

abrDN plc Response – UK Corporate Governance Code Consultation

abrDN, both as an issuer and one of the UK's largest investment managers, strongly supports measures that reinforce and enhance effective governance, risk management and the operation of a sound system of internal control. Confidence in such measures is critical to both the successful functioning of UK capital markets and attraction of investment through these markets. We therefore recognise the opportunity the BEIS recommendations and the associated consultation on the UK's Corporate Governance Code provide to strengthen UK practice and ensure that the UK's capital markets are supported by an effective and proportionate system of corporate governance endorsed by issuers and investors, and by the wider stakeholder interests they serve.

We endorse the response submitted by GC100 to the consultation, and in particular, share their concerns regarding lack of proportionality in many of the recommendations, and the expansion of Code requirements to issues where legal and regulatory requirements remain fluid. We are concerned that these proposals taken in aggregate are heading in the opposite direction to current initiatives led by government, the UK Listing authorities and the FCA to make London markets more attractive to existing and prospective issuers.

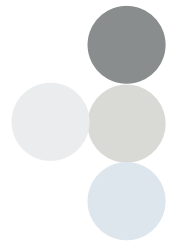
In no way do we wish to see dilution of the effectiveness of the UK's corporate governance framework, but we consider that several of the current proposals will not enhance the framework but are instead likely to come with a cost and process burden for UK corporates that are disproportionate to the benefit they are likely to deliver. We also endorse GC100's view that any changes to the Corporate Governance Code should follow finalisation of the Government's reforms in response to its consultation on 'Restoring Trust in Audit and Corporate Governance', which we understand may be delayed beyond this parliament.

As an overarching point, we think it would be helpful if the FRC were to consider changing the concept of 'comply or explain' to 'apply or explain'. We propose this for two reasons; first, as the FRC points out, use of the flexibility the code provides is increasing; and second, the construction of 'comply or explain' implies that explaining is inconsistent with compliance with the Code, when of course it can be the right thing. This often confuses international investors and proxy agencies. A concept of 'apply or explain' would remove the possibility of this misinterpretation.

Our areas of concern predominantly relate to the proposed revisions to sections 1, 2 and 4 of the Code. In particular:

Section 1

- The proposed revisions to principle E (new principle D) in respect of 'outcome' focused reporting are not sufficiently precise and, in our view, will lead to boiler plate reporting, thus not achieving the objective of improved reporting.
- We do not think the Corporate Governance Code should require reporting on climate ambitions and transition planning. These aspects are encompassed within S172 reporting

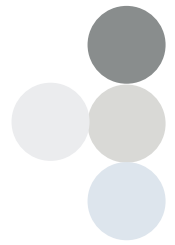


and will also be covered in due course by other regulatory and legal requirements. Given the risks inherent in generalised statements until guidance and relevant 'safe harbour' provisions are in place, the litigation risks to corporates are disproportionate to what might usefully be achieved through likely boilerplate statements of intent.

- We believe a requirement to assess, monitor and report on culture should be removed. "Culture" is a subjective concept which in this context we consider to be a corporate's mission, values, and context. The proposed revisions to provision 2 provide no clarity or specificity on what is meant by 'culture' nor how 'desired culture embeddedness' should be assessed or reported on. In our view, they will lead to unhelpful divergence undermining the objective of improved reporting. If some requirement in this area is desired it might be framed as follows: - *The board should assess and monitor whether the company's purpose, strategy and values are properly embedded in its policies, practices, and decision-making. This should be reflected in expectations of employees and their behaviours, and in consequence management where this is not the case.*
- The proposed revisions to provision 3 to remove the words 'seek engagement' with regard to committee chairs (but not the board chair) are not practical as they do not allow for variations in corporate shareholder/stakeholder bases, the engagement preferences of those bases, and will result in disclosures which consume time and resources but do not add value to users. It would be more realistic to say, '*Committee chairs should engage with shareholders on significant matters related to their area of responsibility where such engagement is sought by shareholders or at the instigation of the chair.*' In practice, shareholders routinely decline engagement opportunities unless they have an issue to raise and, as a major investment manager, it would be impractical for our fund managers to routinely meet with every committee chair of investee companies.
- In addition to the areas of change above, with regard to provision 4, we draw attention to the fact that many companies attract voting participation of 50% or less, so a 10% shareholder can effectively trigger the 20% threshold. Given the dominance of the largest passive shareholders in many registers, they carry outsized weight. The value of the 20% vote against as a signalling issue loses relevance if it is routinely triggered by a dominant shareholder in such a context. We wonder if consideration can be given to changing this test to 20% of the share register rather than votes cast, as highlighted in our original BEIS consultation response.

