



ADVANCED BOARDROOM EXCELLENCE

FRC CONSULTATION QUESTIONS ON CODE AMENDMENTS 2023

Full list of consultation questions.

Q1: Do you agree that the changes to Principle D in Section 1 of the Code will deliver more outcomes-based reporting?

YES

Q2: Do you think the board should report on the company's climate ambitions and transition planning, in the context of its strategy, as well as the surrounding governance?

YES

Q3: Do you have any comments on the other changes proposed to Section 1?

NO

Q4: Do you agree with the proposed change to Code Principle K (in Section 3 of the Code), which makes the issue of significant external commitments an explicit part of board performance reviews?

YES, however there should be more emphasis on the 'Whole Board' External commitment levels, so as to maintain a balance across the Whole Board and retain Specialist Skills, Experience and Knowledge where needed. The 'Bill Gates' Question? Is it better to have a unique level of expertise on the Board even where they are theoretically 'over boarded'.

This is particularly important in relation to the Independence Provision 10 Point 7; Circumstances which are likely to impair, Independence.

- **"has served on the board for more than nine years from the date of their first appointment."**

Q5: Do you agree with the proposed change to Code Provision 15, which is designed to encourage greater transparency on directors' commitments to other organisations?

YES, But see above.

Q6: Diversity and inclusion, Do you consider that the proposals outlined effectively strengthen and support existing regulations in this area, without introducing duplication?

Generally, Yes.

Q7: Do you support the changes to Principle I moving away from a list of diversity characteristics to the proposed approach which aims to capture wider characteristics of diversity?

Yes, on equal opportunity and diversity good addition should work OK. However, NO on 'Protected and Non-protected' characteristics,

potentially a hostage to fortune, removing discretion and context, dependant on whom controls the definitions of 'Protected and Non-protected' characteristics.

Q8: Do you support the changes to Provision 24 and do they offer a transparent approach to reporting on succession planning and senior appointments?

YES

Q9: Do you support the proposed adoption of the CGI recommendations as set out above, and are there particular areas you would like to see covered in guidance in addition to those set out by CGI?

YES

Q10: Do you agree that all Code companies should prepare an Audit and Assurance Policy, on a 'comply or explain' basis?

YES

Q11: Do you agree that amending Provisions 25 and 26 and referring Code companies to the Minimum Standard for Audit Committees is an effective way of removing duplication?

YES

Q12: Do you agree that the remit of audit committees should be expanded to include narrative reporting, including sustainability reporting, and where appropriate ESG metrics, where such matters are not reserved for the board?

YES

Q13: Do you agree that the proposed amendments to the Code strike the right balance in terms of strengthening risk management and internal controls systems in a proportionate way?

YES

Q14: Should the board's declaration be based on continuous monitoring throughout the reporting period up to the date of the annual report, or should it be based on the date of the balance sheet?

YES

Q15: Where controls are referenced in the Code, should 'financial' be changed to 'reporting' to capture controls on narrative as well as financial reporting, or should reporting be limited to controls over financial reporting?

YES Narrative Reporting.

Q16: To what extent should the guidance set out examples of methodologies or frameworks for the review of the effectiveness of risk management and internal controls systems?

No Comment

Q17: Do you have any proposals regarding the definitional issues, e.g. what

constitutes an effective risk management and internal controls system or a material weakness?

NO

Q18: Are there any other areas in relation to risk management and internal controls which you would like to see covered in guidance?

NO

Q19: Do you agree that current Provision 30, which requires companies to state whether they are adopting a going concern basis of accounting, should be retained to keep this reporting together with reporting on prospects in the next Provision, and to achieve consistency across the Code for all companies (not just PIEs)?

YES

Q20: Do you agree that all Code companies should continue to report on their future prospects?

YES

Q21: Do you agree that the proposed revisions to the Code provide sufficient flexibility for non-PIE Code companies to report on their future prospects?

YES

Q22: Do the proposed revisions strengthen the links between remuneration policy and corporate performance?

YES

Q23: Do you agree that the proposed reporting changes around malus and clawback will result in an improvement in transparency?

YES

Q24: Do you agree with the proposed changes to Provisions 40 and 41?

YES

Q25: Should the reference to pay gaps and pay ratios be removed, or strengthened?

NO COMMENT

Q26: Are there any areas of the Code which you consider require amendment or additional guidance, in support of the Government's White Paper on artificial intelligence?

NOT YET A DEVELOPING AREA. Clearly within the area of NED to provide oversight of evolving technologies.