried out by Board and Council separately.

Board and Council membership

The Committee regularly reviews the structure, size and composition of the Board and Council in order to ensure it is made up of the right people with the requisite skills and experience including diversity of thought and approach, who can provide strong and effective leadership to the business and support the delivery of the Institute's strategy and Charter Objects.

Succession planning

The Committee is responsible for reviewing the succession plans for the Board and Council. The succession plans for the executive directors are prepared on an immediate, medium and long-term basis, while those for non-executive directors and council members reflect the need to regularly refresh the Board and Council. Such plans take account of the tenure of individual members. The Director General, with the support of the People and Culture team, is responsible for developing succession plans for executives and senior management.

Board and Council composition reviews and appointments

During the year the Committee reviewed the broader composition and balance of the Board and Council, their alignment with the Institute's strategic objectives, and the need for progressive refreshing of the governance composition.

The Committee adhered to our formal, rigorous selection, appointment and induction processes for new directors and council members in a year where there have been a number of changes to the Board and Council. This included conducting a recruitment process for new council members resulting in three appointments,

Nomination Committee

Kahumbya Bashige CDir, Robert Stansbury and Derek McIntyre in July 2022. Council recruitment will continue to be made on a rolling basis throughout the year.

Dr Suzy Walton CDir, completed the nine year appointment limit and stepped down from the Board in December 2022, Esther Teeken, Chief Operating Officer and Anita Bernie, Non-Executive Director, stepped down from the Board in August and November 2022 respectively.

The Committee is currently conducting a recruitment process for a non-executive director with expertise in professional development, qualification pathways and accreditation. Thewlis Graham Associates, a non-executive director search firm, was appointed from a shortlist of agencies to work with us on this initiative. The firm has adopted the voluntary code of conduct for executive search firms on gender diversity and best practice.

Selection and appointment process

The Committee oversees the selection and appointment process for board and council appointments, which is summarised below.

1 Role Brief

The Committee works only with external partners who have adopted the voluntary code of conduct for executive search firms on gender diversity and best practice.

The Committee and agency work together to develop a comprehensive role brief and person specification, aligned to the Institute's values and culture. This brief contains clear criteria against which prospective candidates can be objectively assessed.

2 Longlist Review

The external search agency is challenged to use the objective criteria for the role to produce a longlist of suitably qualified candidates from a broad range of potential sources of talent. The candidate's skills are scored against a skills matrix developed specifically for Board and Council. This process supports creation of a diverse longlist. The Nomination Committee selects candidates from this list to be invited for interview.

3 Interview

A formal, multi-stage interview process is used to assess the candidates. For each appointment the choice of interviewers is customised to the specific requirements of the role and panel members are representative of both the Board and Council. All interview candidates are subject to a rigorous referencing process.

4 Review and recommendation

The Committee ensures that, prior to making any recommendation to the Board and Council, any potential conflicts and significant time commitments of prospective office holders have been satisfactorily reviewed.

Focus for coming year

As well as the regular cycle of matters that the committee schedules for consideration each year, we are planning over the next 12 months to continue to focus on succession planning for the Board, Council and senior management and will continue to develop a strong talent pipeline.

The Committee is satisfied that, following the board and council composition changes described above, the Board and Council continue to maintain an appropriate balance of skills and experience required to fulfil their roles effectively.

Diversity

The Committee, the Board and Council are committed to increasing gender and ethnic diversity when searching for candidates for board, council and other appointments. Looking ahead, the Committee is focused on the long-term succession of the Board and Council. As directors and Council members approach the end of their second term, the Committee has an opportunity to consider more broadly the skill set and diversity of the governance bodies. In addition, an appointment process for a non-executive director is ongoing, and being conducted within the context of our commitment to improving inclusion and diversity across the Institute.