Sections 2 and 3

- The proposed amendment to principle L (new principle K), and associated provisions regarding director commitments and associated disclosures, are not required given the current and ongoing requirement to evaluate whether each director continues to contribute effectively. This is sufficient to enable the identification, assessment and management of director capacity threats/ issues and is reported upon annually. The additional disclosures are burdensome, may impinge on director privacy, and bring limited value to users given the factors which drive director capacity are nuanced and complex, and are therefore difficult to interpret accurately based on information in the public realm. The creation of lists of appointments will put at risk individuals who have the desired breadth of experience represented by their range of appointments, leading them to decline NED roles for fear of

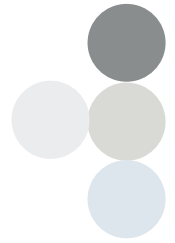


criticism. Shareholders, in their engagement with the chair and senior independent director, should (and do) use these opportunities to discuss board capacity issues.

- We think the change to specifically refer to protected and non-protected characteristics is unnecessary and risks adding complexity if, in due course, further protected characteristics are itemised; it would be better to go with ‘all aspects of diversity and inclusion, including cognitive and personal strengths.’
- We do not agree that the revisions/additions to provision 24 add value and consider that the existing provision provides sufficient opportunity for appropriate disclosure.
- We support the change to performance review as opposed to board evaluation, as it conveys more of a forward leaning process.

Section 4

- We agree all Code companies should produce an Audit and Assurance Policy (‘AAP’) on a ‘comply or explain’ basis. However, currently proposed requirements in respect of the AAP are insufficiently clear on the nature of shareholder engagement expected, the associated expected extent of influence, and what is required to be disclosed in respect of this engagement and the results of assurance work. Assurance activities are undertaken to support the board and committees in the effective governance of an organisation. As such, we believe it is critical that the setting of assurance activity scope and the consideration of the results of individual pieces of assurance work is restricted to that population. Alternative mechanisms already exist to collate stakeholder and employee views which feed into committee decision-making. In any event, it is unrealistic for audit committees to widely engage with shareholders and other stakeholders on its role as there is insufficient capacity amongst shareholders to engage on a routine basis. Shareholders exercise stewardship through appointing NEDs with the appropriate skills and capacity to serve on the Audit Committee.
- It makes sense to incorporate Minimum Standards for Audit Committees into the Code rather than duplicating requirements. We support incorporating these by reference.
- Integrity over narrative reporting, including sustainability matters, is clearly part of corporate governance but we do not think it should be exclusively the responsibility of the Audit Committee. Individual companies cover elements of narrative reporting through Risk Committees, Sustainability Committees where they exist or indeed the full board. Requiring this to fall within the audit committee’s remit opens up another obvious ‘comply or explain’ matter.
- We do not agree that the audit committee should have an accountability to support audit market competition, it’s accountability should be to ensure it has choices available when it goes to tender. Audit market diversity falls within the remit of ARGAs when up and running.
- Proposed changes to the section on risk management and internal control are not proportionate, are inadequately defined, and/or are unworkable. Areas which cause us material concern include, but are not limited to:



- The appropriateness of the reporting scope expansion in the Annual Report and Accounts.
- The feasibility and practicality of a period attestation leading up to the date of the Annual Report and Accounts.
- Lack of scope and measure/metric definitions which will drive inconsistency, and likely lead to excessive burden on corporates if left to assurers/ advisers to define.
- The lack of clarity on how overlap periods would be handled in reporting, which will lead to confusion and inconsistent practice.

Collectively, the proposed amendments are excessively onerous and do not strike the right balance. We consider that they will add a disproportionate burden on industry, drive significant additional cost and will not deliver an equivalent (or greater) benefit. We consider that they go beyond what was expected under the BEIS recommendations and make UK listed companies and Public Interest Entities less attractive for investment.

