

December 2017

Proposed Revisions to the UK Corporate Governance Code

Appendix C – Summary of Changes from 2016 UK Corporate Governance Code

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THE STRUCTURE OF THE 2016 CODE AND PROPOSED 2018 VERSION

The Principles and Provisions in the current Code are detailed in the left hand column. The right hand column shows where they have been incorporated into the revised Code, the *Guidance on Board Effectiveness* (the Guidance) or deleted.

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| <p><i>The Role of the Board</i> Main Principle A.1 Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.</p> | Principle A |
| <p>Supporting Principles A.1 The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed.</p> <p>The board should set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met.</p> <p>All directors must act in what they consider to be the best interests of the company, consistent with their statutory duties.</p> | <p>Incorporated into Principles A & B</p> <p>Incorporated into Principles B & C</p> <p>Incorporated into Principle D</p> |
| <p>Provision A.1.1 The board should meet sufficiently regularly to discharge its duties effectively. There should be a formal schedule of matters specifically reserved for its decision.</p> <p>The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management.</p> | <p>Guidance (paragraph 12)</p> <p>Incorporated into Provision 9 and referenced in Guidance (paragraph 12)</p> |
| <p>Provision A.1.2 The annual report should identify the chairman, the deputy chairman (where there is one), the chief executive, the senior independent director and the chairmen and members of the board committees. It should also set out the number of meetings of the board and those committees and individual attendance by directors.</p> | Provision 9 |
| <p>Provision A.1.3 The company should arrange appropriate insurance cover in respect of legal action against its directors.</p> | Deleted |

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| <p><i>Division of Responsibilities</i> Main Principle A.2 There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.</p> | <p>Incorporated into Principle F</p> |
| <p>Provision A.2.1 The roles of chairman and chief executive should not be exercised by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board.</p> | <p>Incorporated into Provision 9</p> |
| <p><i>The Chairman</i> Main Principle A.3 The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.</p> | <p>Incorporated into Principle E</p> |
| <p>Supporting Principles A.3 The chairman is responsible for setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. The chairman should also promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors. The chairman is responsible for ensuring that the directors receive accurate, timely and clear information. The chairman should ensure effective communication with shareholders.</p> | <p>Guidance (paragraph 50)</p> <p>Incorporated into Principle E & G</p> <p>Incorporated into Principles C & H</p> |
| <p>Provision A.3.1 The chairman should on appointment meet the independence criteria set out in B.1.1 below. A chief executive should not go on to be chairman of the same company. If exceptionally a board decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.</p> | <p>Incorporated into Provisions 15 (not just on appointment) and 19</p> <p>Incorporated into Provision 19</p> |
| <p><i>Non-Executive Directors</i> Main Principle A.4 As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.</p> | <p>Incorporated into Principle G</p> |

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| <p>Supporting Principle A.4 Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.</p> <p>They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.</p> <p>They are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.</p> | <p>Incorporated into Provision 13</p> <p>Incorporated into Principles M & N</p> <p>Incorporated into Provision 13 (also within remuneration and nomination committee responsibilities)</p> |
| <p>Provision A.4.1 The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate.</p> | <p>Incorporated into Provision 12</p> |
| <p>Provision A.4.2 The chairman should hold meetings with the non-executive directors without the executives present.</p> <p>Led by the senior independent director, the non-executive directors should meet without the chairman present at least annually to appraise the chairman's performance and on such other occasions as are deemed appropriate.</p> | <p>Incorporated into Provision 11</p> <p>Incorporated into Provision 12</p> |
| <p>Provision A.4.3 Where directors have concerns which cannot be resolved about the running of the company or a proposed action, they should ensure that their concerns are recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chairman, for circulation to the board, if they have any such concerns.</p> | <p>Incorporated into Provision 8</p> |
| <p><i>The Composition of the Board</i> Main Principle B.1 The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.</p> | <p>Incorporated into Principle I</p> |

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| <p>Supporting Principles B.1 The board should be of sufficient size that the requirements of the business can be met and that changes to the board’s composition and that of its committees can be managed without undue disruption, and should not be so large as to be unwieldy.</p> <p>The board should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board’s decision taking.</p> <p>The value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding chairmanship and membership of committees.</p> <p>No one other than the committee chairman and members is entitled to be present at a meeting of the nomination, audit or remuneration committee, but others may attend at the invitation of the committee.</p> | <p>Deleted</p> <p>Incorporated into Principle F</p> <p>Guidance (paragraph 52)</p> <p>Guidance (paragraph 54)</p> |
| <p>Provision B.1.1 The board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director’s judgement. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:</p> <ul style="list-style-type: none"> • has been an employee of the company or group within the last five years; • has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company; • has received or receives additional remuneration from the company apart from a director’s fee, participates in the company’s share option or a performance-related pay scheme, or is a member of the company’s pension scheme; | <p>Incorporated into Provisions 11 & 15</p> |

