

# **ZESZYTY NAUKOWE**

**WYŻSZEJ SZKOŁY EKONOMICZNO - SPOŁECZNEJ  
W OSTROŁĘCE**

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## **CORPORATE GOVERNANCE AND NON - EXECUTIVE DISCLOSURES THE CASE STUDY OF SOME FTSE100 COMPANIES**

### **Introduction**

Corporate governance has become increasingly important phenomenon. In the last two decades, the corporate governance has become vital within international debate. Zingales<sup>1</sup> defines corporate governance as “the complex set of constraints that form the ex-post bargaining above the quasi-rents generated by a firm.” On the other hand Cadbury<sup>2</sup> state that corporate governance *is the system by which companies are directed and controlled*.

As The Board of directors plays a fundamental role in formulating policies and setting strategic decisions, the individuals, academics, investors, financial regulators have taken a keen interest in researching into how publicly traded companies are managed and governed to ensure that directors are accountable for the economic decisions made on behalf of the shareholders<sup>3</sup>. The purpose of this paper is to evaluate the role of non-executive directors (NEDs) in corporate governance and compare the NEDs disclosure between selected FTSE100 companies based on content analysis of Annual Report. Firstly importance of corporate governance discourse will be reviewed. Then the structure and function of the board of the directors will be examined. This will be followed by the rationale for bringing in the NEDs as a member of the Board of

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<sup>1</sup>L. Zingales, *Corporate Governance and the Theory of the Firm*, EWTS, 1998, p.4 [www.ewts.at](http://www.ewts.at)

<sup>2</sup>A. Cadbury, Report on the committee of financial aspects of corporate governance, 1992, [www.ecgi.org](http://www.ecgi.org)

<sup>3</sup>R. Adams, B.E. Hermalin., M.S. Weisbach, *The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey*, Journal of Economic Literature 2010, Vol. 48., Issue 1, p.58–107, M. Harris, A. Raviv, *A Theory of Board Control and Size*, The Review of Financial Studies, 2010, Vol 21, Issue 4, p. 1797-1832; C. G. Raheja., *Determinants of board size and composition: A theory of corporate boards*, The Journal of Financial and Quantitative Analysis, Vol. 40, Issue 2, p. 283-306; M.J. Conyon, *The disclosure of UK boardroom pay: the March 2001 DTI proposals*, Corporate Governance An International Review, 2001, Vol. 9, No.4, p. 278



Directors. The evaluation of NEDs responsibilities and role will be discuss. And finally the result of conducted contend analysis will be presented.

### **Importance of corporate governance disclosures**

According to Healy<sup>4</sup> "Disclosure comprises of all forms of voluntary corporate communications, for example, management forecasts, analysts, presentations, the annual general meetings, press releases, information placed on corporate websites and other corporate reports". The recommendation of relevant corporate governance framework has become significantly important. It has been universally accepted that all issues related to corporate governance should be disclosed clearly and accurately. Managers, investors, analysts, governments across the globe recognize the benefits of well managed disclosures policy. A detailed and well-structured disclosures will help the investors to understand and get correct information of the company performance in order to create better investment decisions. According to some researchers corporate disclosures will create reductions in cost of equity and cost of debt<sup>5</sup>. Without having a good disclosures it becomes easier to take advantage, so disclosing directors' responsibilities protects investors and can minimise abuse of minority interests. Communication via corporate disclosures is vital and can enhance good corporate governance.

Disclosures generally should improve not only companies' efficiency but also efficiency of the whole economy. "Good information allows for more informal, more rigorous economic decision making as transparency is not just about economics but also the function of civil society<sup>6</sup>." Corporate information is important not only for the shareholders but also employees, local communities and government. Transparency improves public understanding of enterprises and their interactions within society. So disclosures regulations play a critical role. They should be mandatory and they should be followed by the companies. Many countries have already design and implanted the appropriate regulations on their books.