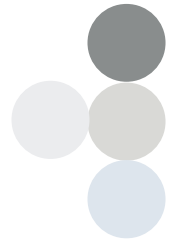
We believe the proposals will also negatively impact the attractiveness of executive and non-executive directorships as a consequence of the additional burden placed upon them. In turn, making it harder to retain and attract director talent with fewer people being willing to accept/retain such positions, and consequently negatively impact the collective quality of governance in the short to medium term post implementation.

In aggregate, we believe that revisions are required to the proposed code to ensure that it truly delivers for the UK and supports UK competitiveness while retaining a corporate governance regime that is both proportionate and appropriately protective of stakeholder interests.

We urge the FRC to reconsider its position to land on a revised code which delivers for UK business and its stakeholders in a proportionate way that is consistent with other market initiatives being promoted by Government, the Listing authorities and the FCA. Please refer to the attached appendix for details of individual question responses and suggestions where applicable.

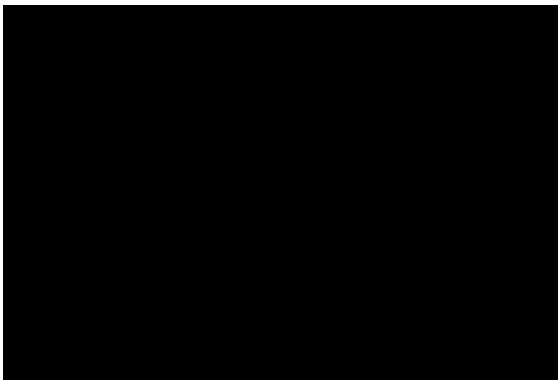
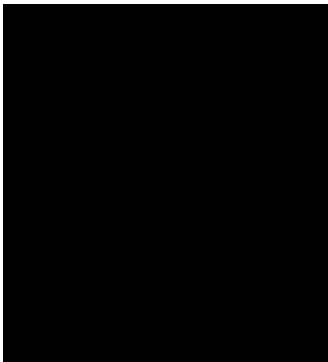
Acknowledging our overarching position set out above, we consider the following proposals to have clear distinctive value and we largely welcome their respective inclusion (or removal as appropriate) in the revised code:

- Revisions designed to enhanced diversity and inclusion within organisations.
- Revisions designed to enhance the transparency around performance and remuneration.
- Proposals to leverage and/or cross reference to other guidance already in existence to avoid duplication.
- Proposals in respect of removing references to pay gaps and ratios.

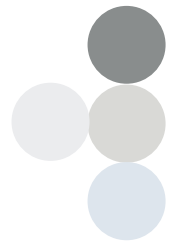


Should the FRC proceed with any of the amendments we raise concerns in respect of, we consider that comprehensive guidance will be required to ensure effective application and avoid unintended consequences. We highlight several areas where we believe guidance would add value (in that circumstance) in our appended consultation question responses. Any guidance developed should be subject to consultation prior to finalisation to ensure that all reforms are workable, additive and deliver the intended outcomes effectively and efficiently.

We would welcome the opportunity to discuss our submission with the FRC in due course, should this be of value.



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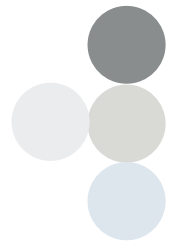


Appendix 1 – Consultation Question Responses

This appendix contains our response to each question posed within the consultation.

Consultation Question	1
abrdn viewpoint	<p>We support the principle of outcome-based reporting. In our opinion the new Principal D could be amended to read simply as follows: “Where the Board reports on departures from the Code’s provisions, it should provide a clear explanation”.</p> <p>We feel this would address the FRC’s concerns around the quality of explanations given, with the new Code Guidance providing examples as to what a clear explanation looks like.</p> <p>We do not think it is clear what “governance activity” and “governance practices” are and consider that these revisions to Principal D would inevitably lead to more boilerplate reporting. Should the FRC proceed with the revision, clear definition of these terms would be required.</p>

