



Response to UK Corporate Governance Code Consultation

September 2023

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Section 1 – Board leadership and company purpose

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

- Yes, the changes set clear expectations and are likely to result in a better quality of reporting.

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?

- Yes.

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

- Provision 2 – reporting on how culture has been embedded – Measurement of culture and how it is embedded can be a challenge and is often subjective, for this reason there is a tendency to focus on activities rather than outcomes and it is hoped that the revisions to the Code will help to improve this. It may be helpful to include reference to colleague/workforce engagement as well as culture, because engagement is a quantitative measure and helpful indication of whether colleagues align with the organisation's values.

Section 2 – Division of responsibilities

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?

- Yes this should be part of performance reviews, directors have significant responsibilities and should have appropriate time to dedicate to fulfilling their duties.

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?

- Agree that it is important to provide assurance that director commitments have been considered as part of the Board performance review and disclose any actions arising.



However, what value do readers of the report receive from Executive A saying that their employer allows them time to undertake NED activities and Executive B saying their employer requires them to take holiday? This is not a determining factor of their effectiveness and may cause readers to make assumptions which could easily be incorrect.

Section 3 – Composition, succession and evaluation

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

- Yes.

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?

- Absolutely. Whilst making use of prescribed characteristics can be helpful for example by giving diverse groups of people a voice and reaching a wider audience for recruitment, everyone is an individual and valuing wider characteristics of diversity supports the ethos that “everyone is welcome”.

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.

Board performance reviews

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, the CGI have carried out comprehensive research and their recommendations are well made.

Section 4 – Audit, risk and internal control

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

- No. There is a reason the coming legislation puts criteria around where an A&A Policy is required and that should be reflected in the Code requirements. Our preference would be for those that do not meet the criteria, creation of an A&A Policy must be considered but is not essential.

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?

- Yes.

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?

- Yes.



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?

- Yes.

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 date of the balance sheet. The forward looking going concern statement is from the balance sheet date, so it would make sense for the backward looking statement on risk management and control to be the same.

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?

- Yes, controls over narrative are important too.

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?

- Examples are always helpful, with the caveat that an organisation can use something different provided they are sure it will be suitable and provide a quality outcome.

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?

- It may be helpful to set out the characteristics of an effective risk management and internal controls system rather than trying to define something which organisations may or may not align to.

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

- None.

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 retain, it provides a more complete picture.

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

- Yes.

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?

- Yes.

Section 5 – Remuneration



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

- Yes, although the existing provisions were adequate for our purposes already.

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

- Yes. Will the requirement for including information about the last five years only be relevant for the next few reporting periods? After that readers will be able to refer to prior years for the information.

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

- Yes.

Q25: Should the reference to pay gaps and pay ratios be removed, or strengthened?

- Removed as it is reported elsewhere.

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?

- It may be helpful to clarify that, as a principle, whilst thinking and processes can be augmented with artificial intelligence, governance decisions should still be made by humans.