Disclosing information faces several limitations that the companies should keep in mind. One of them is cost associated with discourses, so that only information that carries significant importance should be disclosed. Secondly disclosures do not consist of absolute value in isolation. The effectiveness of

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<sup>4</sup> P. Healy, K. Palepu, *Information asymmetry, corporate governance disclosure and the capital markets: A review of the empirical literature*, Journal of Accounting and Economics, 2001, Vol. 31, p. 3

<sup>5</sup> ICGN, *Best practices for executive and director remunerations*, International corporate governance network, 2003, London, p.4 – 17; J. Byrd, K. Hickman, *Pay for performance: does disclosure matter?*... op. cit., p. 281

<sup>6</sup> R. Frederick, *Disclosure: A corporate governance tool that really works*, *The Third Meeting of the Russian Corporate governance roundtable*, OECD, 2000, p.1, [www.oecd.org](http://www.oecd.org)

disclosures depends on other conditions such as way of financing companies' activities and ownership structure<sup>7</sup>. Thirdly, from the corporate governance perspective the disclosures requirements alone may not be enough and other legal regulations are equally important. Disclosures requirements are motivated not only by concerns of market failures but also by such as welfare of investors<sup>8</sup>.

### **The role of Non Executive Directors'**

The significance of the role of NEDs has been stress by Cadbury Report<sup>9</sup>, Greenbury Report<sup>10</sup> and Hampel Report<sup>11</sup>. Cadbury<sup>12</sup>, emphasise that in order to achieve better standards of monitoring the accountability, it is important that the power of NEDs is increased. Greenbury<sup>13</sup> on the other hand stress that NEDs should ensure that directors could no longer influence their own salaries and bonuses. Furthermore Hampel<sup>14</sup> point out that NEDs should ensure that the accountability, transparency as well as the credibility of the company has been fulfilled. However assuring NEDs accountability might create problems for the company, as the mechanisms of the board include meetings and reporting on performance of the company. One of the paradoxes of the transparency is that it makes people less honest. So the reason that makes NEDs role so important is that they bring transparency through independence, knowledge and judgment, that is crucial to establish the firms transparency.

According to Kakabadse, Kakabadse and Kouzmin,<sup>15</sup> the positive contribution of the NEDs is their capacity to overcome problems related to provision of more effective strategies for the company. Moreover, NEDs must be able to manage company goals and simultaneously control the actions of the

<sup>7</sup>H.Kanda, *Disclosure and Corporate Governance: A Japanese Perspective, Corporate Governance in Asia, A Comparative Perspective*, OECD 01 August 2001, p.1-13, www.oecd.org

<sup>8</sup> R. Leftwich, *Market failure fallacies and accounting information*, Journal of Accounting and Economics, 1980, Vol. 2, pp. 193-211; R. Watts, J. Zimmerman, *Positive accounting theory*, Prentice-Hall, Englewood Cliffs, NJ, 1986, p.28

<sup>9</sup>A. Cadbury, *Report on the committee...* op.cit., p.7

<sup>10</sup>R. Greenbury, *Directors' Remuneration: Report of a Study Group Chaired by Sir Richard Greenbury*, Gee and Co: London, 1995, p.9 - 45

<sup>11</sup>R. Hampel, *Committee on Corporate Governance- Final Report*, Gee Publication, 1998, p.23-40

<sup>12</sup>A. Cadbury, *Report on the committee...* op.cit., p. 9

<sup>13</sup>R. Greenbury, *Directors' Remuneration: Report of a Study Group Chaired by Sir Richard Greenbury*, Gee and Co: London, 1995, p.9 - 45

<sup>14</sup>R. Hampel, *Committee on Corporate Governance- Final Report*, Gee Publication, 1998, p.23 - 40

<sup>15</sup>N. Kakabadse, A.K. Kakabadse, A. Kouzmin, *Board Governance and Company Performance: Any Correlations?" The Corporate Governance*, 2001, Vol. 1, Issue 1, p. 24-30

company's management. Dulewicz, Gay and Tylor<sup>16</sup> have shown the even one outstanding NED, can bring a great improvement to the company wellbeing.