Consultation Question	2
abrdn viewpoint	<p>We do not support these additions to the code. We consider that there is sufficient scope with s172 of the Companies Act for adequate consideration of, and reporting on, these areas. Further these matters will also be covered in due course by other regulatory and legal requirements. Given the substantial inherent risks in generalised statements, until guidance and relevant ‘safe harbour’ provisions are in place the litigation risks to corporates are disproportionate to what might usefully be achieved through such reporting which would likely become boilerplate statements of intent.</p> <p>We believe that optimum reporting is best achieved through a hybrid model with two levels of granularity: a concise overview in the Annual Report and Accounts under s172 and expanded disclosures in separate Sustainability focused reporting. We believe this approach is necessary to reflect the detailed and technical nature of the proposed amendment areas, and to provide an appropriate level of detail on our strategy and approach to assessment of climate-related risk and opportunity.</p> <p>Any amendments to the Code should incorporate regulatory and legal requirements on climate change and transition planning through cross referencing once these have been settled rather</p>



than front running these obligations given the considerable debate globally on reporting standards and the risk of legal threat for 'greenwashing' until measurement standards and relevant safe harbours are finalised.

Consultation Question

3

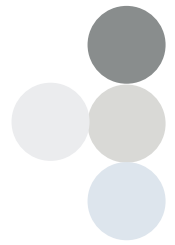
abrdn viewpoint

We consider that the proposed amendment in Provision 3 which replaces "seek engagement" with "engage" should not be made in the Revised Code. Our experience is aligned to the FRC's recent research paper into proxy advisors and in particular, the conclusion that "*the ability of companies to engage with their major shareholders may be related to the size of the company and the composition of its share register. Investor interviewees said that their decision on which companies to engage with were primarily driven by their own priorities rather than in response to requests from companies.*" Therefore, 'seek engagement' remains appropriate, rather than directors having to explain in each period why their shareholder base and their engagement models means that engagement was not possible or limited. As an asset manager we simply do not have the capacity, nor would it be cost justified, to engage with every investee company, as such the obligation is impractical.

If the FRC does proceed with the revisions clear guidance on sufficiency will be required, and best practice examples for associated engagement disclosures will also be required.

We also consider it necessary that the FRC reconsiders its amendments related to the assessment of culture embeddedness. "Culture" is a subjective concept which in this context we consider to be a corporate's mission, values, and context. The proposed revisions to provision 2 provide no clarity or specificity on what is meant by 'culture' nor how 'desired culture embeddedness' should be assessed or reported on. In our view, they will lead to unhelpful divergence undermining the objective of improved reporting. If some requirement in this area is desired it might be framed as follows:

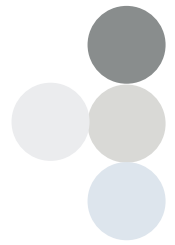
The board should assess and monitor whether the company's purpose, strategy and values are properly embedded in its policies, practices, and decision-making. This should be reflected in expectations of employees and their behaviours, and in consequence management where this is not the case.



Consultation Question	4
abrdn viewpoint	<p>No. We consider that the requirement to consider external appointments is already adequately covered by the requirement in Principle K to evaluate whether each director continues to contribute effectively and feel that the flexibility in approach that Principle K provides should be retained. Further, an ongoing cycle of assessment, as set out in Board Evaluation guidance, already provides an appropriate framework for such an assessment and the basis for reporting.</p> <p>The proposal will drive burdensome boilerplate reporting, impinge on director privacy and bring limited value to users given the factors which drive director capacity are nuanced and complex, and are therefore difficult to interpret accurately based on public information.</p>

Consultation Question	5
abrdn viewpoint	<p>No. There is a balance to be struck between the proposed provision change and that in Principle K. The unintended consequence will be investor focus on estimated time commitment rather than quality of contribution, which should remain the lead metric arising from Chair and NED discussions. The current wording also gives no indication of the FRC's interpretation of 'sufficient' or associated assessment criteria which would be essential for effective application.</p>

Consultation Question	6
abrdn viewpoint	<p>We agree that diversity and inclusion in the composition of the Board, executive management and in succession planning is important. We support the recognition of the complex reporting landscape on DE&I and attempt to facilitate a more joined up approach through the amended code proposals.</p> <p>We consider that whilst some of the amendment proposals in section three are likely to strengthen and support existing regulations in this area we would question how this facilitates a more joined-up approach and believe there is still the possibility of duplication between other requirements in the voluntary and mandatory reporting landscape (e.g. we do not yet know what the</p>



recommendations of the joint FCA/PRU/Bank of England discussion paper on DEI and culture will be).