Nomination Committee

Chair

David Langworth CDir

Members

John Watson
Deborah Davis CDir
Patrick Macdonald
Anneliese Reinhold
Alex Simpson

New members

Ieda Yell (May 2023)
Marie McHugh OBE (May 2023)

Member departures

Ceinwen Jean Church MBE
(November 2022)
Brian Hall CDir (July 2022)
Sarah Soar (July 2022)
Dr Suzy Walton CDir
(December 2022)

Committees of the Board

Our committees are an integral part of the governance of the Institute, covering remuneration, professional development standards, membership and compliance.

Audit and Risk Committee

Role and responsibilities

The principal responsibilities of the Committee continue to be:

Financial reporting –

Monitoring the integrity of the Institute's financial statements and considering significant financial reporting issues, judgements and estimates.

External audit –

Oversight and remuneration of the external auditor, assessing effectiveness and making recommendations to the Board on the appointment of the external auditor.

Internal audit and controls –

Monitoring and reviewing the adequacy and effectiveness of the internal financial controls and risk management, and approving the statements to be included in the annual report concerning internal control and risk management.

Risk management – Reviewing the system of internal control and risk management.

Reviewing the process for identification and mitigation of principal and emerging risks, assessment of risk appetite and key risk indicators, and challenging management actions where appropriate.

Key areas of focus

The Committee continues to play a key role in overseeing the integrity of the Institute's financial statements, including the Annual Report and Accounts, as well as ensuring that a sound system of internal control and risk management is in place.

Throughout the year the Committee has paid particular attention to the performance of the finance function and the review of internal control processes and procedures, as well as other main areas of responsibility.

Committee composition and governance

John Watson is the Chair of the Audit and Risk Committee. The Committee continues to be composed mainly of independent non-executive directors with sufficient financial experience, commercial acumen and sector knowledge to fulfil their responsibilities.

Members of the Management Team, including the Director of Finance, Institute Secretary and representatives of the external auditors, continue to attend committee meetings.

In addition, the Director General and other key employees are invited to attend part, or all, of specific committee meetings.

In August 2022, the Committee welcomed Mairianne Stewart as interim Director of Finance following the departure of Esther Teeken, Chief Operating Officer. Since then, in March 2023, Kate Cooper was appointed in the permanent Director of Finance role.

The Committee meets privately with external auditors and is satisfied that neither is being unduly influenced by management. The Committee Chair additionally holds regular meetings with the Director General, Director of Finance and other members of the Management Team to obtain a good understanding of key issues affecting the Institute and is thereby able to identify those matters requiring meaningful discussion at committee meetings.

External audit

RSM UK Audit LLP (RSM) was appointed as the Institute's external auditor for the 2021 Annual Report following a formal competitive tender process. Given the continuing

effectiveness of RSM in their role as external auditor, the Committee believes it is in the best interests of members for RSM to remain in role for the following financial year.

The Committee is responsible for overseeing the relationship with the external auditor and for considering their terms of engagement, remuneration, effectiveness, independence and continued objectivity. The Committee annually reviews the audit requirements of the Institute, for the business and in the context of the external environment, placing great importance on ensuring a high quality, effective external audit process.

Internal control

In 2022, the Committee continued its focus on internal control and overseeing the Management Team's progress on the recommendations for the strengthening of the control environment and improvement of reporting for branches.

The Committee has paid particular attention to the underlying business performance of the Institute, closely monitoring the deferred balances, debtor and creditor processes and cash flow forecasting, which included assumptions of timings of temporary and permanent cost savings. The cash flow forecasts, including a detailed 90-day look forward and monthly forecast, have been circulated for review

on a weekly basis by a sub-group of Board members since September 2022.

Work has continued on the implementation of processes and monthly management account reporting since the outsourcing of the finance function to Equiom Group was completed in August 2020.

Internal control reviews completed during the year included those in relation to key financial controls, financial reporting system implementation and cyber security. Key observations and management actions are reported to and debated by the Committee.

The Committee has highlighted some process and control improvements, with follow up review scheduled in September 2023.

