CRUF
CORPORATE REPORTING USERS' FORUM

13 September 2023

FAO:

David Styles
Director,
Corporate
Governance
And Stewardship

Financial Reporting Council
8th Floor, 125 London Wall
London EC2Y 5AS

Via email: codereview@frc.org.uk

Dear David,

Consultation: Financial Reporting Council on the UK Corporate Governance Code, May 2023

The UK Corporate Reporting Users' Forum (CRUF) welcomes the opportunity to provide the FRC with our comments.

The CRUF was established in 2005 and we have been holding regular meetings since. CRUF UK have prepared this comment letter based on discussions in CRUF meetings. As always, we do not seek to reach a consensus within the CRUF but to reflect a broad spectrum of users' views. We have highlighted any contrasting views in our response. Our comments are based on our professional experience as users of corporate reporting.

Key points arising from the questions

Context

1. There are several, non-trivial consultations still in progress, such as changes to the listing rules and the work on dematerialisation. A principle-based Corporate Governance Code (Code) should be able to accommodate any consequential changes to governance practices. Even so, we have concerns that the eventual requirements from each Consultation may diverge, contradict or confuse the intended outcomes of the others. We request that, as your proposals develop, they are sanity checked against the requirements of these other Consultations.

2. Paragraph 10 of your Consultation sets out your approach to the development of, and changes to, the various guidance. We find it difficult to comment fully where you have sought specific responses to the guidance without a better idea of what the guidance will contain. We request that you share the enhanced guidance with us ahead of the implementation of

the Code changes to obtain a completer picture of how reporting against the Code will be applied.

Definitions

3. There is neither a Financial Reporting Council UK Corporate Governance Code definition for materiality nor any requirement for companies to define materiality. Several of us want a Code definition, but, as a minimum, we want the Code to require companies to define 'materiality', although we recognise homemade definitions may be self-serving, but not informative. If we have the former in place, we suggest using the IASB definition of materiality as a starting point overlaid with Consultation paragraph 66 – then companies can 'comply or explain' using the latter. Without any definition, we cannot ascertain whether opportunities, risks and impacts from any source are being managed appropriately (paragraphs 56-57 of the Consultation and our response to Q13). We request that the Code defines materiality and that it requires all Code companies and all PIEs to 'comply or explain' how they define 'materiality' for each context used in paragraph 66.

4. We ask the FRC to clarify what they mean by ESG and sustainability (paragraph 45 of the Consultation and raised in our response to Q12). We want the Code to state that it would be good practice for companies to distinguish between:
    a. the impact they have on the environment and
    b. the impact that climate change is having/is likely to have on them. For the purposes of the response, we use ESG and sustainability interchangeably to mean the same.

5. A lot of the terminology is nuanced, making it difficult to understand if and when they mean the same or different things within the proposed Code. Do we all understand in the same way what, for example, 'integrity', 'values', 'objectives', 'performance', 'outcomes', 'impact' and 'practices' mean?

6. We support a more outcomes-based approach, but only if 'outcomes' are placed in the context of objectives. From a strategy perspective the board should certainly be setting objectives and measuring performance against them. See our responses to Q1 and Q3.

Non-financial risks and internal controls

7. Neither a principle nor provision for IT exists for IT governance. Without that, companies cannot address the risks to AI, diminishing the opportunities AI can bring (see our response to Q26).

8. An important aspect of company success is how well it manages all risks and control. We want to place internal control on the same footing as financial control because of the importance to company resilience, non-financials risks must achieve business success. The main ones, but not exclusively so, are operational (quality and consistency across policies, processes and practices) and technical (how AI/Cyber/IT/Data are used to add value without harm). Therefore, regarding proposed Provision 30 (our responses to Q13 and Q15 relate):

a. We fully support the focus on all internal, not just financial, controls,
b. More prominence should be given to the role of Internal Audit or, in the absence of an in-house internal audit function, how this line of defence is provided.
c. We believe the Code should require third party assurance over the controls. Otherwise, companies' directors are marking their own homework.
d. The additional cost for third party assurance is far less than a material control failure.

9. We believe the Code should require third party assurance over the controls. Otherwise, companies' directors are marking their own homework. The additional cost for third party assurance is far less than a material control failure. It is difficult to comment fully on the risk management and internal control changes without the accompanying guidance.

