



Keeping the World Flowing
for Future Generations

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Dear David,

UK Corporate Governance Code Consultation

I have reviewed the proposed corporate governance changes outlined in the Consultation document issued in May and discussed with members of my wider finance scheme. Following that review I thought it appropriate to share our views on the proposals through the consultation process.

We are very supportive of the overall intention of the proposed changes. In general, I believe the more examples and clearer guidance the FRC is able to provide on the changes the better the understanding will be of the proposed changes and the greater the consistency of application will be. However I do believe there should be more time for full implementation and a staggered timescale should be considered. The proposals could be phased in over time or if it is believed that they cannot be phased, implementation timing could be based on size or organisation. This would allow larger organisations, which naturally have access to more resources, to lead the way and help establish best practice before smaller listed organisations, like Rotork, are required to full adopt the new Code.

Attached are our responses to the detailed questions in the consultation where we had a specific comment.

Yours sincerely

Output from the Rotork Finance Review of FRC 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. The macro changes driven by these proposed changes will deliver an improvement in outcomes based reporting. Further and increased clarity on what is required, and a longer timeframe for implementation for those organisations outside of the FTSE50 would be beneficial.

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. Supported.

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. Supported.

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

No, this is unnecessary additional disclosure where existing Code requirements already adequately cover this.

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?

The terms of reference of each board committees should be decided by the board and it should decide how to discharge its overall responsibilities. This doesn't need to be directed by a Code requirement.

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?

The boards declaration should be at the date of the balance sheet, excepting material post balance sheet events. It would be too complex and impractical to achieve external assurance and internal governance on the continual monitoring approach right up to the date of annual announcement.

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?

In principle, yes. Further clarity is needed on the exact scope and definition of materiality of "reporting" elements

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?

Clear guidance supported by relevant examples will help clarity and consistency, but we would not want revised code to be prescriptive.

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?

Clearer guidance and relevant examples on scope and materiality for non-finance reported controls is required. Best practice Reference cases would help context requirements

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