

UK CORPORATE GOVERNANCE CODE CONSULTATION – SEPTEMBER 2023**Q1: Do you agree that the changes to Principle D in Section 1 of the Code will deliver more outcomes-based reporting?**

Not applicable to Real Estate Investment Trust (“REIT”)

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, to an extent. The Board should report on the Company’s climate ambitions and transition planning to ensure consistent reporting across the plc market, whilst also acknowledging other existing climate related reporting.

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

We would support proposals to create more outcomes-based reporting on governance activity but it would be helpful to have a greater definition of what would be considered ‘governance outcomes’.

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, in the agreement with this proposal, as external commitments can be formally considered in board performance reviews. Guidance would need to be given on the definition of “significant” external commitment. There needs to be consistency of understanding. Such disclosures could also encourage proxy advisors to recommend votes against more NEDs. In practice there is a risk that the proxy advisors will simply do a sum of the number of mandates without considering any explanation.

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?

Yes, in principle, however this maybe more effective if it is disclosed on the website as well as the annual report as it would be more “current” to stakeholders. Clarification of what ‘significant’ means is needed.

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

We have no strong opinion on this question.

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?

Yes, a move beyond ethnicity and gender is supported in order to create a diverse board. The emphasis should be on Boards promoting equal opportunity and contributing to a diverse and inclusive Board.

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, in relation to Board and Committee diversity. Greater clarity will be needed on how much transparency is required for externally managed companies where the senior management structure

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is often held through partnerships of the Investment Manager and not required to be disclosed publicly.

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. This is welcome and not controversial.

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

Yes, further additional guidance should be provided in relation to the audit and assurance policy, the implementation, and contents specifically for companies without an internal audit function.

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, the amendments are an effective way of removing duplication.

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, where there is no other dedicated committee reviewing such matters.

If a company has an ESG committee, these matters should be reserved for such committee as appropriate time and resources are dedicated to such matters. Dedicated reporting can be included in the Annual Report.

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, if the Boards can “self-declare” then it would be undertaken in a proportionate way. For small companies captured by the Code, this would inevitably lead the Board to request for external assurance which would then not strike the right balance. Further clarity is needed on “director accountability” on reviewing the effectiveness of risk management and internal control frameworks especially for externally managed companies where the risk management and internal control frameworks are built and maintained by the Manager. The board maintains oversight of the systems but the day-to-day operations of the business is run by the executive and senior management team of the Investment Manager and thus further clarity is needed on the impact of the declarations made by the Board.

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 based on control effectiveness at the balance sheet date and should refer to ‘regular monitoring’ as opposed to ‘continuous monitoring’. Any short-term control deficiencies arising during the year that are remediated at the year-end which do not create a risk to year end reporting should not result in an overall conclusion that controls are ineffective. Definition is needed for ‘material weakness’ and ‘materially adversely affected’. Also, a definition of what constitutes narrative reporting and whether non-financial reporting is limited to the content of annual reports.

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.

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?

Guidance should avoid being prescriptive and allow for a considerable amount of flexibility for companies to report upon their framework especially for smaller and externally managed 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?

Definitions should be aligned with other standards issued by existing industry organisations.

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

Nothing further.

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, as this provides a useful insight for prospective investors.

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.

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

Not applicable for a REIT.

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

Not applicable for a REIT.

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

Not applicable for a REIT.

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

Not applicable for a REIT.

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?

No strong recommendations.