11 September 2023

David Styles
Director, Corporate Governance and Stewardship
Financial Reporting Council
8th Floor, 125 London Wall
London, EC2Y 5AS
Sent to codereview@frc.org.uk

Dear David,

Re: UK Corporate Governance Code Consultation

We appreciate the opportunity to respond to the above consultation.

T. Rowe Price is a global investment adviser serving a broad array of clients, from individual savers to large institutions and funds, and has assets under management (AUM) of US$1.43 trillion, as of 31 July 2023. In the UK, T. Rowe Price operates through our investment advisor, T. Rowe Price International Ltd and our UCITS management company, T. Rowe Price UK Ltd.

The UK market has a well-deserved reputation for corporate governance and investor stewardship, due in no small part to the impact of the UK Corporate Governance Code ("the Code"). This consultation provides a welcome opportunity to reflect on how the Code can be enhanced, and broadly we are supportive of the proposed changes. We wish to provide some general observations as well as feedback on certain questions.

In the FRC's webinars to publicize the consultation, repeated emphasis has been placed on the importance of strengthening "comply or explain" as a concept. As an active manager with fundamental analysis at the heart of our investment process, we take a company's specific situation into account when assessing their governance practices. Thus, we may support non-standard practices when a company provides a sufficient explanation for why its proposed course of action makes sense. We absolutely do not support the "comply or else" approach, and believe flexibility is an important part of ensuring UK companies remain globally competitive.

Questions 4 & 5: We are supportive of the proposal that the annual board performance review should consider each director's commitments to other organizations. We believe that investors will also find it helpful if annual reports include more information regarding directors' other commitments, particularly when these are outside the listed sector.

Question 7: With the new FCA Listing Rules[1], we understand how the prior references to gender and ethnicity in the Code could be seen as duplicative. Hence, we are cautiously supportive of the revised drafting, providing that that the Parker Review and FTSE Women Leaders annual reporting observe no decline in the rate of diverse appointments following this amendment.

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[1] FCA Policy Statement PS 22/3 *Diversity and inclusion on company boards and executive management*, available at: https://www.fca.org.uk/publication/policy/ps22-3.pdf

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Question 10: We are supportive of the proposal that all Code companies should prepare an Audit and Assurance Policy on a "comply or explain" basis. A company's Audit and Assurance Policy should provide investors with greater clarity as to what degree of assurance has been undertaken on information in the company's disclosures. This is particularly important given the greater emphasis being placed on non-financial metrics by many investors, including metrics published outside the scope of the statutory audit. The consultation process also provides shareholders with a structured mechanism to raise requests for specific assurance.

Question 12: We are less convinced that the remit of audit committees should be expanded to include oversight of sustainability reporting and environmental, social, and governance (ESG) metrics, where this responsibility is not reserved by the main board. We observe that companies have evolved their ESG governance arrangements in recent years, and in some cases have introduced dedicated ESG committees or otherwise extended the remit of existing committees. While we recognize that under "comply and explain," the company may choose to explain why its existing arrangement is preferable, we are not convinced that the default home should necessarily be with an audit committee.

Question 22: We welcome the proposed new Principle P, which states that remuneration outcomes should be clearly aligned to company performance. Clarifying that directors should not be involved in setting their own remuneration is also positive.

We would be pleased to discuss our comments in more detail if that would be useful and can be contacted via [redacted].

Yours sincerely,

[redacted]