We support the change to performance review as opposed to board evaluation, as it conveys more of a forward leaning process.

In addition, please refer to our response to question 4 given its relevancy to section 3.

Consultation Question

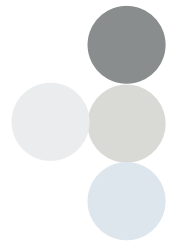
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abrdn viewpoint

At abrdn we are aiming for an equitable and inclusive culture to enable diversity to flourish as we know this will create innovative solutions and best outcomes for our clients. We define diversity as all the things that make us who we are – a very broad definition of our people and all the ways we differ and are similar (visible, invisible characteristics, as well as how we think, how we work, and the experience we bring to our clients). By considering diversity in this way, we want colleagues to understand this relates to all of us, and feel they belong, are valued and can be at their best for our clients.

However, we fully appreciate that there are some under-represented groups who experience inequalities and barriers that are harder to overcome and so as part of our strategy to develop a diverse workforce in the broadest sense, that reflects our society, we make sure that we are minimising any potential barriers and level the playing field for those groups. This includes specific actions to bring equity and set targets where possible.

Diversity of thought and experiential diversity (including societal background) is important for regulators and firms to consider (achieves innovation, avoids group think, minimises risk, etc). Moving to an approach to capture wider characteristics of diversity is interesting and could enable firms to reflect some of the good work they are doing to support broader diversity (for example, we are working on neurodiversity-inclusive actions). However, we would caution that anything firms report around broader diversity should be balanced alongside progress to improve diverse representation in the areas already measured (ethnicity and gender). Reporting broader cognitive and personal strengths could potentially be used to excuse the lack of protected (under-represented) groups in the workplace. For example, a firm may consider they are very diverse because they have a team with different approaches, thought processes, knowledge, experience,



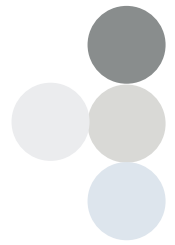
and skills, but that team may also all be white, middle-aged, middle-class men. In this case, we believe firms would not be addressing the healthy culture/moral duty/customer needs/motivations for diversity which should be equally important.

Alongside this are the challenges of how to effectively identify and measure broader diversity, and the increased sensitivity for individuals around some of this data being used publicly (for example publishing data about ethnicity, which is usually identifiable visually already, is different to publishing sexual orientation, mental health, disability, neurodiversity, even whether someone considers themselves to be introverted or extroverted). For this reason, firms may only report aspects of experience, competences, and strengths (many of which are already reported to board) which will show some diversity but may not provide much insight for interested stakeholders in how much of an inclusive approach and culture there is at the firm.

We support the recognition that diversity is broader than the characteristics currently reported and support the ability to include some of this content. We suggest the most effective outcome is likely to come from considering diversity in its widest possible sense and enabling firms to do this non-prescriptively in a way that reflects what they are doing but ask that equal emphasis is put on measuring progress in gender and ethnicity as part of this. That will ensure there's no unintended consequence that under-represented groups do not receive the required focus in this agenda. As such, we consider that it would be better to go with 'all aspects of diversity and inclusion, including cognitive and personal strengths.'

Consultation Question	8
abrdn viewpoint	We do not agree that the revisions/additions to provision 24 add value and consider that the existing provision provides sufficient opportunity for appropriate disclosure.

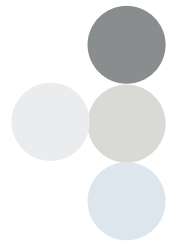
Consultation Question	9
abrdn viewpoint	We support adoption of the recommendations.



