



Financial Reporting Council

UK Corporate Governance Code consultation

Overview of stakeholder
feedback to date

25 July 2023

Section 1: Board leadership and company purpose



Outcomes-based reporting

- **Support** for reporting on outcomes.
 - Some requests for **definition** of 'outcomes' – could be covered in guidance.
 - Assured stakeholders that we understand that **not every governance action has an outcome** which can be easily demonstrated, and some take time.
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Sustainability

- **Support** for including more in the Code on sustainability, to reduce reporting and encourage use of cross referencing.
 - Some concerns about the **amount of reporting / different frameworks** – we have confirmed we are not adding these frameworks but looking for how they link to strategy.
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Culture

- General support, for **embedding culture**, discussion has centred around how to report on embedding.
- Suggestions that the Code should ask companies to **define their culture**.
- Guidance will reflect the remaining findings from the **2021 Culture Report**.

Section 2: Division of responsibilities

Diversity

- Support for **moving beyond gender and ethnicity**.
- Broad agreement that **listing** all protected and non-protected characteristics would not be appropriate.
- Questions regarding whether we will be **defining non-protected characteristics** in our revised guidance.
- Some stakeholders have asked for **specific characteristics such as disability to be named**.

Over-boarding

- Wide range of opinions expressed
- General support for our decision not specify a **maximum number** of board appointments.
- Feedback that being on multiple boards helps bring **diversity of thought** to the boardroom.
- Support for the proposal to consider over-boarding as part of the **annual board performance review**.
- Need to ensure that the statement offers **insight relating to the boards view on over-boarding**.
- Suggestion that more detail could be included on the **website** rather than in the annual report.

Section 3: Composition, succession and evaluation

Nominations committees

Broad support for our proposed changes to Provision 24.
Stakeholders would like more guidance on the succession planning process.

Board performance reviews

Support for our relatively minor proposals in relation to board evaluation.

Support for incorporating aspects of the CGI's guidance on board performance reviews in our revised guidance.

Section 4: Audit, risk and internal control

Resilience Statement and Audit and Assurance Policy

- General **support** for extending the legal requirements for large PIEs to Code companies.
- We have confirmed that for those companies that are not large PIEs we are proposing that both the Resilience Statement and AAP are followed on a **comply or explain basis**.
- **Statutory Instrument** was laid last week so we expect responses to consider the detail of this.

Risk management and internal controls

- Support from many stakeholders. Some have argued that **better management of risk** increases investor confidence and decreases cost of capital.
- Discussions have often revolved around how boards will determine what are material controls and weaknesses
- There is a misconception that this is a version of SOX, and concern that the proposal goes **beyond controls over financial reporting**. This is linked to the mistaken comparison with SOX.
- Some appetite for **prescriptive guidance**, which does not fit within a Principles-based Code.
 - Important to get balance of guidance right to support principles nature of Code and allow flexibility
- Differing opinions in terms of **directors' role and responsibilities**.

Section 5: Remuneration

Malus and clawback

- General understanding of **rationale** for malus and clawback proposals.
- Some views that sufficient reporting on malus and clawback including characteristics is **already general practice**.
- Discussions have been predominantly around the backward looking reporting on Malus and Clawback

Other proposals

- General support for removing Provision 40.



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