Risk management

The Board has delegated responsibility for overseeing the effectiveness of the Institute's risk management and internal control systems to the Committee.

During the year, the Committee reviewed the process for identification and mitigation of key business and emerging risks, challenging management actions where appropriate.

The Institute's approach to risk management is based on a strong governance process, including policies

and procedures to ensure consistency in the reporting of risk identification throughout the monitoring, measuring, and mitigation activities. This methodology provides comprehensive reporting and collective oversight across the Institute. All risks are assigned individual and/or group responsibility, depending on the nature of the risk itself.

In addition, risks are assessed against the risk appetite framework, the residual risk that the Institute is willing to accept in order to deliver its charter objects, in order to ensure the risk is within acceptable levels.

The Committee reviewed the Institute's principal and emerging risks including consideration of how risk exposures have changed during the period. Both external and internal risks are reviewed and their effect on the Institute's strategic aims considered. The assessment of emerging risks includes a bottom-up review of all business units and a deep dive by the Committee. The Committee made a recommendation to the Chief Compliance Officer regarding the identification and assessment of principal and emerging risks.

The Institute's whistleblowing arrangements which enable all staff, including temporary and agency staff, to report any suspected wrongdoing, remained unchanged during the year. These arrangements, which are monitored by the

Committees of the Board

People and Culture team and General Counsel, include an independent and confidential whistleblowing service provided by a third party.

Focus for the year

During the year ending 31 December 2023, the Committee will continue to focus on the processes by which the Board identifies, assesses, monitors, manages and mitigates risk, particularly in light of the challenging conditions within the membership sector and the inflationary environment. The Committee will also continue to monitor key risk areas for the business, particularly those scheduled for review, including, but not limited to, key financial, operational and IT controls, the Institute's strategy, cyber security, sustainability and net zero targets.

Audit and Risk Committee

Chair

John Watson

Members

Aidan O'Carroll CDir
Amaechi Nsofor
Graeme Jenkins

Departed members

Dr Suzy Walton CDir
(December 2022)

Remuneration Committee

The Remuneration Committee has delegated responsibility for designing and determining remuneration for the executive directors and senior management, including the Institute Secretary. The Committee oversees the organisation's overall remuneration strategy and ensures it is aligned to the organisation's purpose and values, and clearly linked to the successful delivery of the long-term strategy.

The Committee is chaired by Femi Bamisaiye, Non-Executive Director. The Remuneration Committee reviews employee remuneration and related policies. The purpose of this review is to ensure the reward, incentives and conditions available to the Institute's employees are taken into account when deciding the pay of executive directors and senior management. This enables the Remuneration Committee to feed back to the Board and support the latter's monitoring of whether the Institute's policies and practices support culture and strategy.

During the year, the Committee has focused on the review of the Institute's salary framework and pay bands. The Committee has worked with the People and Culture team following

feedback via workforce engagement mechanisms around the structures of reward and recognition that exist within the Institute against the backdrop of an emerging cost of living crisis. The Committee has sought to balance the reward and incentivisation of our people with the challenging conditions and difficult outcomes that the organisation and its stakeholders have experienced. Following the review, a recommendation on alignment of the salary framework and bands was approved by the Board together with an overall increase of salaries.

The Committee has reviewed the design of a new bonus structure and has continued to monitor progress on the Great Place to Work certification.

The Committee is committed to ensuring that pension contributions across our workforce are equitable. Following the total benefits consultation, Executive Directors and senior managers receive the same pension benefit as the wider workforce at 8% of salary.

In making key decisions, the Committee has been in close dialogue with the executive members of the Board and fellow non-executives. Discussions have

taken place at length about how the uncertain external environment has impacted all our people, having been briefed at each meeting by the People and Culture team and Director General. This has enabled the Committee to remain in touch with the Institute's plans and actions to support employee wellbeing, hearing about concerns and achievements through regular surveys and other ways of understanding the issues. This connection has been important in the Committee's decision making.