Wording

10. We agree that the Code continues with 'comply and explain' and support the FRC in encouraging companies to explain why they have chosen not to comply. We would go further and actively encourage companies to explain why they do comply as this will avoid box-ticking.

11. We share the FRC's concerns about companies not explicitly reporting non-compliance, as set out in the Executive Summary in the '*FRC Review of Corporate Governance Reporting November 2021'*. 'Comply or explain' will only work as well as each company chooses to apply them. We want companies to explain both how and why they comply as well as how and why they do not comply. If the reporting is seen as essentially a marketing exercise or a collective pat on the back, the spirit of the Code will still be lost with or without these revisions to the Code.

Scope

12. We understand that, just like Section 172 of the Company's Act, overseas Code companies will not have to comply with the Statutory Instruments (SIs) even though they will have to apply the Code. Has thought been given on the possible imbalances arising from these companies not having to supply statements about material fraud, which has been excluded from the Code?

13. We agree with the approach the FRC is taking to align the requirements for PIEs with Code companies, including those that fall under the PIE 750/750 threshold. This is appropriate as all listed companies are, by virtue of being, Code companies and of public interest. Assuming alignment, we are unsure of the FRC's reporting expectations for non-PIE Code Companies:
    a. Will a statement suffice that says the company does not comply because legally it has no requirement to do so?
    b. Will non-PIE Code Companies be able to partially comply with chosen elements of, for example, the Resilience Statement and Audit and Assurance Policy?
    c. Or will it be an 'all or nothing' approach?

Audit committee

14. The audit committee is being tasked with far more than it can realistically take on. A fundamental review of its remit and how it can best discharge its responsibilities (all of which remain important and legitimate) is needed. Expansion of the audit committee's role to include narrative reporting (which itself will include sustainability reporting, discussed below) adds further weight to our concern.

Whistleblowing

15. Having given more focus to the workforce, we were surprised to see the removal of one of the important powers given to them in the current Principle D: "*The workforce should be able to raise any matters of concern*.". This power is also a key control for identifying weak or criminal practice. We recognise the wording in Provision 6 includes a mechanism for raising workforce concerns, but this is not nearly as strong as having it as a Principle. We want it reinstated as a principle.

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? (Paragraphs 16 -19)

Broadly speaking, yes, but we feel there is too much emphasis on the workforce relative to the wider stakeholders. To act as a balance, we would like included in Section 1, Principle B, after "*are consistent with the company's values…*"

> "and that measures are in place to create the best environment to optimise customer and supplier engagement to support the company's long-term sustainable success."

We believe that this addition could prevent negative outcomes as recently experience by Coutts, where scant regard was paid to some customers whose legally held opinions were at odds with the views of the workforce.

Having given more focus to the workforce, we were surprised to see the removal of one of the important powers given to them in the current Principle D: "*The workforce should be able to raise any matters of concern*.". This power is also a key control for identifying weak or criminal practice. We recognise the wording in Provision 6 includes a mechanism for raising workforce concerns, but this is not nearly as strong as having it as a principle. We want it reinstated as a principle.

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? (Paragraphs 16 - 19)

Yes.

As ESG becomes increasingly important to society, the Code is now a reminder on the wider fiduciary duties of companies.

Q3: Do you have any comments on the other changes proposed to Section 1? (Paragraphs 16 - 19

Regarding Principle D, "*When reporting on its governance activity the board should focus on outcomes*": from a governance point of view, we support the emphasis on 'outcomes', but not at the expense of 'objectives'.

The concern is that too much focus on outcomes may weaken other aspects of governance as it ignores the steps in between, from 'purpose' to 'delivery'. Actual outcomes can differ to what was intended when objectives were set, so this will need explaining. Governance is all-embracing and its outcomes are aligned to, as well as influencing the alignment of, purpose, values, strategy, objectives, behaviours, risk appetite and tolerances, operations and outcomes.

But we do recognise that 'purpose' seems difficult for some companies to define well, and that objectives are often presented in vague, aspirational terms that are hard to measure, making it easy to game. From a strategy perspective the board should certainly be setting objectives and measuring performance against them.

