

Ms Kristy Merrick

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Dear Kristy

We welcome the opportunity to respond to the Wates Corporate Governance Principles for Large Private Companies Consultation. Prism Cosec is a company secretarial and corporate governance practice, and part of the Equiniti Group. We act as company secretary to a significant number of companies across the spectrum from the FTSE100 through to private companies. For many of our clients we are the named company secretary and carry out the full role of a company secretary within the business working primarily with the Board, board committees and the executive management.

We respond to the specific questions posed as part of the consultation as follows:

1 Do the Principles address the key issues of the corporate governance of large private companies? If not, what is missing?

Generally, the Principles address the key issues and are at a sufficiently high level to allow companies with widely differing structures and stakeholders to apply them in the most appropriate manner. However, we have the following comments:

Principle 1 should be more business-orientated. For example, consider wording such as – “An effective board promotes a business model to deliver growth and ensure the long-term success of the company, and ensures that its values, strategy and culture align with that purpose”.

Principles 2 and 3 – Composition and Responsibilities could be combined. Consider a combined Principle heading such as “Effective Management Structures”.

Given the importance of oversight of financial matters, consider adding an additional Principle around audit/financial control setting out how the company might put systems in place to ensure the integrity of financial systems and review of the financial results.

2. Are there any areas in which the Principles need to be more specific?

We do not feel there are any areas in which the Principles need to be more specific. It is recognised that the governance and management structures within private companies will vary a great deal. Each principle acts as a general heading to allow a Company to set out its own methodology for applying it.

3. Do the Principles and guidance take sufficient account of the various ownership structures of private companies, and the role of the board, shareholders and senior management in these structures? If not, how would you revise them?

The ‘apply and explain’ approach lessens the need to draft a code that caters for every type of ownership structure. Where compliance with a Principle is necessarily restricted because of a company’s structure it is possible to “explain” this and provide narrative on the approach that has been taken.

4. Do the Principles give key shareholders sufficient visibility of remuneration structures in order to assess how workforce pay and conditions have been taken account in setting directors' remuneration?

We feel that Principle 5 itself does not oblige the company to provide visibility of the actual remuneration structures within the company. Rather there is a requirement to set out how the management and board have gone about ensuring that pay and conditions elsewhere in the company have been taken into account. The guidance note wording is a little obscure, i.e. "The board should establish a clear policy on the transparency of remuneration structures that enable effective accountability to key shareholders" and if the aim is to encourage companies to be transparent, we wonder if alternative wording such as "The board should provide sufficient information on remuneration structures ..." might be better.

5. Should the draft Principles be more explicit in asking companies to detail how their stakeholder engagement has influenced decision-making at board level?

We feel that Principle 6 and its guidance notes are sufficiently explicit.

6. Do the Principles enable sufficient visibility of a board's approach to stakeholder engagement?

We feel that the Principles and the guidance notes do provide sufficient steerage to boards to enable them to provide sufficient visibility whilst taking into account the many different types of stakeholders they will be dealing with.

7. Do you agree with an 'apply and explain' approach to reporting against the Principles? If not, what is a more suitable method of reporting?

We feel that the 'apply and explain' approach is the most appropriate.

8. The Principles and the guidance are designed to improve corporate governance practice in large private companies. What approach to the monitoring of the application of the Principles and guidance would encourage good practice?

We feel that, over a certain size, companies should be obliged to cover governance in annual reports and on websites. This could also be addressed in annual financial audits.

9. Do you think that the correct balance has been struck by the Principles between reporting on corporate governance arrangements for unlisted versus publicly listed companies?

We welcome the initiative to encourage the boards of large private companies to think about, and disclose, their governance arrangement and feel the Principles are general enough to provide guidance, and minimum requirements, without being overly prescriptive. We do feel however, that the QCA Governance Code for Smaller Companies would also be suitable for the larger private companies and wonder if there is any scope to promote the use of that Code for use by non-quoted companies.

10. We welcome any commentary on relevant issues not raised in the questions above.

We have no further comments.

This Submission has been prepared by Vivienne Hemming on behalf of Prism Cosec, who can be contacted as follows:

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