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abrdn viewpoint	<p>Yes, we agree with this proposal and the comply or explain basis although, to drive benefit from the proposal, high levels of compliance would be required.</p> <p>Given the consultation notes that there is currently limited interaction between Audit Committees and Shareholders, we would welcome further guidance on how to implement the recommendation that Audit Committees lead on stakeholder engagement on the AAP, including expectations of what this engagement would involve. Again it would simply be impractical for shareholders to meet with every investee company audit committee (and vice versa) and to include a Code requirement that such engagement should be part of an audit committee's role and responsibilities needs clarified as to when that should take place.</p> <p>Considering the requirement in the draft Statutory Instrument relating to considering the publication of selected External Assurance outcomes on the company website, we would also welcome further guidance around the expected nature of disclosures here should companies choose to do so. Similarly, guidance on the level of granularity expected when describing coverage of ARA disclosures would also be welcome.</p>

Consultation Question	11
abrdn viewpoint	Yes.

Consultation Question	12
abrdn viewpoint	No. Flexibility should be retained on where Boards want to do this, allowing organisations to ensure the most appropriate and effective method of governance, including the ability to ensure sufficient expertise, time and capacity.



abrdrn viewpoint

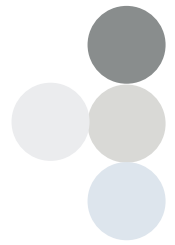
No. We believe the proposed amendments are excessively onerous and do not strike the right balance. We consider that they will add a disproportionate burden on those subject to the Code, go beyond what was expected under the BEIS recommendations and make UK markets less attractive for investment. In our opinion, the proposals will drive significant additional cost and will not yield an equivalent (or greater) benefit to users of Annual Reports or UK corporates impacted.

We fully support the importance of board accountability for, and transparency on, risk management and internal control activity. We believe existing code arrangements are sufficient in this regard, with existing provisions providing companies the opportunity to make meaningful disclosures. As such, we consider the significant expansion of Internal Controls Statement disclosure requirements, and the expansion of scope in the reporting amendment unnecessary and burdensome. We consider it unclear why the annual report and accounts is considered the most appropriate vehicle for 'reporting' controls disclosures beyond financial and associated reporting, and the value of the broadening to the users of Annual Reports.. Further, we consider the disclosure of specific individual breakdowns unnecessary to achieve a meaningful articulation of the effectiveness of the aggregate environment.

We believe the wide degree of business specific judgement in the interpretation of key terms will drive an intolerable degree of variation. This will drive asymmetry across reporting, which in our opinion compromises the intended value and usability. We believe that there should be a degree of comparability between disclosures made by organisations to be of maximum value to report users, whilst allowing for a degree of necessary tailoring to organisational circumstances.

If the FRC proceeds with the proposed revisions, we believe robust and sufficiently precise guidance will be essential in respect of the following areas to ensure value is derived from the revisions and to protect against excessive organisational divergence and burden:

1. Best practice guidance for boards to determine the scope of the assessment, and period on period change handling.
2. A framework for defining materiality across the control pillars.
3. Best practice guidance for the basis for the statement, what is disclosed and how it is to be disclosed.



We consider that comprehensive guidance does not impair flexibility given the comply or explain nature of the code. Comprehensive guidance will in our view provide a bridge between the principles of the code and practical application, and support effective adoption provided sufficient time is available post publication. In addition, it would be beneficial to understand what additional disclosure is expected via the addition of 'maintain' by the FRC in the code provision.

We believe a minimum of twelve months is required between guidance publication/ finalisation and implementation to allow organisation to respond effectively.

Consultation Question

14

abrdn viewpoint

Abrdn is not supportive of the board declaration being made based on continuous monitoring through the period to which the Annual Report and Accounts is published. We believe that the misalignment to existing reporting regimes is not beneficial and could drive unintended reporting conflicts in such circumstances. We also consider it unclear how an extension of reporting up to the date of the annual report publication would be practically feasible and how significant duplication periods would be handled year on year.

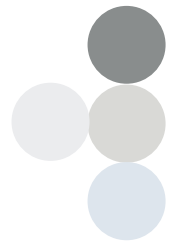
We consider the balanced value to sit in a balance sheet date attestation with a supporting declaration that there has been no significant material deterioration which has impacted the integrity of the financial reporting within the ARA specifically prior to date of executive signing.