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? (Paragraphs 20 – 25)

In part.

We are not happy with the deletion of 'to achieve objectives' so would like it reinstated. Board evaluations, whether from internal or external sources, will become more difficult, in fact become too qualitative (we are all such 'good chaps', of course we work well together! An issue demonstrated by the current Coutts/Nat West de-banking and communications problems), without also having some quantitative measure, like 'achieving objectives'.

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? (Paragraphs 20 – 25)

Yes. We agree with the changes to Provision 15.

Section 3 - Composition, succession and evaluation

Diversity and inclusion

Q6: Do you consider that the proposals outlined effectively strengthen and support existing regulations in this area, without introducing duplication? (Paragraphs 26 – 31)

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? (Paragraphs 26 – 31)

Yes.

Q8: Do you support the changes to Provision 24 and do they offer a transparent approach to reporting on succession planning and senior appointments? (Paragraphs 26 – 31)

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? (Paragraphs 32 – 36)

Up to a point, probably because of semantics rather than substance.

For some of us, they appear to be complementary rather than the same. The existing FRC guidance on board evaluation appears to prepare the board for an evaluation whilst the CGI's guidance is how to evaluate the board against the expectations of the Code.

For others, they like the adoption of the GCI's 'Board Performance Review' in place of 'Board Evaluation' on the basis that the Performance Review is intended to encourage a forward-looking process of continuous improvement.

For the remainder, they interpret 'performance' as backward-looking, covering what was achieved previously, whilst 'evaluation' is forward-looking by examining how well the board works together and what can be done to improve effectiveness.

Other sound guidance and evaluation tools also exist. If companies prefer to use these in preference to the CGI's and/or FRC's guidance, we assume that they can do so on a 'comply-or-explain' basis.

We would like the Code to reinforce this by stating that the Review is intended to facilitate and promote continuous improvement.

Section 4 - Audit, risk and internal control

Audit and Assurance Policy

Q10: Do you agree that all Code companies should prepare an Audit and Assurance Policy, on a 'comply or explain' basis? (Paragraphs 37 – 40)

Yes. All Code companies are PIEs in our opinion.

Audit Committees and the External Audit: Minimum Standard

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? (Paragraphs 41 – 44)

Yes, but several of us are uneasy about the Minimum Standard on the basis that:

i. It implies that the audit committee should be directly involved in the running and management of the audit tendering process. In many cases the audit committee members will have neither the time nor the competence to do this themselves. The Minimum Standard should encourage, then seek, expert input for this process using internal or external resources.
ii. We also believe that the suggested change to the code - Appendix A, page 43, third bullet, "*promoting effective competition during the tendering for an external auditor, to support audit market diversity*" - will be difficult for audit committees to achieve in any meaningful way given the ongoing shortage of competition in the audit market. We believe that a fundamental rethink is required in this area.
iii. We are worried that the audit committee is being tasked with far more than it can realistically take on. A fundamental review of its remit and how it can best discharge its responsibilities (all of which remain important and legitimate) is needed. Expansion of the audit committee's role to include narrative reporting (which itself will include sustainability reporting, discussed below) adds further weight to our concerns.

Sustainability Reporting

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? (Paragraphs 45 – 51)

Yes, as this is the key committee to provide oversight. It has accountability to the board for all things that assess performance, risk and control.

However, we are concerned that paragraph 50 of the consultation is making some big assumptions about audit committee capability and adaptability to meet sustainability reporting requirements. Paragraph 50 assumes that current audit committee capabilities exist to the breadth, depth and relevance that can then be seamlessly applied to sustainability reporting.

We believe few audit committees will have sufficient resources so they should be allowed to delegate the work to an existing or new body/committee, reporting to them for ESG, especially if skills lie elsewhere in the organisation or even outside, and/or time does not permit the audit committee to do this effectively.

You refer to ESG and sustainability (paragraph 45). What does the FRC mean by them? Where is one an extension of, or the complement of the other?

We want included in the Code that it would be good practice for companies to distinguish between:

i. the impact they have on the environment and

ii. the impact that climate change is having/is likely to have on them.