The Combined Code on Corporate Governance 2008<sup>17</sup> state that the executive and non-executive directors should balance the power and information. The NEDs should be experienced and capable to handle the assigned position and responsibilities as required. Higgs Report<sup>18</sup>, explains that NEDs should have sufficient information of appropriate quality to perform their duties, and where necessary should be allowed to seek further clarification outside the company.

The Financial Reporting Council's<sup>19</sup>, stress the importance and role of NEDs. It states that NEDs should comprehend the activity and situation of the company and where the significant risk is involve they should discuss this issues with senior and middle managers.

The main reason that company requires NEDs on the board is to balance the power of The Board of Directors. Cadbury<sup>20</sup> indicates that NEDs should be independent of management, any business or any other relationships, that will distract or interfere with their independent judgment. NEDs must have some characteristics that are essential for the role. First of all, they must be insightful thinkers, so they have the ability to separate the relevant matters from the irrelevant ones. Moreover NEDs must have relevant business experience, so that they are capable of managing difficult situations associated with rough times of the company. NEDs should also efficiently contribute and positively influence the board as well as find the best solutions for its problems. The NEDs should have an independence and integrity. Furthermore, they must be confident and have many business contacts

Pass<sup>21</sup> claims that experience and expertise is an important factor that promotes the role and effectiveness of the NEDs. He focuses more on the integrity of NEDs, as he believes that the shareholders' interests must be guarded by the non-executive directors. Also the level of detachment must be low (high independence), as they must be objective when dealing with company affairs. Pass believes that NEDs are keeping the balance between the board

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<sup>16</sup>V, Dulewicz, K Gay, B Taylor, *What makes an outstanding chairman? Findings from the UK nonexecutive director of the year awards, 2006, Corporate Governance: An International Review*, Vol. 15, Issue 6, p. 1056 -1069

<sup>17</sup>*The Combined Code on Corporate Governance 2008*, Financial Reporting Council 2008, [www.frc.org.uk](http://www.frc.org.uk)

<sup>18</sup>D. Higgs, *Review of the role and effectiveness of non-executive directors*, The Department of Trade and Industry, p. 27 – 31, [www.ecgi.or](http://www.ecgi.or)

<sup>19</sup>*The Financial Reporting Council's*, Guidance on Board effectiveness, 2011, p.2 – 5, [www.frc.org.uk](http://www.frc.org.uk)

<sup>20</sup>A. Cadbury, *Report on the committee...* op.cit., p. 7

<sup>21</sup>C. Pass, *Non-executive directors and the UK's new combined code on corporate governance*, Business Strategy Series, 2008, Vol. 9, Issue: 6, p. 291 - 296

members' interests and the stakeholders' interests. However, some concerns have been raised over such matters as part-time positions or directorships in other companies that might be competitive to their primary one and the "loss" of independence. On another hand Barrow<sup>22</sup>, states that NEDs in order to fulfill their role must advise on financing growth, encourage certain standards of formality and discipline to assist the company management in succeeding in all activities and help improve the performance and strategy. As pointed by Clarke<sup>23</sup> one of the purposes of introducing NEDs is their fresh perspective. He found that NEDs can help widen the board's view and expand and strengthen companies' network of contacts. Hence, this could help the business seek more undiscovered opportunities. Pass<sup>24</sup> also highlight several duties performed by NEDs such as "acting as a chairperson" and participating on various sub-committees of the board such as nomination committee, audit committee, remuneration committee or risk committee.

The board of directors should combine relevant numbers of executive and non-executive members (NDE)<sup>25</sup>. Each company should build efficient process to appoint NEDs. All the necessary qualifications, expertise, skills as well as experiences of director should be discuss by the board. This task is usually performed by nomination committee. After a period of six-year, the board should evaluate the need of refreshing the board and possibility of appointing new NEDs to replace current one.