Focus for the coming year

During 2023, the Committee has planned a full review of the total benefit package available to employees, including the pension scheme, in order to ensure that the total rewards package is fit for purpose, meets the needs of the business and colleagues, and allows the Institute to attract and retain talent. The review included matters such as pensions contributions, annual leave, private medical care, bonus scheme, employee assistance programme, mental health incentives and commercial discounts. Focus will continue on the Great Place to Work certification, monitoring of choice of performance measures for the bonus scheme and approach to recruitment remuneration.

Remuneration Committee

Chair

Femi Bamisaiye

Members

Deborah Davis CDir
Patrick Macdonald

New members

Robin Watson CBE
(December 2022)

Departed members

Dr Suzy Walton CDir
(December 2022)

Membership Committee

Changes in the IoD structure, and a more integrated approach to professional development and membership, have presented a good opportunity to review the structure of the Membership Committee, to ensure it continues to deliver value to members and the IoD executive alike.

It is planned that the Committee will reconvene with a re-aligned purpose and refreshed membership. The focus of the Committee will be on member complaints and conduct issues.

Committees of the Board

Accreditation and Standards Committee (ASC)

The Accreditation and Standards Committee is chaired by Deborah Davis CDir, following the departure of Dr Suzy Walton, Non-Executive Director in December 2022. The ASC sets the educational competencies and standards for directors and boards, oversees the standards for external accreditation providers and maintains and protects the integrity of professional standards for candidates for the principal professional assessments conducted by and under the auspices of the Institute.

The ASC oversees the work of the Assessment Committee, and is ultimately responsible for the overall quality assurance of the examinations and assessments and supporting processes.

The Committee's main responsibilities remain:

- To approve the competency framework, accredited learning outcomes and assessment criteria.
- To approve the code of conduct and CPD requirements for the professional competency of chartered directors.
- To ensure the safeguarding of the IoD's powers to award by adherence to the accreditation principles and our policies and procedures and to escalate any issue to Board where integrity is not being maintained.

The ASC's remit will be reviewed in the short-medium term to ensure it remains focused on areas that are key to the Institute's strategy.

Accreditation and Standards Committee (ASC)

Chair

Deborah Davis CDir

Members

Suzy Brain England OBE CDir
James Gambrell CDir
Carmel McKinney OBE
Robert Smith CDir
John Warden

Departed members

Dr Suzy Walton CDir (December 2022)

Institute Secretary

The Institute Secretary ensures the highest standards of governance and compliance with legal requirements and best practice. This includes providing support and advice to all board, council and committee members and acting as the conduit for all communication and engagement with them.

The role contributes to achieving the aims of the IoD by advising on, and ensuring compliance with the laws and good governance practices relating to the workings of the organisation, and with the IoD's constitution.

Institute Secretary

Kristina Lewis

Management Team

The Director General is supported by the Management Team in discharging his/her duties which have been delegated by the Board. Comprised of the senior management team, the Committee's main areas of focus are the formulation and implementation of strategic initiatives, business performance monitoring and evaluation and overseeing culture and stakeholder engagement.

Management Team

Members

Paul Adams
Dr Roger Barker
Jonathan Geldart
Kirsty McManus
Richard Townsend

New members

Kate Cooper (March 2023)

Departed members

Mairianne Stewart (August 2022–February 2023)
Natalie Sykes CDir (March 2023)
Esther Teeken (August 2022)

Nyasa Beale

Ambassador, IoD Property and
Built Environment Group



Statement of Board responsibilities

As a body corporate established by Royal Charter, the Institute is obliged to comply with its constitution (comprising charter, by-laws and regulations).

The constitution requires that the Board lays before the members, in a general meeting, financial statements for the year, giving a true and fair view of the state of affairs of the Institute. The financial statements must include the surplus or deficit of the Institute for that period. The Board is also required to approve the financial statements, only if they are satisfied that they give a true and fair view of the state of affairs of the Institute and of the surplus or deficit for that period.

