About Friend Studio
We are a London-based corporate communications consultancy with deep experience in producing annual reports for publicly listed companies. Current clients include GSK, Lloyds Banking Group, Standard Chartered, Experian, Marks & Spencer, Pearson and Paddy Power Betfair.

General comments
We fully endorse the proposed changes to the Code. It is clear that better reporting will result, particularly around remuneration.

As a side note, we believe that the restructuring of the Code into five sections, and the new language adopted in the process, will enhance the clarity of reporting against the Code in the future.

Section 1 – ‘Leadership and purpose’
We were particularly pleased to see that the Code now recommends that the annual report should include disclosure on the sustainability of the company’s business model (provision 1). It may, however, be useful to make it clear that good practice would be to add this disclosure to the existing business model description in the strategic report, rather than to cover it separately in the governance section.

Disclosure on how governance contributes to delivery of strategy may benefit from the same approach; i.e. this content should be included alongside strategy discussion in the strategic report.

Section 172 is mentioned for the first time in provision 4. At the moment, this feels less prominent than it could be, and there may be potential for reporters to focus on engagement with the workforce to the exclusion of other stakeholders.

Section 4 – ‘Audit, risk and internal control’
Although the wording and concept of ‘fair, balanced and understandable’ reporting is not a focus for this new iteration of the Code, this is nonetheless an opportunity for the FRC to clarify and codify what is meant by ‘fair’ and ‘balanced’. In practice, we have seen this provision be ignored, with the vast majority of annual reports failing to credibly come across as either ‘fair’ or ‘balanced’. The insistence of some parties that ‘FBU’ means only that the ‘front half’ must exhibit narrow fidelity to the information presented in the ‘back half’ (e.g. reporting segments match up, large exceptional items are mentioned somewhere) has been unhelpful.

Nicholas White
Head of Reporting and Corporate Communications