FRC UK CORPORATE GOVERNANCE CODE CONSULTATION RESPONSE

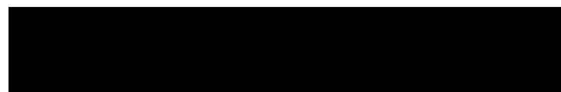
Dear Financial Reporting Council

SSE welcomes the opportunity to comment on the proposed changes set out in the UK Corporate Governance Code (the Code) consultation document (the consultation), published on 24 May 2023.

SSE is a leading generator of renewable electricity in the UK and Ireland and one of the largest electricity network companies in Great Britain. It is driven by a purpose to provide energy needed today while building a better world of energy for tomorrow. It develops, builds, operates, and invests in low-carbon electricity infrastructure in support of the transition to net zero, including onshore and offshore wind, hydro power, flexible thermal generation, electricity transmission and distribution networks, alongside providing energy products and services to customers. SSE's ambitions for the development of renewable energy now extend beyond the British Isles to carefully selected international markets, including Asia-Pacific, Europe, and North America. UK-listed and headquartered in Perth, SSE is a major contributor to the economies in the UK and Ireland. It employs around 12,000 people and is real Living Wage and Fair Tax Mark accredited.

We would be happy to engage further on any of the points made and proposed next steps.

Yours sincerely



SSE plc

1. OUR RESPONSE

We understand the consultation seeks to address the policy issues highlighted by the Government in its response to the findings of *'Restoring trust in audit and corporate governance'*. In addition, it takes the opportunity to address areas, which in the FRC's view, reporting could be improved. Accordingly, our response to the consultation has been structured in two parts; first, our views on the scope and level of change which is being proposed and, second, our answers to the set of consultation questions.

Our summary view is that we are supportive of change where it is proportionate and has been considered within the existing regulatory reporting framework, we however strongly guard against altering the level at which the Code is set, such that it fosters 'box-ticking' and becomes incompatible with other legislation. Broadly, the current Code functions well and the flexibility offered by the Principles and Provisions must be preserved, with any amendments supported by an assessment of the time, cost and overall benefit which will be achieved.

2. PRESERVING CORE PRINCIPLES

We put forward the following principles, which we believe should be observed, to preserve the Code's strength as a hallmark of high-quality corporate governance practice.

Materiality

The Code was last revised in 2018, and at that time, was described as '*shorter and sharper*' with the removal of Supporting Principles and fewer Provisions. These changes re-aligned the focus of the Code; ensuring sufficient flexibility whilst avoiding the creation of a rigid set of rules. One

of the ways in which we feel this was achieved was by setting the resultant Principles and Provisions at a level that allowed related legislation, regulatory frameworks, and guidance to operate in unison. For the most part, disclosures were not mandated if they were covered by another rulebook. It also refrained from becoming overly instructive on specific points of detail, with all Principles and Provisions setting a broadly uniform level of materiality. By contrast, we believe a number of the proposed updates risk this approach, with varying levels of specificity being called for across sections, and a more prescriptive tone on how some areas should be addressed. We caution against this outcome, which risks the Code becoming a patchwork of policy issues and the incorrect view it is the default place to 'fix' them.

Overlap

The proposed revisions to the Code provide duplicative focus to a number of detailed rules which are covered in other areas of regulation and law. Our concern is this is not a particularly enduring approach – the pace of change is fast, and the Code could very quickly become outdated, for example, because the interlocking rules move on, or the governance topic of the day or best practice standards change. Where there remains a desire to tackle cross-cutting issues, definitions and language are of utmost importance so as not to inadvertently create additional rules or complexity in an already unwieldy reporting landscape.

Proportionality

Any change to the Code should be proportionate to the severity and prevalence of the issues it is seeking to address. If not, it will place undue focus on areas, which for the most part, function well. A number of the additional topics (i.e. those not borne from the Government's work) have been coined as areas that could be improved; this is distinct from an area being an absent governance consideration or a trigger of widespread failure. We strongly support the Code's current scope but would caution that the level of compliance within its Provisions is routinely used as a blunt instrument to judge the strength of a company's corporate governance approach. This contradicts the FRC's intention for the Code to foster high-quality reporting and explanations – more needs to be done to ensure *users* of the annual report embrace this ethos also, before including what could be deemed more prescriptive or best practice standards. Further, we are concerned a number of policy issues are being placed on companies to address as part of a one-sided ask; any request being placed on a company which has a touchpoint with an external stakeholder should be reciprocated.