Risk Management and Internal controls

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? (Paragraphs 52 - 71)

We mainly agree. There is significant reporting risk across the front and back portions of the annual report. To ensure the likelihood of misreporting, we want better clarity over:

The financial control aspect:

- The proposed Provision 30, "*The monitoring and review should cover all material controls, including operational, reporting and compliance controls*", omits financial control. We want 'financial control' retained as a separate category to support how potential financial shortcomings and risks are dealt with prior to the creation of the financial report. Financial control may overlap with, but differs from, operational, reporting and compliance controls.
- Reporting is now made up of both financial and non-financial items. Given the importance of appropriate controls and our desire to have non-financial controls placed on the same footing as financial controls, the entire control framework should be assured by third parties, otherwise companies are marking their own homework. The extra cost is swamped by the cost of rectifying control failure.
- See also our response to Q15.

Materiality:

- We agree with your assessment in paragraphs 56-57 of the consultation. You state that "*some companies report on the effectiveness of their risk management and internal control framework in their annual reports by providing a statement that their systems have been effective during the year or that no material weaknesses have been identified*" and that "*Currently there is a lack of information about the risk management and internal control systems operated by companies*".
- An underlying reason, we believe, is that there is neither a Code definition of materiality nor a requirement in the Code for companies to define 'materiality' or what is 'material'. The consultation refers to them 27 times, covering 'business relationships', 'controls', 'fraud', 'risks', 'uncertainties' and 'weaknesses'.
- Paragraph 66 provides a list of material areas, but the list is the FRC's examples and not included in the Code. Several of us want a Code definition, based on the IASB definition, with the FRC's list of material areas included. We want the Code to require companies to define 'materiality' from their perspective (although we recognise their homemade definitions may be self-serving, not informative). If we have the former in place, then companies can 'comply or explain' using the latter.
- Paragraph 66 also states that "*the revised Guidance will discuss what may constitute a material weakness, but it will ultimately be for the board to determine which weaknesses are material to their specific situation and should be reported in the annual report*". This is another reason for why the Code must define materiality and require all Code companies and all PIEs to 'comply or explain' how they define 'materiality' for each context mentioned in Paragraph 66.

- Without any definition, we cannot ascertain whether opportunities, risks and impacts from any source are being managed appropriately.

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? (Paragraphs 52 - 71)

Our conclusion is that if it is truly continuous monitoring, declarations are provided independently of the annual report, e.g., on a quarterly basis (which may or may not coincide with quarterly and half-yearly reporting), with one of those dates coinciding with the B/S date.

Underpinning thoughts:

- We are torn here, mainly because we do not know how much significance the different dates will make.
- We feel it should be consistent with the reporting requirements of everything else that goes into the report but, at the same time, we are not sure what that means in practice. It is a question of how backward-looking and forward-looking the various parts of the annual report must be?
- We recognize that a ‘point-in-time’ snapshot of the company’s situation, such as the date of the B/S, is useful to have to be able to assess everything in one context, especially if the declaration contributes materially (assuming it has been defined) to the position of the B/S.
- For the ‘resilience’ and ‘going concern’ statements, making the declaration the date of the report will be more relevant to get some forward-looking information, but it will still be historic by the time the report is published.

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? (Paragraphs 52 - 71)

We would like the word ‘reporting’ to be used but we would like it to be made explicit that this covers financial reporting and non-financial reporting. We do not want to diminish financial reporting, but we do want to increase the emphasis on non-financial reporting. Reporting covers more than financials.

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? (Paragraphs 52 - 71)

The guidance should include clear examples of appropriate methodologies and frameworks. We agree that these should not be prescriptive. The guidance should steer companies away from making bland statements of process i.e., ’We did A, we did B, we did C….’ without any meaningful comment on why these activities were carried out, what they revealed and what action the company took as a result. For illustrative purposes’, it might be helpful if the guidance gave examples of good practice and examples of what would be considered inadequate. The guidance should include examples of what is good and what is inadequate. The FRC Lab is excellent at providing such examples in all its work.

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? (Paragraphs 52 - 71)

Again, providing examples of good and bad definitions would be helpful. All organisations have their own risk language so need help less with terminology and more on how to present them in ways stakeholders will understand that matches what the company intended.

It is important for boards to understand the nuances of threats, vulnerabilities, risks and controls and how these are interlinked. This provides the basis for assessing how risk appetite and tolerances work. Only then can boards ascertain how the overall risk management and control practices within the organisation contribute to a continuously functioning business.