According to Zattoni and Cuomo<sup>26</sup> as well as Adams and Ferreira<sup>27</sup> appointment of NEDs contributes with fresh oversight of a company's activities, which can enhance the leadership of The Board of Directors. Adams and Ferreira also point out that board of directors makes decision thank to the knowledge and expertise of its members. Thus, experiences and fresh perspective of NEDs could give the board more valuable assessments of potential risks undetected by executives. However in practice many NEDs do

<sup>22</sup>C. Barrow, *The role of non-executive directors in high tech smes*, Corporate Governance: The International Journal of Business in Society, 2001, Vol. 1, Issue 2, p. 34 - 36

<sup>23</sup>T. Clarke, *The contribution of non-executive directors to the effectiveness of corporate governance*, Career Development International, 1988, Vol. 3, Issue 3, p.118 - 124

<sup>24</sup>C. Pass, *Corporate governance and the role of non-executive directors in large UK companies: an empirical study*, Corporate Governance: The international journal of business in society, 2004 Vol. 4, Issue 2, p.52 - 63

<sup>25</sup> Certain number for NEDs may be required by country regulations.

<sup>26</sup>A. Zattoni, F. Cuomo, *How Independent, Competent and Incentivized Should Non-executive Directors Be? An Empirical Investigation of Good Governance Codes*, 2010, Volume 21, Issue 1, p.63 - 79

<sup>27</sup>R. Adams R, D. Ferreira, *Theory of friendly board*, The Journal of Finance, 2007, Vol 62, Issue 1, p. 217-250

not spend sufficient amount of time with the firms. They very often base their opinions and evaluations only on the information provided by CEOs.

On the other hand Zattoni and Cuomo<sup>28</sup> emphasis significance of NEDs independence as an important factor for better governance. Clear separation of the roles of chairman and chief executive have set a limitation for "executive power" and, at the same time, improve the NEDs' independence.

NEDs also play great role in monitoring the performance of the Board<sup>29</sup>. Furthermore, NEDs contribute to more efficient risk assessment. Moreover, Pass<sup>30</sup> also demonstrated that in some cases, NEDs are not able to fully concentrate on one company because they work for more than one enterprise at the same time. Finally, there are many NEDs who are executive directors or have relationships with other companies which make it difficult to stay independent. Consequently, their opinion may not be based on relevant and thoroughly collected information and can have negative effect on company wellbeing<sup>31</sup>. However, Pass<sup>32</sup> shows that, the positive sides of NEDs appointment are much greater than the negative sides.

It can be seen that non-executive directors become more and more important to the organizations. Therefore, it is vital to further examine the developments of the non-executive directors' role and position within the firms. According to Cadbury Committee<sup>33</sup>, there should be at least three non-executive directors on the board and two of them should be independent. In addition, Combined code 2003<sup>34</sup> required that the rate of NEDs should account for no less than 50%. In the fact, already in 2002, the average rate in the 50 large companies in United Kingdom was 54%<sup>35</sup>. Especially, there were three companies which the percentage of NEDs was greater than 70%. Following further the Combine code 2010<sup>36</sup>, states that one of NEDs should be a senior independent director, who will be responsible to answer any shareholders queries if they cannot contact through other ways such as chairman or executive directors. The NEDs should ensure that they will record shareholders queries and provide "written statement" to the chairman if they have any such concerns about the performance of the company. This is why Combined Code 2010 requests that

<sup>28</sup>A. Zattoni, F. Cuomo, *How Independent*, ...op.it., p.69

<sup>29</sup>D. Higgs, *Review of the role* .... op.cit., p. 29

<sup>30</sup>C. Pass, *Corporate governance and the role*...op.cit., p. 60

<sup>31</sup>E. O'Higgins, *Non-executive Directors on Boards in Ireland: co-option, characteristics and contributions*, 2002, *Corporate Governance; An International Review*, Volume 10, Issue 1, p. 19–28

<sup>32</sup>C. Pass, *Non-executive directors*...op.cit., p. 294

<sup>33</sup>A. Cadbury, *Report on the committee*...op.cit., p.6

<sup>34</sup>*The Combined Code on Corporate Governance 2003*, *Financial Reporting Council*, 2003, [www.frc.org.uk](http://www.frc.org.uk)

