



Ms. Catherine Horton
Financial Reporting Council 8th Floor
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26th February 2018

Dear Ms Horton,

Proposed Revisions to UK Corporate Governance Code - Consultation Response

Many thanks for the opportunity to respond to your consultation on the proposed Corporate Governance revisions. Our response is detailed below.

As a general observation we support your desire to encourage organisations to avoid a 'tick box' approach to assessing their governance arrangements. Your clear intent to promote consideration of culture will help this. Your desire to produce a more concise and sharper Code is laudable however the scale of change is very significant. The strength of the Code has been in its stability and whilst we support change this should be founded on a clear expectation it will help avoid repetitions of recent corporate governance failures. We could not see evidence that such root cause analysis has been undertaken with clear explanation of current shortfalls and the rationale provided for the proposed changes. If this, together with the clear articulation of the improved outcomes you expect to flow from the changes, could be provided we believe it should help in terms of getting buy-in to the overall approach.

Specifically:

Q1. Do you have any concerns in relation to the proposed Code application date?

No. However, it is important that the revised Code and supporting Guidance are stable for businesses – if FRC has any reservations on this point or requires more time to satisfy itself this will be the case then implementation should be postponed.

Q2. Do you have any comments on the revised Guidance?

The revised Guidance is generally helpful, particularly the 'Possible questions for boards' sections. Whilst well-intentioned, it presents a growing challenge for businesses in terms of context, possible misinterpretation and navigation. To illustrate this point, it is understood the proposed framework will now comprise:

- i. Principles, some of which do not have a directly associated provision

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- ii. Provisions which should be complied with or an explanation given
- iii. Guidance which is not statutory but is expected to be considered by the Board but is to be found in multiple documents, including
 - a. Code Guidance
 - b. Guidance on Audit Committees
 - c. Guidance on Risk Management, Internal Control and Related Financial and Business Reporting

For clarity, all principles should be capable of being directly mapped to a provision.

The Guidance is too long and should be refined to what the FRC believes is the most helpful guidance to leverage the principles and provisions and should be capable of being directly linked to these elements of the Code.

One solution may be to focus the Guidance entirely around the identified questions approach.

It is not particularly helpful where in the Appendix to Appendix B there are Other Sources of Guidance immediately followed by the caveat 'this is not a comprehensive list as other sources of information and advice are available'.

Q3. Do you agree that the proposed methods in Provision 3 are sufficient to achieve meaningful engagement?

Yes, provided these are implemented effectively.

Q4. Do you consider that we should include more specific reference to the UN SDGs or other NGO principles, either in the Code or in the Guidance?

No

Q5. Do you agree that 20 per cent is 'significant' and that an update should be published no later than six months after the vote?

Yes

Q6. Do you agree with the removal of the exemption for companies below the FTSE 350 to have an independent board evaluation every three years? If not, please provide information relating to the potential costs and other burdens involved.

Yes

Q7. Do you agree that nine years, as applied to non-executive directors and chairs, is an appropriate time period to be considered independent?



Yes

Q8. Do you agree that it is not necessary to provide for a maximum period of tenure?

No there should be a maximum period of tenure to encourage continued development and regeneration e.g. 9 years.

Q9. Do you agree that the overall changes proposed in Section 3 of revised Code will lead to more action to build diversity in the boardroom, in the executive pipeline and in the company as a whole?

Yes providing the fundamental objective of finding the most qualified and experienced 'right' person to do the job is not lost.

Q10. Do you agree with extending the Hampton-Alexander recommendation beyond the FTSE 350? If not, please provide information relating to the potential costs and other burdens involved.

Yes

Q12. Do you agree with retaining the requirements included in the current Code, even though there is some duplication with the Listing Rules, the Disclosure and Transparency Rules or Companies Act?

Yes, but please consider in the context of our comments above regarding simplification and navigation.

Q13. Do you support the removal to the Guidance of the requirement currently retained in C.3.3 of the current Code? If not, please give reasons.

Yes

Q14. Do you agree with the wider remit for the remuneration committee and what are your views on the most effective way to discharge this new responsibility, and how might this operate in practice?

Yes. No specific views.

Q15. Can you suggest other ways in which the Code could support executive remuneration that drives long-term sustainable performance?



More board style questions e.g. would our stakeholders, particularly our customers, support our executive remuneration arrangements?

Q16. Do you think the changes proposed will give meaningful impetus to boards in exercising discretion?

Yes

We hope this response is helpful to you and we look forward to seeing and hearing how the consultation has gone in due course.

Yours sincerely

Tony Clark
Director