In preparing the financial statements, the Board is required to:

- Select suitable accounting policies and apply them consistently.
- Make informed judgments and estimates that are reasonable and prudent.
- State whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Institute will continue in operation.

The Board is responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Institute. The Board is also responsible for safeguarding the assets of the Institute and taking reasonable steps to ensure the prevention and detection of fraud and any other irregularities.

Each board member confirms that:

- So far as they are aware, there is no relevant audit information of which the Institute's auditor is unaware.
- They have taken all necessary steps to ensure that they are aware of any relevant audit information and to establish that the Institute's auditor is aware of the information.
- The Board is responsible for the maintenance and integrity of the financial information included on the Institute's website. Practice in the United Kingdom governing the preparation and dissemination of financial statements may differ from practice in other jurisdictions.



Founding and chairing the IoD British Asian Business Community Group has been a remarkable endeavour. It has provided a platform for fostering cross-cultural collaboration, celebrating diversity, and unlocking the immense potential of the British Asian business community. Together, we are shaping a future where diverse voices thrive and drive innovation in the business world.

Abid Khan
Chair, IoD Coventry &
Warwickshire Branch



IoD Chairs

Regions and Nations

Central

Inez Brown

East of England

Biplab Rakshi

London

Alastair King

Northern Ireland

Gordon Milligan OBE

North West

Vacant

Scotland

Julie Ashworth

South

Faisal Khan

South West

Steve Hill CDir

Wales

Richard Selby

Yorkshire & the North East

Delroy Beverley

Branches

Aberdeen & Grampian

Sarah Downs

Berkshire

Dr Shaun Davis CDir

Black Country & Staffordshire

Paul Wood

Bristol

Vacant

Buckinghamshire & Milton Keynes

Keith Straughan

Cambridgeshire

Lake Falconer

Central Scotland

Neil Bradbrook

Cheshire

Vacant

Coventry & Warwickshire

Abid Khan

Cumbria

Jennifer Cormack

Derbyshire & Nottinghamshire

Vacant

East Yorkshire

Debra Leeves

Edinburgh & Lothians

Nathalie Agnew

Essex

Paul Durrant

Fife & Tayside

Marlene Lowe

Glasgow & West of Scotland

Mark Spragg

Greater Birmingham

Andy Wilkinson

Hampshire & the Isle of Wight

Matthew Wallis

Hertfordshire

James Keeling

Highlands & Islands

Donald Forsyth

Kent

Nigel Earnshaw CDir

Lancashire

Martyn Jones

Leicestershire & South

Sarah Canning

East Midlands

Sarah Canning

Lincolnshire & Rutland

Michelle Allison

Liverpool

David Wafer

Manchester

Vacant

Mid Wales

Gareth Jarman

Norfolk

Saul Humphreys

North East North

Sarah Waddington CBE

North East South

Vacant

North Yorkshire

Caroline Pullich

North Wales

David Roberts

Oxfordshire

Tagore Ramoutar

South Scotland

Chris Emmerson

South Yorkshire

Victoria Clarke Brown CDir

South Wales

Geoff Hancock

South West Wales

Vacant

Suffolk

Barry Downham

Surrey

Jarmila Yu

Sussex

Michele Augousti

West Yorkshire

Poonam Kaur

Worcester & the Marches

Tim Jones

International branches

Belgium

Deborah Nash

Bermuda

Michelle Cardwell

China

Professor Lutao Ning

Guernsey

Glen Tonk

Isle of Man

Jennifer Houghton

Jersey

Natasha Egre

Malta

Vacant

Monaco

William Easum

Affiliated bodies

IoD, Republic of Ireland

CEO: Caroline Spillane

Objects of the Institute of Directors' Royal Charter

To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations.

To promote the study, research and development of the law and practice of corporate governance, and to publish, disseminate or otherwise make available the useful results of such study or research.

To represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.

To advance the interests of members of the Institute, and to provide facilities, services and benefits for them.

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