We are concerned that boards do not understand risk and control management. Effective risk management is multidimensional and requires understanding the causes of risk to understand the impact one or multiple control failures will have, and whether containment and severity is isolated or systemic for the organisation. This means continuous assessment:

- Holistically across the organisation,
- on a region-by-region basis,
- on a department-by-department basis
- and on a function-by function basis.

Thus:

- An effective risk management and internal control system is one that can always implement and adjust controls based on risk appetite and tolerances across all aspects of the organisation.
- A material weakness is anything that causes a negative impact above a predefined threshold, assessed on risk appetite and tolerances as set by the board, to the business's products and services, the operations, the stakeholders, the finances and the reputation.

Q18: Are there any other areas in relation to risk management and internal controls which you would like to see covered in guidance? (Paragraphs 52 - 71)

Yes. Some ideas:

- In the absence of technology-rated principles in the Code, include IT, Data and Cyber specific guidance for the foundations businesses can use when preparing for AI.
- How to identify risk appetite and tolerance across material aspects of operations, e.g., cybersecurity. These are good indicators about how robust the controls need to be.

Going concern

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)? (Paragraph 72 and also Appendix C, pages 64 -65)

Yes.

The Government's proposals want resilience statements, the Audit and Assurance Policy (AAP), distributions and fraud to be for 750/750 PIEs, but we would want them for all PIEs and all Code companies.

Assuming alignment, we are unsure what the FRC's reporting expectations of non-PIE Code Companies:

- Will a statement suffice that says the company does not comply because legally it has no requirement to do so?
- Will non-PIE Code Companies be able to partially comply with chooses elements of, for example, the Resilience Statement and AAP or will it be an 'all or nothing' approach?

Resilience Statement

Q20: Do you agree that all Code companies should continue to report on their future prospects? (Paragraphs 73 – 77)

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? (Paragraphs 73 – 77)

Yes.

Section 5 – Remuneration

Changes to strengthen links to overall corporate performance

Q22: Do the proposed revisions strengthen the links between remuneration policy and corporate performance? (Paragraphs 78 -79)

Retail shareholders specifically have several comments as follows, which we believe will help all stakeholders:

- Logic suggests that the first principle should be that the remuneration policy is linked to the company strategy.
- The differences between remuneration policies, practices and outcomes requires more clarification.
- It is unnecessary to make specific mention of "*environmental, social and governance objectives*" in the proposed Principle P.

- The Companies Act 2006 requires certain disclosure of remuneration. The Code should refer to these, why it thinks additional disclosures are necessary and hence why they should be best practice.
- There is no reference to the Quoted Companies Alliance's Guide for Corporate Governance or the GCA's Remuneration Guide. We think both of these are more appropriate than the Code for smaller quoted and AIM companies. Please include reference to these alternative Codes/Guides.

We suggest that the Principles O, P and Q should be redrafted as follows:

- O. Remuneration policies and practices should be designed to support the company strategy. Remuneration practices should be clearly aligned to company performance, purpose and values and the successful delivery of the company's long-term strategy.
- P. The remuneration committee should exercise independent judgement and discretion when authorising remuneration outcomes, taking into consideration the company and individual performance and wider circumstances.
- Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

We believe the contents of old Provision 40 and 41 are still relevant today and definitely into the longer term, when remuneration takes into account remuneration against the complexities of ESG and AI. Our concern is that with more flexibility, the greater the chance of pay-washing.

See also our response to Q24.

Malus and clawback

Q23: Do you agree that the proposed reporting changes around malus and clawback will result in an improvement in transparency? (Paragraphs 78 -79)

No. Disclosure should be for 10 years, not 5. Malus and clawback are long term issues.

Proposed Provision 39, first sentence, talks of use of discretion, but how can this operate if the company has to specify the circumstances as per the last sentence? As drafted, we expect very few companies will exercise discretion and any malus and clawback will be limited to gross misconduct and restatement of accounts.

Retail Investors want something more tangible, such as obtaining pay clawed back when the share price goes down, e.g., halves, quarters or drops by 90%.