Consultation Question

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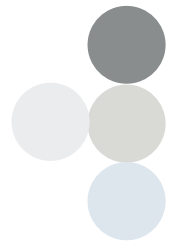
abrdn viewpoint

We are not supportive of the removal of the word 'financial' from the control declaration wording. Reporting is too broad a term and is not specific. We do not consider the annual report and accounts the appropriate vehicle for disclosures in respect of wider reporting. If the FRC proceed with this change guidance in this area would be necessary to ensure a degree of consistency in the scoping of the reporting element to ensure comparability across similar organisations.



Consultation Question	16
abrdn viewpoint	<p>We are not supportive of the amendments on the grounds that they are overburdensome, duplicative in areas and insufficiently precise.</p> <p>Should the FRC proceed with proposed revisions we believe comprehensive guidance setting out the recommended methodologies and frameworks to be adopted would be essential to support effective adoption, and to support a degree of comparability across organisations. In particular, we believe guidance over the application of materiality across operational, compliance and reporting would be essential, along with guidance on the determination of scope for each component. In, addition supporting guidance on the formation and nature of disclosures with supporting examples would be highly beneficial. We believe this is fundamental to effective implementation of any final changes to the code, and that a minimum of twelve months would be required between publication of the final guidance and implementation.</p>

Consultation Question	17
abrdn viewpoint	<p>We consider there to be a universal framework recognised as an effective standard for and effective risk management which is already in wide use in the corporate landscape, the COSO principles.</p> <p>We believe that precise interpretational guidance in respect of 'effective' would be beneficial, to ensure a degree of consistency in application across companies. We think that effective could be defined as:</p> <p><i>A collective system of internal controls that provides the board with reasonable confidence in respect of the organisations operational, compliance and financial reporting activities.</i></p> <p>In respect of material weaknesses, we believe a multi-faceted definition will be required given the breath of the areas covered. We set out thoughts below:</p> <p>Financial Reporting: <i>A misstatement or misrepresentation in the accounts which would significantly alter the user's perception of</i></p>



the annual report and accounts as a whole and/ or position of the company as a whole.

Reporting (more broadly): A misrepresentation in reporting which would cause the user to make a decision that they would not otherwise have made.

Operational: A breakdown in controls which results in the board not having reasonable confidence in the integrity of operational controls within the business, or a significant business segment.

Compliance: A systematic and evidenced weakness in the organisation's compliance framework which undermines or puts at risk the group's operations or licence to operate.

We believe that all decisions related to external assurance over any and all aspects of the risk and controls disclosures should be at the discretion of the board.

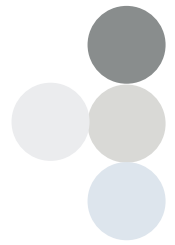
Consultation Question

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abrdn viewpoint

Please refer to our other responses for the areas where we are not supportive of proposed reforms. However, were the proposed revisions to be enacted we believe guidance is essential across the following areas:

- Definition of material weaknesses under operational, compliance and reporting
- Definition of effective/ ineffective, and guidance on making associated assessments
- Guidance on the scope of operational, compliance and reporting
- Guidance on what continuous monitoring entails
- Guidance on handling changes in environments period on period and within periods
- Guidance on the work to be undertaken in the period post the year end date prior to accounts publication
- Guidance on the interplay between the controls statement and the audit and assurance policy, the resilience statement, the distributions statement, and the fraud controls statement.



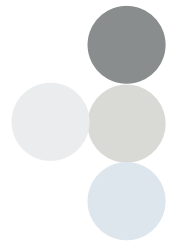
	<ul style="list-style-type: none">- Guidance on statement period overlaps- Guidance on audit committee stakeholder engagement practices- Guidance on the interaction/overlap between the Code, Statutory Instrument, and other related changes e.g., UK Listing Rules- Guidance on what outcomes focused reporting constitutes
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Consultation Question	19
abrdn viewpoint	Yes, we are supportive of this proposal and recognise the value of consistency across organisations.

Consultation Question	20
abrdn viewpoint	Yes, we believe there is clear value in businesses reporting on their future prospects, as such we are supportive of the proposal.

Consultation Question	21
abrdn viewpoint	As a PIE company, we have no comment to make in respect of non-PIE entities.

