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Dear Financial Reporting Council

**Admiral Group Plc (“Admiral”) response to the Financial Reporting Council consultation on the UK Corporate Governance Code (“the Code”)**

Admiral is a FTSE 100 company, headquartered in South Wales. It is the parent company of an international financial services group with over 11,000 staff and nearly 10 million customers.

The Group has businesses in the UK, Spain, France, Italy and the US, and in addition, operations supporting those businesses in Gibraltar, Canada, and India. Its main lines of business are Motor, Home, Travel and Pet Insurance. The Group also operates personal lending businesses in the UK and Italy.

Due to the nature of the business that the Group undertakes it is extensively regulated by the PRA, and the FCA in the UK and equivalent regulators in Gibraltar, Spain, France, Italy and the US.

Admiral welcomes the opportunity to respond to the FRC consultation on the proposed changes to the Code. Admiral recognises the importance to investors of robust internal controls, assurance and resilience and recognises that the changes proposed to the Code in these areas have been developed to address the policy issues asked of the FRC by the government in its response to the consultation: Restoring Trust in Audit and Corporate Governance.

Admiral acknowledges the challenge in providing clear and concise information to investors to enable them to make more informed investment decisions. Admiral believes that changes to the Code should be proportionate and should not duplicate existing reporting requirements or increase the workload of internal functions unnecessarily.

As a member of the ABI, Admiral is supportive of the response to the consultation issued by the ABI and agrees with the concerns raised with regards to proportionality of changes, and the time required to fully implement changes, especially for smaller, or unlisted companies.

Admiral does not materially object to the majority of the proposed changes to the Code on the basis that guidance to be issued by the FRC to support the changes will confirm that for large, listed, regulated companies such as Admiral, the impact of the changes to the internal control environment will be limited. Admiral has set out below responses to the consultation questions that are of most relevance to Admiral and on which a particular response has been given.

Of particular interest for Admiral and on which clarification is sought from the FRC, is that where a Group, such as Admiral, has material subsidiary entities that will meet the new PIE 750/750 threshold proposed, that a single disclosure is required at the Group/plc level and not for each subsidiary that meets the threshold on an individual basis. Clear guidance on this issue will be crucial for Groups/plcs to ensure that they will not spend valuable resource on compliance with the requirements for each separate subsidiary entity.

#### **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?**

**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?**

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

*Admiral is supportive of the proposed changes to encourage greater transparency on directors' commitments and the intention to provide investors and other stakeholders with the information necessary to assess whether a director has sufficient time available to meet his or her appointment commitments. In addition, Admiral welcomes the fact that the FRC has not been prescriptive in setting out the maximum number of appointments which can be held by a director.*

*For Admiral, this area is considered as part of the remit of the Nomination and Governance Committee where a consideration of a directors' external appointments and time commitment requirements are assessed on an ongoing basis and are specially considered when a new director is appointed or when an existing director seeks to take on any additional external appointments.*

*For clarity, it would be helpful if guidance could be given as how an assessment of a director's time needed to undertake a role was to be reported in order to avoid boilerplate reporting of how each director fulfils their time commitments. It is worth noting that Admiral currently includes a section in the annual report stating any additional directorships that the Board have, this does not currently state the time commitment of each though.*

#### **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?**

**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?**

**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?**

**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?**

**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?**

**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?**

**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?**

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

*Admiral understands that the proposed statutory instrument means that there will be a requirement to prepare an Annual Assurance Policy (AAP) and broadly supports compliance with this requirement on a comply or explain basis.*

*Admiral has some concerns regarding the expansion to narrative reporting and notes that there will be practical challenges to implementing this proposal. Admiral notes that further clarification will be required regarding how the assurance process over the narrative content of the Annual Report will need to be carried out in order to meet the requirements set out in the proposed changes including distinction between operational, compliance and reporting controls in terms of the frameworks or structures that would be considered appropriate to support new Board declarations. Admiral is of the view that the assurance process would be a Board responsibility and should be up to the Board to determine if this were completed by the Audit Committee or another, equivalent, committee, for example, the Risk Committee.*

*Admiral recognises that the proposed amendments to the Code seek to strike the right balance in terms of strengthening risk management and internal controls systems in a proportionate way although notes that the burden for complying with the new proposed amendments could be significant for those that are not large, listed companies. Although Admiral welcome the FRC clarification that the expansion of controls in scope to include narrative as well as financial controls is not intended to bring in a "UK Sox" regime, Admiral strongly believes that it is very important that the additional guidance intended to be published by the FRC provides the required clarity over the various proposals around internal controls and risk management. Such guidance around the practical steps necessary to comply with the requirements will be critically important for firms in order that they can perform proper impact assessments on the changes proposed.*

*In addition, Admiral notes that existing Provision 30 already requires directors to monitor and review the effectiveness of "all material controls". However, Admiral would highlight that guidance on what constitutes a "material weakness" and what "continuous monitoring" of internal controls means in practice will be crucial for companies to consider whether any material weaknesses or major issues need to be disclosed, and how to disclose. In addition, examples of methodologies and control frameworks will be crucial for the review of the effectiveness of risk management and internal controls in order that the changes to the Code can be applied effectively and proportionately.*

The response detailed above is on behalf of the Admiral and represents the views of the organisation.

Yours sincerely