Can the FRC confirm that information in side letters now needs to be disclosed, or should be disclosed as best practice? Historically side letters have been used to contain information not in the employment contract. For example, side letter terms apply when the circumstances described in the side letter crystallise for example Frank Goodwin's very large RBS pension. The side letter we believe, said that he would get 40 years' service regardless of actual service.

Changes to improve the quality of reporting

Q24: Do you agree with the proposed changes to Provisions 40 and 41? (Paragraphs 85 -88)

No. We are sorry to see the original Provision 40 deleted with the loss of the words; 'clarity', 'simplicity', 'risk', 'predictability', 'proportionality' and 'alignment' and the definition of what the FRC means by these words in this context. The changes to para 40 are a retrograde step.

Q25: Should the reference to pay gaps and pay ratios be removed, or strengthened? (Paragraphs 85 -88)

'Pay gaps' is a bit of jargon and should be removed. The paragraph needs to reflect the pay legislative requirements to disclose pay ratio data (CEO to median, quartiles and averages of employees) and gender and ethnicity data.

The ratio of the CEO pay to his/her #2 and the average of the top 10 (and for FTSE100 companies the top 100 and top 1,000) executives should be disclosed as best practice together with a commentary on succession planning. This should be part of the Code's Section 3, Provisions 18-24.

From the 'S' perspective within ESG, pay ratios should be strengthened and explicitly support the requirements in the Equality Act.

Other matters for consideration

Artificial intelligence

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? (Paragraphs 89 – 90)

We agree with the Government's five cross-sector principles but these are at such a high level, it is impossible for a non-expert to apply them in a suitable way.

AI requires an equivalent amount of scrutiny as the financials have always had and, more recently, ESG is having.

But UK PLC is missing the basics to manage AI's considerable opportunities and risks because we have not paid attention to the governance and materiality of technology. Businesses (via robotics, security tools, the Internet of Things) and consumers (via Siri, Alexa, smart homes) are using AI now without consciously knowing they are doing so. Technology, data and cybersecurity are the bedrock for organisational success, but are not mentioned in the Code. As a result, we do not believe the Government's approach to AI regulation can be applied in any meaningful way.

The Code needs, as a minimum, a section on technology and information. South Africa's King IV Code includes in its Principle 12: "*The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.*" Only when we have the UK equivalent established in our Code, can we work out how to apply the Government's principles for AI.

To provide a safe, robust and exciting AI environment, we would like to see the regulators come together on the use of AI to encourage opportunity whilst protecting consumers and business interests. We are aware of a number of initiatives from the main UK regulators and would like them to work not only together but also with business and consumer groups to identify how the five principles will be applied in society.

- ICO: Artificial intelligence | ICO
- FRC: News I Financial Reporting Council (frc.org.uk)
- CMA CMA launches initial review of artificial intelligence models - GOV.UK (www.gov.uk)
- Bank of England/FCA: AI in Financial Services: Bank of England and UK FCA Highlight Key Challenges and Risks – Tech & Sourcing @ Morgan Lewis

About the Corporate Reporting Users' Forum (CRUF)

The CRUF was set up in 2005 by users of financial reports to be an open forum for learning about and responding to the many accounting and regulatory changes that affect corporate reporting. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters and regulators. CRUF participants include buy and sell-side analysts, credit ratings analysts, fund managers, investors and corporate governance professionals. Participants focus on equity and fixed income markets. The Forum includes individuals with global or regional responsibilities and from around the world, including Australia, Canada, France, Germany, Hong Kong, India, Japan, New Zealand, South Africa, UK and USA.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations depending on their area of interest or expertise. In our meetings around the world, we seek to explore and understand the differences in opinions of participants. The CRUF does not seek to achieve consensus views, but instead we focus on why reasonable participants can have different positions. Furthermore, it would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative. Also, it would not be correct to assume that nonparticipants agree with the initiative. This response is a summary of the range of opinions discussed at the CRUF meetings held in the UK and provided by participants in drafting the response. Differences of opinion are noted where applicable.

Participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer or other organisations they are a member of or associated with. Accordingly, we sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum and not as representatives of our respective employer or other organisations. The participants in the CRUF that have specifically endorsed this response are listed below.

Signatures

[redacted]

[redacted]

[redacted]