



Financial Reporting Council (FRC)  
8<sup>th</sup> Floor  
125 London Wall  
London  
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13 September 2023

Dear Mr Styles,

### **Hiscox Feedback on the UK Corporate Governance Code Consultation**

Thank you for the opportunity to respond to the "UK Corporate Governance Code Consultation" published by the Financial Reporting Council ("FRC") in May 2023 ("Consultation Paper") with respect to potential revisions to the UK Corporate Governance Code (the "Code"). Since the consultation was published, Hiscox has reviewed the revisions to the code. We have been actively engaged with the Association of British Insurers ("ABI") and have provided feedback and input into the wider ABI industry submission and fully endorse that submission. Hiscox has invested considerable time in understanding what the revisions mean in practice for the Company and the insurance industry, consequently we wanted to write to you and highlight some of the key points and concerns for Hiscox, specifically on section 4 of the proposed changes to the Code.

#### **Scope and requirements**

We believe that the internal controls over financial reporting are important and welcome the new provision on a directors' declaration on their effectiveness in the Annual Report and Accounts. However, we have concerns that extending the scope to 'reporting' obscures the importance of financial controls to shareholders and could lead to inconsistencies in practice, for example, in what is included within 'reporting'. Expanding the directors' statement to all reporting rather than just the financial statements without specificity could lead to diverging practice and lengthy disclosures which are not comparable across the market as well as being onerous and costly to implement. In addition, the reporting framework for non-financial reporting is much less mature than financial reporting. The pros and cons of expanding the declaration to 'reporting' for shareholders and users of the accounts needs further consideration, over a longer timescale before an effective outcome can be achieved.

The practical steps needed to comply with the new provisions in section 4 are not yet clearly articulated. We do not believe they are meant to be a 'UK Sox' framework, but this is how some stakeholders are interpreting the changes and this will create additional unnecessary work. Clarity on this point is needed urgently to ensure a consistent interpretation of the changes is applied in practice.

Providing an external declaration on controls, including compliance and operating, clearly 'raises the bar' in terms of control frameworks and governance. The additional effort required to support an external disclosure for operational controls and non-finance reporting should not be underestimated. The steps required by companies to comply with the new provisions need to be proportionate in terms of the costs of implementation and benefits to shareholders.

**Process and timing**

At this stage, and given the effective date of 1 January 2025, greater certainty over the new provisions on internal controls is needed. A phased approach should be considered with an initial focus on controls over the financial statements.

**Declaration date**

While we understand that assessing control effectiveness is not a point in time exercise, requiring a disclosure on the effectiveness throughout the period goes beyond the requirements of US Sox reporting.

It also has practical implications of interpreting what constitutes 'continuous effectiveness' and therefore potential for inconsistent application across companies. We therefore have some concerns over consistency, both globally and the application across UK companies.

The declaration should be to the balance sheet date, rather than the date of the annual report, so it relates to the financial year in question.

While we are supportive of the work the FRC are doing, we are very keen that the revisions of the code do not disproportionately impact organisations where the value is then lost. We will await the outcome of your consultation and are happy to engage with the FRC directly or through the ABI to discuss any of the above topics as needed.

Yours sincerely