3. CONSULTATION QUESTIONS

SECTION 1

Q1. Do you agree that the changes to Principle D in Section 1 of the Code will deliver more outcomes-based reporting?

Summary view. Principle D is not required.

The application of the Principles and 'comply or explain' model of the Provisions is the foundation of the Code, and therefore a long-standing, well-recognised, and well-understood feature. We do not believe this is a concept that should be converted into a Principle under the header of *Board leadership and company purpose*, which conflates the functioning of, and reporting against, the Code, with the manner in which the board should run the company and

discharge its role. However, there would be value in reiterating that an explanation of non-compliance should be considered in the broader context of what is right and appropriate for an organisation.

The concept of *governance activity* and later *governance practices* also lack clarity and is open to a wide degree of interpretation; is the intention simply to state when reporting against the Code? If so, the construct of Principle D repeats the modus operandi of the Code – which is set out very clearly in the current introduction of the Code and in Listing Rule 9.8.6 R (5) and (6). On practical implementation, there is a risk that companies aim to apply this Principle through the development of a confirmatory statement, which we do not believe will be meaningful or value adding.

Q2. Do you think the board should report on the company's climate ambitions and transition planning, in the context of its strategy, as well as the surrounding governance?

Summary view. SSE strongly supports reporting on climate and transition planning, but urges carefully consideration be given to existing and future reporting requirements to ensure the Code does not become additive.

Yes, SSE firmly believes that climate targets, plans to decarbonise a company's activities, climate adaptation plans, their relationship to company strategy and the governance arrangements in place should be disclosed within an annual report. The term 'climate ambitions', however, is ambiguous.

If the letter and spirit of section 172 is applied, then it should be automatic that an issue as critical as mitigating and adapting to climate change would be fully considered within annual disclosures. However, the issue of concern for SSE is that companies are already required to publish comprehensive TCFD reports in their annual report, new requirements are expected if the UK adopts the ISSB climate standard, alongside the expectation that companies must publish a Net Zero Transition Plan. SSE is doing all those things and welcomes the opportunity to do so. However, any further requirements regarding climate disclosures must be consider very carefully the context of this, already, onerous reporting regime. Alignment and potential synthesis of all these requirements could be helpful.

Q3: Do you have any comments on the other changes proposed to Section 1?

Summary view. Drafting results in ambiguity in places and we do not support mandating shareholder engagement as a provision.

Principle A. The current drafting makes it unclear as to what '*measure performance against them*' refers to. Is *them* 'objectives' or 'policies and practices'? If given the choice, we would support *them* to mean *objectives* and request this is reworded accordingly.

Provision 3. Engagement is a two-way practice. We therefore disagree with making engagement with shareholders a mandatory practice for committee chairs, against which companies should 'comply' or 'explain'. There is also a lack of qualifier surrounding which shareholders committee chairs are expected to engage with. In the absence of any further detail, it reads as *all* shareholders, which is out of step with the requirement for the chair of the board to engage with *major* shareholders. Should the intention be that committee chairs engage too with *major* shareholders on significant matters, the principles of responsible stewardship need to be equally aligned, such that this update is proportionate. Should the FRC retain its overall position, the

decision of what constitutes a '*significant matter*' must be for the company to assess in the context of its individual circumstances.

SECTION 2

Q4: Do you agree with the proposed change to Code Principle K (in Section 3 of the Code), which makes the issue of significant external commitments an explicit part of board performance reviews?

Summary view. This is not required to be included.

SSE believes this is an example of where the materiality of the Code begins to veer into a prescriptive ruling – we do not agree with this approach, especially at the level of Principle. Under the heads of '*performance'* and considering '*whether each director continues to contribute effectively'* a board will take into account all relevant circumstances which could preclude an individual from doing so. This will, in almost all cases, consider the time provided to board and committee business, and the availability of an individual outside of these times. On this basis, the inclusion of significant external commitments is not required to be singled out from the full suite of matters a board will reflect on when assessing its effectiveness. We would also highlight the inconsistent terminology throughout Provision 15, the proposed Principle K, and this question. This area is worthy of detailed consideration as it will almost certainly influence proxy advisory policy. We believe the ability of a director to meet the expected time commitment is ultimately contingent on company policy and a wider set of circumstances than would be appropriate for full disclosure in an annual report and which is a matter for an individual director to consider.