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| Provision B.1.1 [contd.] <ul style="list-style-type: none"> • has close family ties with any of the company's advisers, directors or senior employees; • holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; • represents a significant shareholder; or • has served on the board for more than nine years from the date of their first election. | |
| Provision B.1.2 Except for smaller companies, at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non-executive directors. | Incorporated into Provision 11 (smaller companies exemption removed) |
| <i>Appointments to the Board</i> Main Principle B.2 There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board. | Incorporated into Principle J |
| Supporting Principles B.2 The search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender. The board should satisfy itself that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board and to ensure progressive refreshing of the board. | Incorporated into Principle J Incorporated into Principle J & Provision 17 |
| Provision B.2.1 There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors. The chairman or an independent non-executive director should chair the committee, but the chairman should not chair the nomination committee when it is dealing with the appointment of a successor to the chairmanship. The nomination committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. | Incorporated into Provision 17 Guidance (paragraph 53) |

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| <p>Provision B.2.2 The nomination committee should evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.</p> | <p>Guidance (paragraph 76)</p> |
| <p>Provision B.2.3 Non-executive directors should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director.</p> <p>Any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the board.</p> | <p>Deleted</p> <p>Deleted</p> |
| <p>Provision B.2.4 A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.</p> <p>An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the company.</p> | <p>Incorporated into Provision 23</p> <p>Incorporated into Provision 20</p> |
| <p><i>Commitment</i> Main Principle B.3 All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.</p> | <p>Incorporated into Provision 14</p> |
| <p>Provision B.3.1 For the appointment of a chairman, the nomination committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A chairman's other significant commitments should be disclosed to the board before appointment and included in the annual report. Changes to such commitments should be reported to the board as they arise, and their impact explained in the next annual report.</p> | <p>Guidance (paragraphs 76-78)</p> |

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| <p>Provision B.3.2 The terms and conditions of appointment of non-executive directors should be made available for inspection. The letter of appointment should set out the expected time commitment. Non-executive directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and the board should be informed of subsequent changes.</p> | <p>Guidance (paragraphs 76-78)</p> |
| <p>Provision B.3.3 The board should not agree to a full time executive director taking on more than one non-executive directorship in a FTSE 100 company nor the chairmanship of such a company.</p> | <p>Incorporated into Provision 14</p> |
| <p><i>Development</i> Main Principle B.4 All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.</p> | <p>Guidance (paragraphs 50 & 66)</p> |
| <p>Supporting Principles B.4 The chairman should ensure that the directors continually update their skills and the knowledge and familiarity with the company required to fulfil their role both on the board and on board committees. The company should provide the necessary resources for developing and updating its directors' knowledge and capabilities. To function effectively all directors need appropriate knowledge of the company and access to its operations and staff.</p> | <p>Partly incorporated into Provision 22, otherwise in Guidance (paragraphs 50, 63 & 70)</p> |
| <p>Provision B.4.1 The chairman should ensure that new directors receive a full, formal and tailored induction on joining the board. As part of this, directors should avail themselves of opportunities to meet major shareholders.</p> | <p>Guidance (paragraph 50) but see Provision 5 on shareholder engagement</p> |
| <p>Provision B.4.2 The chairman should regularly review and agree with each director their training and development needs.</p> | <p>Partly incorporated into Provision 22, otherwise in Guidance (paragraph 50)</p> |
| <p><i>Information and Support</i> Main Principle B.5 The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.</p> | <p>Partly incorporated into Principle H, and referenced in Guidance (paragraphs 12, 63 & 65-67)</p> |

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| <p>Supporting Principles B.5 The chairman is responsible for ensuring that the directors receive accurate, timely and clear information. Management has an obligation to provide such information but directors should seek clarification or amplification where necessary.</p> <p>Under the direction of the chairman, the company secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required.</p> <p>The company secretary should be responsible for advising the board through the chairman on all governance matters.</p> | <p>Partly incorporated into Principle H, otherwise in Guidance (paragraphs 50 & 65-74)</p> |
| <p>Provision B.5.1 The board should ensure that directors, especially non-executive directors, have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.</p> | <p>Guidance (paragraph 71)</p> |
| <p>Provision B.5.2 All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with. Both the appointment and removal of the company secretary should be a matter for the board as a whole.</p> | <p>Partly incorporated into Provision 16, otherwise in Guidance (paragraphs 69-74)</p> |
| <p><i>Evaluation</i> Main Principle B.6 The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.</p> | <p>Incorporated into Principle K, Provision 21 and Guidance (paragraphs 90-95)</p> |
| <p>Supporting Principles B.6 Evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness.</p> <p>The chairman should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, proposing new members be appointed to the board or seeking the resignation of directors.</p> | <p>Incorporated into Principle K</p> <p>Incorporated into Provision 22</p> |