Consultation Question	22
abrdn viewpoint	Overall, we are supportive of the proposed revisions, and recognise the value of a strong link between the remuneration policy and corporate performance. As also articulated in our response to Q24, we are particularly supportive of the specific addition of ESG objectives with calibration of their impact left to the discretion of Remuneration Committees/Boards given variable importance within different business models. We believe that industry is well placed to respond to this, for example at abrdn we have already introduced ESG metrics into the annual bonus



arrangements of our Executive Directors, with sustainability being one of our key strategic priorities. In addition, a significant proportion of their variable remuneration is long-term in nature (either deferred bonus or long-term incentives), ensuring there is direct alignment between the remuneration of the Executive Directors and the successful delivery of our long-term strategy.

Consultation Question

Q23

abrdn viewpoint

Overall, we are supportive of increasing transparency in this area, but believe an amendment and a clarification is required to make the proposal efficient and effective. These requirements are prescriptive for UK (and European) financial services firms already, and in this context, we disclose both malus and clawback triggers and the periods over which malus and clawback may be considered in our Directors' Remuneration Policy.

Were a circumstance to arise which results in the application of malus or clawback to an Executive Director, this would be disclosed in our Directors' Remuneration Report at the time.

From a transparency perspective, we believe it would be more appropriate that the disclosure requirement on the application of malus and / or clawback is only linked to the year the adjustment is made and not repeated in future disclosures. This could mean disclosing the application of malus and / or clawback in relation to a significant event that occurred in a prior reporting year. This disclosure would be more meaningful and avoid confusion for the reader. We would also welcome clarification that this proposed change is specific to executive directors only.

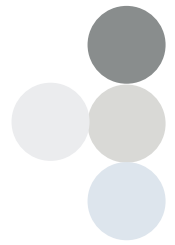
Consultation Question

Q24

abrdn viewpoint

Overall, we are supportive of the proposed changes, including the increased flexibility this provides to companies in determining policies and practices (and how this is then ultimately disclosed), however we believe small revisions are required to maximise effectiveness of the changes.

We note that Provision 40 (now Provision 34) is positioned in the context of policy formulation which could generate more generic design parameters (and therefore disclosures). To enable a more meaningful disclosure, it might be useful to also report on this



provision from a pay determination perspective noting that good disclosures already incorporate this as part of the chair of the Remuneration Committee letter.

At abrdn we have sought to prepare and publish meaningful disclosures on these areas (on both a policy and implementation basis). However, we recognise this is not universally the case.

In relation to the old Provision 41 (now Provision 43), and as also articulated in our response to question 22, we consider the addition of ESG objectives to be a positive enhancement.

Consultation Question

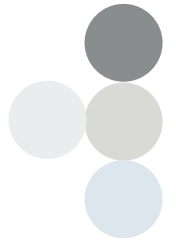
Q25

abrdn viewpoint

We would be supportive of the removal of these references in the provision. At abrdn we are aiming for an equitable and inclusive culture to enable diversity to flourish as we know this will create innovative solutions and best outcomes for our clients. In line with mandatory disclosure requirements, alongside supporting our wider strategy and ambitions, we publish a wealth of information on both our website and in the annual report in relation to Diversity, Equity, and Inclusion (DE&I).

While we believe both gender pay gaps and pay ratios have an important role to play in progressing DE&I, it is unclear to us that either are a good measure as to the appropriateness of the policy. The former is a measure of gender diversity within an organisation while changes in the latter from year to year are primarily driven by changes in the variable pay of the CEO. While we consider both in making decisions on remuneration, they must be considered in the round alongside a number of factors, and isolated commentary to address these specific points can easily be taken out of context (and therefore be unhelpful).

Further, given the duplication of the disclosure of pay gaps and ratios, we would be supportive of the removal of this reference in the provision. The DRR is already a section of the annual report that is increasing in length in order to address multiple requirements and stakeholder expectations (including from regulators and shareholders). Therefore, streamlining the requirements would aid in simplifying the DRR.



Consultation Question

Q26

abrdn viewpoint

We have no comment to make in this regard, the landscape surrounding AI is evolving at such a pace that it is not possible to provide a rounded view at this time.