Q5: Do you agree with the proposed change to Code Provision 15, which is designed to encourage greater transparency on directors' commitments to other organisations?

Summary view. The additional wording added is not required and terminology needs clarified and aligned.

The following definitions are used across Provision 15 and the proposed Principle K: *significant director appointments; commitments to other organisations (x2); other demands on directors' time; significant commitments; external appointments; and significant appointments*. What we believe to be the same sentiment is mentioned seven times. As a point of principle, one proportionate and well-understood term should be used.

In practice, an organisation will not offer an individual a directorship position without a discussion of the time commitment required for the role – this is prudent and in the vested interest of the company (also set out in the 2018 Code). Thereafter, a director is already required to seek the approval of the board before taking on any additional '*external appointment*' (the 2018 Code). Further, the translation of this into practice becomes self-evident through the board evaluation process/performance review. The position is therefore regulated internally though a number of mechanisms.

Bolstering transparent disclosure is LR 9.6.13 R and 9.6.14 R which require announcement to the market of those publicly quoted companies upon which a director sits. There is additional quasi-regulation via proxy advisory firm policy, although we would note this can be opaque, varied at times, and misaligned with the company's own internal views and judgement. To allow a factual assessment to be undertaken by shareholders and wider stakeholders, including proxy advisory firms, it is already in an organisation's best interests to disclose in the annual report all external

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commitments which it believes are relevant to a director's position. This may include those which impact time commitment, but also those which bolster the diversity and innate differences between director style and opinion. Care must be taken in an already complex area, such that the Code is very clear on what should be disclosed and to what end, but with the overriding caveat that a company and its individual directors should be agreeing what is acceptable in place of binary mandates or formulaic assumptions. Flexibility will produce more transparent disclosure than an expanded Provision in this instance.

Finally, we note reference to an implicit assessment (in the second sentence of proposed Provision 15). It is not clear to what extent or when this takes place, to then understand what actions it may be being referred to.

SECTION 3

Q6: Do you consider that the proposals outlined effectively strengthen and support existing regulations in this area, without introducing duplication?

Summary view. We believe there are further areas to consider in respect of the proposals across section 3 and set these out under questions 7 to 9. *Please also see question 4 our views in respect of proposed Principle K.*

Q7: Do you support the changes to Principle I moving away from a list of diversity characteristics to the proposed approach which aims to capture wider characteristics of diversity?

Summary view. We do not support these selective changes.

SSE is a proponent of meaningful and transparent disclosure surrounding the focus the board provides to inclusion and diversity – in its widest sense – but we are concerned at the lack of clarity surrounding the form of disclosure that would be required to evidence the application of Principle I. At the risk of diluting the current quality of diversity disclosures, we suggest the new wording does not extend beyond *They should promote equal opportunity and diversity and inclusion.*

Q8: Do you support the changes to Provision 24 and do they offer a transparent approach to reporting on succession planning and senior appointments?

Summary view. It is not clear where significant value will be gained across these changes which overlap considerably with proposed Provision 18. We would suggest one approach being to refine proposed Provision 18, taking into account the below comments in relation to the concept of 'pipelines' and non-executive roles. It could then be noted that the matters covered under proposed Provision 18 should be covered in the report of Nomination Committee work (under the comply or explain model).

Statement one. This overlaps with provision 18 and we make the following observations.

There is a distinction between building an internal pipeline and having an awareness of the external talent pool, and both concepts may not be equally applicable across board-level and senior management succession. Considering board-level roles, it is possible to consider the internal pipeline for executive director positions but less likely to be coined as a process used for non-executive roles. For the latter, it is likely that regular review of non-executive tenure and skillset is couched in the requirement for any recruitment process to be initiated and over what

timeframe. Currently, statement one muddles multiple concepts and overlooks the differences which may exist between executive and non-executive process. It is also clear that an organisation would never disclose its confidential succession plans, rather provide assurance of the frequency and manner in which succession planning for both board and senior management roles is approached. If retained, the wording should be more explicit in this regard.