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| <p>Supporting Principles B.6 [contd.] Individual evaluation should aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties).</p> | <p>Incorporated into Principle K & Provision 18</p> |
| <p>Provision B.6.1 The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.</p> | <p>Incorporated into Provision 23</p> |
| <p>Provision B.6.2 Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection with the company.</p> | <p>Incorporated into Provision 21 (smaller companies exemption removed)</p> |
| <p>Provision B.6.3 The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors.</p> | <p>Incorporated into Provision 12</p> |
| <p><i>Re-election</i> Main Principle B.7 All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.</p> | <p>Incorporated into Principle I & Provision 18</p> |
| <p>Provision B.7.1 All directors of FTSE 350 companies should be subject to annual election by shareholders. All other directors should be subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years. Non-executive directors who have served longer than nine years should be subject to annual re-election.</p> <p>The names of directors submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information to enable shareholders to take an informed decision on their election.</p> | <p>Incorporated into Provision 18 (smaller companies exemption removed)</p> <p>Incorporated into Provision 18</p> |
| <p>Provision B.7.2 The board should set out to shareholders in the papers accompanying a resolution to elect a non-executive director why they believe an individual should be elected. The chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role.</p> | <p>Incorporated into Provision 18</p> |

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| <p><i>Financial and Business Reporting</i> Main Principle C.1 The board should present a fair, balanced and understandable assessment of the company's position and prospects.</p> | <p>Incorporated into Principle M</p> |
| <p>Supporting Principles C.1 The board's responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.</p> <p>The board should establish arrangements that will enable it to ensure that the information presented is fair, balanced and understandable.</p> | <p>Incorporated into footnote to Principle M</p> <p>Guidance (paragraph 97)</p> |
| <p>Provision C.1.1 The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy. There should be a statement by the auditor about their reporting responsibilities.</p> | <p>Incorporated into Provision 27</p> |
| <p>Provision C.1.2 The directors should include in the annual report an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company.</p> | <p>Incorporated into Provision 1</p> |
| <p>Provision C.1.3 In annual and half-yearly financial statements, the directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.</p> | <p>Incorporated into Provision 30</p> |
| <p><i>Risk Management and Internal Control</i> Main Principle C.2 The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.</p> | <p>Incorporated into Principle N</p> |

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| <p>Provision C.2.1 The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.</p> | <p>Incorporated into Provision 29</p> |
| <p>Provision C.2.2 Taking account of the company's current position and principal risks, the directors should explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.</p> | <p>Incorporated into Provision 31</p> |
| <p>Provision C.2.3 The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.</p> | <p>Incorporated into Provision 28</p> |
| <p>Audit Committee and Auditors Main Principle C.3 The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.</p> | <p>Incorporated into Principle L & Provision 25</p> |
| <p>Provision C.3.1 The board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. In smaller companies the company chairman may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chairman. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience. The audit committee as a whole shall have competence relevant to the sector in which the company operates.</p> | <p>Incorporated into Provision 24</p> |

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| <p>Provision C.3.2 The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:</p> <ul style="list-style-type: none"> • to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them; • to review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems; • to monitor and review the effectiveness of the company's internal audit function; • to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor; • to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; • to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and • to report to the board on how it has discharged its responsibilities. | <p>Incorporated into Provision 25</p> |
| <p>Provision C.3.3 The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available.</p> | <p>Guidance (paragraph 53)</p> |

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| <p>Provision C.3.4 Where requested by the board, the audit committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.</p> | <p>Incorporated into Principle M & Provision 27 (also see the Guidance on Audit Committees)</p> |
| <p>Provision C.3.5 The audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.</p> | <p>Incorporated into Provision 3</p> |
| <p>Provision C.3.6 The audit committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.</p> | <p>Incorporated into Provisions 25 & 26</p> |
| <p>Provision C.3.7 The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. If the board does not accept the audit committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the audit committee explaining the recommendation and should set out reasons why the board has taken a different position.</p> | <p>Incorporated into Provision 25 & 26</p> |
| <p>Provision C.3.8 A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <ul style="list-style-type: none"> • the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed; | <p>Incorporated into Provision 26</p> |

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| <p>Provision C.3.8 [contd.]</p> <ul style="list-style-type: none"> • an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm when a tender was last conducted and advance notice of any retendering plans; and • if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded. | |
| <p><i>The Level & Components of Remuneration</i> Main Principle D.1 Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.</p> | Incorporated into Principle O & P |
| <p>Supporting Principles D.1 The remuneration committee should judge where to position their company relative to other companies. But they should use such comparisons with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and should avoid paying more than is necessary.</p> <p>They should also be sensitive to pay and employment conditions elsewhere in the group, especially when determining annual salary increases.</p> | <p>Deleted</p> <p>Incorporated into Provision 33</p> |
| <p>Provision D.1.1 In designing schemes of performance-related remuneration for executive directors, the remuneration committee should follow the provisions in Schedule A to this Code. Schemes should include provisions that would enable the company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so.</p> | Incorporated into Provision 37 |
| <p>Provision D.1.2 Where a company releases an executive director to serve as a non-executive director elsewhere, the remuneration report should include a statement as to whether or not the director will retain such earnings and, if so, what the remuneration is.</p> | Deleted |

