

GENERAL

The Consultation document doesn't provide an estimate of the number of companies that come within the definition of Large Private Companies as defined in para 10 on page 4. However, the Government's criteria for Large Private Companies means that they should be able to devote sufficient resources to satisfying The Wates Principles and reporting on their application. In my opinion therefore, the FRC should resist any 'pushback' by large companies.

I must confess that I was disappointed with the Principles and Guidance for consideration in the Consultation document. I don't believe that, in their present form, the application of the Principles will prevent future corporate scandals or provide advanced warning of impending serious failures of corporate governance in large companies.

I believe that the language in the document is too 'soft' and not sufficiently specific, compared with the UK Corporate Governance Code and the Guidance and Principles for Unlisted Companies published by ecoDa in 2010.

I believe that large private companies in the UK would welcome more specific Principles and Provisions in the style contained in the UK Code, albeit a lighter touch. The danger is that they will resort to 'boiler plate' comments, but I believe that this is preferable to a wide variety of generalised and meaningless statements in response to the current Principles.

I add the following comments in relation to all of the consultation questions.

CONSULTATION QUESTIONS

1. Do the Principles address the key issues of the corporate governance of large private companies? If not, what is missing?

Comment: Yes, subject to increased specification of the Principles and the Guidance for consideration in the style of the UK Code – see 2 below.

2. Are there any areas in which the Principles need to be more specific?

Comment: Yes, throughout the document the wording of the Principles and the Guidance for consideration needs to be more specific in the style of the UK Code.

3. Do the Principles and guidance take sufficient account of the various ownership structures of private companies, and the role of the board, shareholders and senior management in these structures? If not, how would you revise them?

Comment: Yes

4. Do the Principles give key shareholders sufficient visibility of remuneration structures in order to assess how workforce pay and conditions have been taken account in setting directors' remuneration?

Comment: Yes

5. Should the draft Principles be more explicit in asking companies to detail how their stakeholder engagement has influenced decision-making at board level?

Comment: No. Under CA 2006, s.172 the directors have a duty to the company to have regard to [stakeholders] interests. The existing wording is satisfactory in this context.

6. Do the Principles enable sufficient visibility of a board's approach to stakeholder engagement?

Comment: Yes

7. Do you agree with an ‘apply and explain’ approach to reporting against the Principles? If not, what is a more suitable method of reporting?

Comment: Yes, subject to increased specification of the Principles and the Guidance for consideration – see 2. above

8. The Principles and the guidance are designed to improve corporate governance practice in large private companies. What approach to the monitoring of the application of the Principles and guidance would encourage good practice?

Comment: I believe that the government’s regulations to require large companies to include a ‘statement of corporate governance arrangements’ within the directors’ report and on their website should improve corporate governance practice in large companies, but this must be supported by periodic checks by the FRC that large companies are doing what they say they are doing and sanctions where appropriate.

9. Do you think that the correct balance has been struck by the Principles between reporting on corporate governance arrangements for unlisted versus publicly listed companies?

Comment: Yes, subject to increased specification of the Principles and the Guidance for consideration in the style of the UK Code – see 2. above

10. We welcome any commentary on relevant issues not raised in the questions above.

Comment: No comments