<sup>35</sup>C. Pass, *Corporate governance and the role*... op.cit., p. 60

<sup>36</sup>*The Combined Code on Corporate Governance 2003*, ... op.cit., p. 6

NEDs should guarantee that they have enough time for the company to help achieve its mission successfully. Furthermore, all other commitments of NEDs should be disclosed to the board prior to the appointment. Finally, full time executive directors are allowed to undertake only one non-executive directorship within FTSE 100 companies, as this guarantees that they have enough time to commit to NEDs duties. NEDs directors who work for the company for more than 9 years should be re-elected annually by shareholders. The shareholders should have access to all biographical information of nominees before they make their decisions. On top of that companies should also assure that all directors, especially NEDs have rights to access to "independent professional advice" if they think that it is needed.

NEDs started getting attention, as some companies begin considering including NEDs in their corporate boards. The two main arguments for NEDs presence has been raised. Firstly, NEDs can provide advice to corporate boards on strategy and as a result company's performance may improve. Secondly NEDs participation in board activities can lead to more efficient monitoring of management decisions and activities.

Higgs<sup>37</sup> emphasised that all directors are required to be able to provide a practical leadership. Having a good structure of management and enough experience will always be helpful to recognise and manage the risk of the company when setting the company strategic aims. In that process, the NEDs should get a clear view of the management performance and make their judgment whether the financial or human resources are reasonable. Also the NEDs are required to supervise the company management to assure that relevant values and standard are followed. A competent NED should constantly work on establishing the confidence in company and do the best to maintain it.

#### **Analysis of Non-Executive Directors' disclosures.**

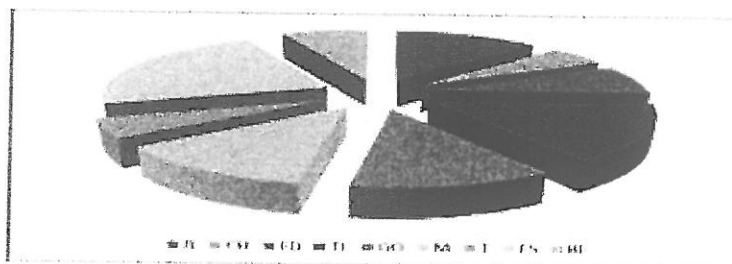
The most commonly used approach when looking into corporate governance disclosures is content analysis of Annual Reports or Corporate governance section of the company Website. This is the approach that has been used for the purpose of this research.

In this study 75 firm of FTSE100 companies has been randomly selected. The companies have been investigated for period of 2011 -2015. The sectors that have been covered are as shown in Figure 1.

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<sup>37</sup>D. Higgs, *Review of the role .... op.cit.*,p. 28





B – Banks, CH – Chemicals, FD – Food & Drug, TL - Travel and leisure, GO - Gas and Oil, M - Media, T - Tobacco, FS – Financial Services, FB - Pharmaceuticals and Biotechnology

**Figure 1. The sector structure of the companies selected for the survey**

**Rysunek 1. Struktura sektora przedsiębiorstw wybranych do badań**

*Source: Own survey*

*Źródło: opracowanie własne*

As it was mentioned previously there are certain characteristic that NEDs should have to be able to perform efficiently their duties. The shareholder should be able to learn about their experience, qualifications and expertise. This can be achieved if NEDs Bios' are included in the corporate governance part of annual report disclosures or company's website within the corporate governance section. The selected sample indicates that seize of the Board of directors, number of executive directors and NEDs are disclosed by all companies over the period of 2011 -2015(see Table 1). On the other hand the information of NEDs expertise are not fully disclosed. It can be observed that majority of companies do not provide sufficiently detailed description about NEDs in their reports or on their website. Only banks and financial services firms inform in full about their NEDs qualities over the 5 year period. Situation in other sectors varies. But there is increase in the number of companies that are disclosing information about their NEDs. However there are discrepancies in the length and depths of the provided information; some of them are overloaded with details as other are very brief. Moreover in most cases it is in not explicit how this qualities and experiences can or are contributing to the better performance not only of Board of Directors but the company as a whole. Although there are clear mandatory requirement to disclose remuneration packages of executive directors, the NEDs pays does not have those constrains. In other words companies can voluntarily disclose the information about NEDs salaries. For the first 2 years of the analysis only 50% of the researched population disclosed the information about NEDs remuneration, and small number of provid fractional disclosures (Table 1).