Statement two. This overlaps with provision 18.

Statement three. This overlaps with DTR 7.2.8A R and we make the following observations.

Notwithstanding the overlap with DTR 7.2.8A R, which we do not support, the wording in statement three is ambiguous and will not produce quality disclosures. What is '*the diversity policy*'? This is not introduced in the Code until this statement – is it the policy under DTR 7.2.8A R? What is the meaning of '*company objectives*' in the context of statement three – diversity objectives, strategic objectives, or other? And what is the scope of established initiatives – those that relate to diversity and fall under 'the policy', those that are related to diversity but not necessarily covered by 'the policy', or other?

Statement four. There is significant overlap across reporting regimes in the provision of diversity information and we provide the following views.

There are multiple requirements to provide diversity information in the annual report, which is both confusing for preparers and those who use this data for their own assessment of a company's performance in this area. We highlight these as follows:

- quoted companies must disclose the number of persons of each sex who were directors of the company, senior managers (including directors of all subsidiaries included in the consolidation) and employees of the company in the strategic report (s414C(8)(c) CA 2006);
- premium listed companies must disclose the gender balance of those in the senior management and their direct reports in the annual report (the 2018 Code);
- premium and standard listed companies must disclose standardised numerical disclosures relating to the gender identity or sex of their board, key board positions and executive management team in the annual report (LR 9.8.6R(10) and 14.3.33R(2)); and
- the definitions of 'senior manager' in s414C(9) CA 2006, 'senior management' under the Code and 'executive management team' under the LRs do not directly align, and separately the FTSE Women Leaders Review uses the concept of 'group executive committee and direct reports'.

We urge the FRC to consider whether existing requirements could be used to satisfy the objective of this statement.

Statement five. We note the performance review is typically <u>a board-led process</u>, with a wider scope than solely board composition. We would request the rationale for including the description of the process in the Nomination Committee Report be reviewed.

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?

We have no further comments on the CGI guidance.

SECTION 4

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

Summary view. We see the AAP providing limited value to shareholders and stakeholders.

SSE is broadly comfortable with the proposal for the development and publication of an Audit and Assurance Policy (AAP). It is not however clear how the audit committee will engage with shareholders on an AAP and the scope of the external audit, in addition to the underlying value case for reporting this information. We do not believe that shareholders and stakeholders, beyond professional services and regulators, will gain significant benefit from this additional reporting. We do however support using an AAP to describe the approach companies take in assessing the effectiveness of internal controls and risk management, alongside the approach to assurance in terms of a company's principal risk mitigating controls and also external disclosures.

Q11. Do you agree that amending Provisions 25 and 26 and referring Code companies to the Minimum Standard for Audit Committees is an effective way of removing duplication?

Summary view. We support removing duplication and referring to the minimum standards which have been defined elsewhere.

SSE has no material issues with these proposals. As the Minimum Standard for Audit Committees has already been implemented, we view this as simply updating the Code. As noted within Q10 (and with reference to the requirements of the Minimum Standard), the expected objective and form of engagement with shareholders on the scope of work of the external auditor is unclear. We would welcome further clarity as to whether this would mean cross referring to the standard, an implied mandatory activity or it falls into the comply or explain model.

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?

Summary view. We believe the proposal risks having a negative impact on the quality of corporate governance and that companies should be given the flexibility to establish the most appropriate committee structures.

SSE's Audit Committee already oversees all principle risks including climate change alongside the framework for the development of its TCFD disclosures which includes climate risk and opportunities, however, we do not feel the Code should direct or mandate responsibilities to specific committees in relation to *sustainability reporting*. Wider ESG risks are considered through other committees within the SSE corporate governance framework. The proposal as it stands could create significant new implications for audit committees, in a landscape in which there are ever-increasing sustainability reporting obligations. By extension, it places even more responsibility upon the audit committee chair, with the risk being this role becomes so disproportionately over-loaded it becomes difficult to attract talent at the right level and experience, which has the unintended consequence of reducing the quality of governance rather than strengthening it.