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| <p>Provision D.1.3 Levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for non-executive directors should not include share options or other performance-related elements.</p> <p>If, exceptionally, options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the non-executive director leaves the board. Holding of share options could be relevant to the determination of a non-executive director's independence (as set out in Provision B.1.1).</p> | <p>Incorporated into Provision 34</p> <p>Deleted</p> |
| <p>Provision D.1.4 The remuneration committee should carefully consider what compensation commitments (including pension contributions and all other elements) their directors' terms of appointment would entail in the event of early termination. The aim should be to avoid rewarding poor performance. They should take a robust line on reducing compensation to reflect departing directors' obligations to mitigate loss.</p> | <p>Guidance (paragraph 112)</p> |
| <p>Provision D.1.5 Notice or contract periods should be set at one year or less. If it is necessary to offer longer notice or contract periods to new directors recruited from outside, such periods should reduce to one year or less after the initial period.</p> | <p>Provision 39</p> |
| <p><i>Procedure</i> Main Principle D.2 There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.</p> | <p>Incorporated into Principle P & Q</p> |
| <p>Supporting Principles D.2 The remuneration committee should take care to recognise and manage conflicts of interest when receiving views from executive directors or senior management, or consulting the chief executive about its proposals. The remuneration committee should also be responsible for appointing any consultants in respect of executive director remuneration.</p> <p>The chairman of the board should ensure that the committee chairman maintains contact as required with its principal shareholders about remuneration.</p> | <p>Incorporated into Provision 35</p> <p>Incorporated into Provision 5</p> |

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| <p>Provision D.2.1 The board should establish a remuneration committee of at least three, or in the case of smaller companies' two, independent non-executive directors. In addition the company chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as chairman. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</p> <p>Where remuneration consultants are appointed, they should be identified in the annual report and a statement made as to whether they have any other connection with the company.</p> | <p>Incorporated into Provision 32</p> <p>Incorporated into Provision 35</p> |
| <p>Provision D.2.2 The remuneration committee should have delegated responsibility for setting remuneration for all executive directors and the chairman, including pension rights and any compensation payments. The committee should also recommend and monitor the level and structure of remuneration for senior management.</p> <p>The definition of 'senior management' for this purpose should be determined by the board but should normally include the first layer of management below board level.</p> | <p>Incorporated into Provision 33</p> <p>Footnoted in Code</p> |
| <p>Provision D.2.3 The board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. Where permitted by the Articles, the board may however delegate this responsibility to a committee, which might include the chief executive.</p> | <p>Deleted</p> |
| <p>Provision D.2.4 Shareholders should be invited specifically to approve all new long-term incentive schemes (as defined in the Listing Rules) and significant changes to existing schemes, save in the circumstances permitted by the Listing Rules.</p> | <p>Deleted</p> |
| <p><i>Dialogue with Shareholders</i> Main Principle E.1 There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.</p> | <p>Incorporated into Principle C & Provision 5</p> |

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| <p>Supporting Principles E.1 Whilst recognising that most shareholder contact is with the chief executive and finance director, the chairman should ensure that all directors are made aware of their major shareholders' issues and concerns.</p> <p>The board should keep in touch with shareholder opinion in whatever ways are most practical and efficient.</p> | <p>Guidance (paragraph 22)</p> <p>Incorporated into Provision 5</p> |
| <p>Provision E.1.1 The chairman should ensure that the views of shareholders are communicated to the board as a whole. The chairman should discuss governance and strategy with major shareholders. Non-executive directors should be offered the opportunity to attend scheduled meetings with major shareholders and should expect to attend meetings if requested by major shareholders. The senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders.</p> | <p>Incorporated into Provisions 5 & 12</p> |
| <p>Provision E.1.2 The board should state in the annual report the steps they have taken to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of major shareholders about the company, for example through direct face-to-face contact, analysts' or brokers' briefings and surveys of shareholder opinion.</p> | <p>Incorporated into Principle C & Provision 5</p> |
| <p><i>Constructive Use of General Meetings</i> Main Principle E.2 The board should use general meetings to communicate with investors and to encourage their participation.</p> | <p>Incorporated into Provision 5</p> |
| <p>Provision E.2.1 At any general meeting, the company should propose a separate resolution on each substantially separate issue, and should in particular propose a resolution at the AGM relating to the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote should make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.</p> | <p>Deleted</p> |



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