Over the 5 years period the NEDs fee disclosure increased however by the end of the period (2015) full disclosure's reached only 65%.The undoubted role of NEDs is to participate in activities of verity of subcommittees and enhance their performance. Regardless the sector the

Table 1. General NEDs Disclosers

Tabela 1. Ujawnieni Dyrektorzy niewykonawczy

	2011			2012			2013			2014			2015		
	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND
Board size	100%	0%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%
Number of ED	100%	0%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%
Number of NED	100%	0%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%
Executive directors detailed info	60%	30%	10%	60%	34%	6%	65%	29%	6%	68%	28%	4%	75%	25%	0%
NEDs qualification and expertise	45%	30%	25%	49%	26%	25%	60%	15%	25%	59%	20%	21%	70%	15%	15%
NEDs fee (salary) clearly disclosed	50%	0%	50%	50%	11%	39%	55%	12%	33%	61%	190%	20%	65%	15%	20%

ID - Information disclosed, IPD - Information partly disclosed, IND - Information not disclosed, ED- executive directors, NED- non-executive directors

Source: Own survey

Źródło: opracowanie własne

Table 2. Nomination Committee Disclosers

Tabela 2. Zakres ujawniania informacji dotyczący Komitetu do spraw Nominacji

	2011			2012			2013			2014			2015		
	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND
The role of NEDs clearly described	48%	22%	30%	50%	20%	20%	52%	20%	28%	56%	25%	19%	58%	26%	16%
Number NEDs on the committee	80%	0%	20%	90%	10%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%
Number of meetings attended by NED per year	50%	10%	40%	52%	20%	28%	55%	20%	25%	56%	22%	22%	60%	25%	15%

ID - Information disclosed, IPD - Information partly disclosed, IND - Information not disclosed, NED- non-executive directors

Source: Own survey

Źródło: opracowanie własne



company operates in, the board should have at least 3 committees. Firstly Nomination Committee that reviews the performance of the board on a regular basis and establishes what skills are required for a replacement or additional director. The committee also approach potential candidates, leads the appointments process and makes recommendations to the board. As proved only slightly above 50% of the companies clearly describe the responsibilities and accountability of NEDs on Nomination Committee (Table 2). Most of them inform about the structure of the Nomination Committee and the number of NEDs, but it is not always clear how their expertise fit the purpose. It is also not always disclosed how many meeting they attended.

Secondly NEDs participate in activities of Remuneration Committee. This committee should make recommendations to the board, within agreed terms of reference on the company's framework of executive remuneration and its cost. It furthermore should determine specific remuneration packages for each of the executive directors, including pension rights and any compensation payments. The major requirement for this committee is that it should only include NEDs to sustain objectivity, fairness and integrity. The conducted analysis shows that companies do not clearly define, what is expected from NEDs within Remuneration Committee (Table 3). Very often there is no indication or it is rather vague. Banks and financial services evidently show the numbers of meeting attended by NEDs, but companies from other industries are lacking behind with disclosing those facts.

Thirdly NEDs should participate in Audit Committee. Audit Committee is responsible for monitoring the integrity of the financial statements and any formal announcements relating to the company's financial performance. It reviews the Company's internal financial controls, risk management systems and also monitors and reviews the effectiveness of the Company's internal audit function. Moreover it establishes and oversees the Company's relationships with external auditor. The participation in this committee requires the understanding of finance, accounting and internal controls. Unfortunately companies in their corporate governance discourse do not explicitly state what is expected from NEDs (Table 4). In regards to Audit Committee that can prove to be tricky as having NEDs that lacks relevant qualities and expertise may have extremely negative effect on companies' wellbeing. It should be noted that slowly but constantly there is increase in precise explanation of the role of NEDs in Audit Committee.