Companies should be afforded the maximum flexibility to establish the most appropriate and efficient governance or committee structure to manage its risks or ensure the effectiveness of its internal controls in relation to narrative reporting. We recognise the synergies between assurance

over financial and non-financial reporting, and the role the audit committee fulfils in terms of the former, however there are wider aspects to ESG, climate and sustainability (beyond disclosures) which need to be factored in to how this area is governed, for example, standards setting, performance, and operational delivery.

An overriding concern, remains the significant degree of fluidity in the changing regulatory and standards landscape in the UK and EU, which sit outside this consultation, but set a complex background of standards in which this proposed update is couched. The expectation is that the changes to reporting obligations, now and in future, are only going to increase. The Code must therefore be drafted to support directors, and allow discretion and a risk-based approach to be adopted. There remains a risk of creating a huge cost and efficiency burden upon businesses and a reduction in quality disclosure.

Q13. Do you agree that the proposed amendments to the Code strike the right balance in terms of strengthening risk management and internal controls systems in a proportionate way?

Summary view. We believe the proposals go beyond the original intent of the consultation and will create significant cost and resource implications for companies due to a lack of focus on the most critical controls and key risks. The lack of supporting detail surrounding proposed guidance makes judging the full implications of these proposals difficult.

A key requirement is that the Code retains the ability for directors to adopt an approach which is proportionate and relevant to the organisation's individual set of circumstances. We do not support an explicit or implicit requirement to seek additional assurance over areas which have not been assessed and agreed by the company and its directors.

From the original consultation response in July 2021, the focus and scope of coverage has increased exponentially: from internal controls over financial reporting in November 2021; to financial reporting, operational and compliance controls in May 2022; and then reporting, operational and compliance controls in June 2023. This change has not been supported by any clear guidance or statement of intent surrounding *reporting granularity*; the *expected controls framework application*; or *the level and type of assurance to be employed*. With SOX rejected as a framework for financial reporting in 2021, we believe the position introduces ambiguity under each of the above heads. This needs to be clearly addressed within guidance to support organisations and wider stakeholders understand the expectations of the Code.

We recognise the proposed amendments could bear significant cost and resource implications and would welcome an impact assessment or cost-benefit analysis of the levels and types of assurance the FRC envisages being required. In particular, we note the proposed provision 30 and the declaration which must be made by directors, we believe there to be a current assumption that many companies will require external assurance to make these statements – a development which we would not support. We stand by the principle that organisations be afforded the flexibility to safeguard against bureaucracy and inefficiency, through for example, establishing additional internal assurance teams, additional time spent reviewing assurance and effectiveness of low-risk areas, alongside additional third party costs related to advice and external assurance.

On the language within the current drafting, there is a lack of clarity surrounding a number of definitional terms, namely, '*on what basis*', '*material controls*' and '*material weakness*'. We recommend this is addressed in any documentation which supports the Code.

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?

Summary view. We agree in principle with this proposal but feel it is more appropriate for boards to decide the frequency of review with any declaration linked to the financial year end.

Extending board responsibility from 'establishing' to 'maintaining' is acceptable and a small adjustment to existing process. Reporting and engagement on the effectiveness of the risk management and system of internal control should, however, be based on a year-end disclosure.

The level and nature of assurance to support the above changes should remain a decision for the board and is a matter which could be disclosed in the AAP. Neither the FRC nor Code should mandate external assurance or provide guidance on circumstances in which external assurance might be considered appropriate. If this is not done, it will indirectly define industry expectations and influence the direction of travel.

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?

Summary view. We feel the Code should continue to refer to financial reporting as this is an established practice within companies and industry. Non-financial reporting standards and frameworks are not mature enough.

Our position is clearly outlined within the responses to Q12 and Q13. Due to the lack of standards and the fluidity of the evolving non-financial reporting landscape, the Code and associated guidance should focus upon internal controls over financial reporting. The Code guidance should provide organisations with expectations linked to the direction of travel to support the increased focused over non-financial reporting. The formality and level of rigour linked to non-financial reporting will largely be set by other legislation and regulation. The Code should therefore support organisations in adopting a risk-based approach to controls effectiveness and assurance, linked to non-financial reporting. The Board and audit committee at present oversee the annual report publication process undertaking a fair, balanced and understandable review process. The risks of creating a huge cost and efficiency burden upon businesses and losing the value from quality disclosure remain.

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?