In addition in specific sector the additional sub-committees can exist such as risk committee in banking and financial services sector, sustainability committees in Gas and Oil and Pharmaceuticals and Biotechnology sectors. But this is not the area that has been under investigation for this paper.

Table 3. Remuneration Committee Disclosers

Tabela 3. Zakres ujawniania informacji dotyczący Komitetu do spraw Wynagrodzeń

	2011			2012			2013			2014			2015		
	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND
The role of NEDs clearly described	51%	31%	18%		55%	30%		60%	27%	13%	74%	16%		10%	10%
Number NEDs on the committee	80%	0%	20%	90%	10%	10%	100%	0%	0%	100%	0%	0%	100%	0%	0%
Number of meetings attended by NED per year	64%	22%	14%	68%	20%	12%	72%	18%	10%	77%	16%	7%	83%	14%	3%

ID - Information disclosed, IPD - Information partly disclosed, IND - Information not disclosed, NED- non-executive directors

Source: Own survey

Źródło: opracowanie własne

Table 4 Audit Committee Disclosers

Tabela 4. Zakres ujawniania informacji dotyczący Komitetu Audytu

	2011			2012			2013			2014			2015		
	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND	ID	IPD	IND
The role of NEDs clearly described	50%	24%	26%	53%	21%	26%		58%	22%	20%	60%	22%		21%	16%
Number NEDs on the committee	60%	30%	10%	64%	31%	5%	68%	27%	5%	100%	0%	0%	100%	0%	0%
Number of meetings attended by NED per year	62%	20%	18%	64%	23%	13%	65%	24%	11%	72%	18%	10%	85%	15%	0%

ID - Information disclosed, IPD - Information partly disclosed, IND - Information not disclosed, NED- non-executive directors

Source: Own survey

Źródło: opracowanie własne

## Conclusions

It is clear that NEDs play significant role in efficient corporate governance. Their expertise and business links can bring benefits to the firms, but the full engagement of the NEDs is required to take inclusive advantage of those attributes. Shareholders when justifying NEDs appointment and remuneration rely on the information disclosed in corporate governance section of annual reports. The NEDs disclosures are usually voluntary and in many cases the companies disclose only some of the information. The most information are usually disclosed by banks as they are the entities that are more regulated than other industries and their existence is closely related with trust. Although huge improvement has been observed in voluntary disclosures about NEDs, there are still a lot of discrepancies and this will continue unless there are clear guidance as to what, why and how needs to be disclosed.

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**ŁAD KORPORACYJNY I ZAKRES UJAWNIAJĄCY INFORMACJI W DOTYCZĄCYCH  
DYREKTORÓW NIEWYKONAWCZYCH STUDIUM PRZYPADKU WYBRANYCH  
FIRM FTSE100**

**Streszczenie**

Ład korporacyjny staje się coraz bardziej istotnym zjawiskiem. Konieczność poprawy efektywności zarządu i powołania dyrektorów niewykonawczych (NEDs) jest dziś niezwykle szczególnie ważna. Oczywiście jest, że NEDs odgrywają kluczową rolę w efektywnym nadzorze korporacyjnym. Ich wiedza i powiązania biznesowe mogą przynieść korzyści firmie. Wymaga to jednak pełnego zaangażowania ze strony NED tak aby w pełni wykorzystać z posiadane przez nich atrybuty.

**Słowa kluczowe:** Nadzór korporacyjny, dyrektorzy niewykonawczy, pozycja dyrektorów niewykonawczych, Rada Dyrektorów

**Summary**

Corporate governance has become increasingly important phenomenon. The necessity of improvement the efficiency of the board of directors and appointment of executive directors (NEDs) has become significantly important. It is clear that NEDs play significant role in efficient corporate governance. Their expertise and links can bring benefits to the firm. But the full engagement of the NED is required to take full advantage of those attributes.

**Key words:** Corporate governance, Executive Directors', Non-Executive Directors' Disclosures, Board of Directors

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