Summary view. We believe the guidance needs to clearly define against which frameworks the effectiveness of risk management and controls should be assessed.

More granular guidance and clarity is required. This is critical to ensure compliance, the efficiency of implementation and ongoing operation. This is pivotal to avoid unnecessary costs and inefficiency for businesses.

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?

Summary view. We believe the guidance needs to be clearly defined to support consistent interpretation and utilisation of existing standards (e.g. IFRS, Auditing standards, SOX) where these exist.

It is imperative that guidance and definitional components are consistent with existing standards and conventions (where possible) to avoid deviations and maintain efficiency of reporting.

Q18. Are there any other areas in relation to risk management and internal controls which you would like to see covered in guidance?

Summary view. SSE has no comments on this point.

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)?

Summary view. SSE has no issue with this proposal.

Q20. Do you agree that all Code companies should continue to report on their future prospects?

Summary view. **Subject to finalising the statutory instrument and details of the requirements for the Resilience statement. Aspects such as definition of 'long term' and avoiding duplication with other related risk disclosures elsewhere within annual report are the only residual concerns.**

Q21. Do you agree that the proposed revisions to the Code provide sufficient flexibility for non-PIE Code companies to report on their future prospects?

Summary review - SSE has no comments on this point.

SECTION 5

Q22. Do the proposed revisions strengthen the links between remuneration policy and corporate performance?

Summary view. SSE is generally supportive of this change.

SSE is generally supportive of strengthening the links between remuneration policy and corporate performance. However, we expect the proposed revisions will mean that the Directors' Remuneration Report (DRR) will need to be even better at demonstrating the link between pay and corporate performance which may be challenging in the case of longer-term sustainability measures and targets.

Q23. Do you agree that the proposed reporting changes around malus and clawback will result in an improvement in transparency?

Summary view. SSE agrees that these will increase transparency but notes that provisions for malus and clawback already exist.

SSE agrees that the reporting changes around malus and clawback will result in increased transparency. However, this may require changes to contracts of employment which may be a

sensitive issue for existing executives, and potentially pose difficulties when recruiting, especially internationally. On the other hand, malus and clawback provisions already exist and can already be enforced as long as the incentive documentation has been properly drafted and the new legislation in the US on clawback may change thinking on this.

SSE already gives examples of the circumstances in which malus and clawback may be invoked e.g. material misstatement of the accounts or serious reputational damage including material environmental or safety issues. SSE also discloses where downward discretion has been applied and goes back 10 years.

Q24. Do you agree with the proposed changes to Provisions 40 and 41?

***Summary view. SSE is broadly supportive but has some concerns regarding the changes to provision 41*.**

The changes are likely to require continued and effective briefing of the board and of the remuneration committee. SSE's Remuneration Committee continues to assess pay risks on a regular basis and to report on this in the DRR. '*Ensuring outcomes are proportionate*' and demonstrating this in the DRR will continue to be crucial.

The first bullet under new provision 43 relating to the requirement to explain how pay policy for the executive directors supports strategy and ESG goals is not straightforward and reporting this in the DRR will be complex.

In addition, we note the changes to the third bullet point of new provision 43 which combines the requirement to engage with shareholders and the workforce where previously they were separate. This causes us some concern IF the FRC and the new Code requires 'engagement' with the workforce on executive remuneration policy and outcomes in the same way that shareholders are currently engaged on these matters. The nature of 'engagement' and the definition of 'employees' or 'workforce' are crucial. An annual process of consulting with shareholders and the global workforce on both executive pay policy and pay outcomes, and the alignment of executive pay and overall company policy with a view to making changes and 'disclosing the impact on' policy and outcomes, would be a considerable change in approach and require a great deal of additional work.

25. Should the reference to pay gaps and pay ratios be removed, or strengthened?

Summary view. Existing statutory reporting requirements already cover pay gaps and pay ratios and so we suggest the reference should be removed.

OTHER

Q26. Are there any areas of the Code which you consider require amendment or additional guidance, in support of the Government's White Paper on artificial intelligence?

Summary view. It is too early to include any reference to artificial intelligence (AI) in the Code.

We believe it too early to include any helpful statement in the Code in relation to AI. The development of an AI regulatory framework should be considered separately and be centred on the specific use cases and the associated risks to companies and wider stakeholders.