



University of  
**Strathclyde**  
Business  
School

8 August 2023

Mr David Styles  
Director, Corporate Governance and Stewardship  
Financial Reporting Council

Dear Mr Styles

**UK Corporate Governance Code Consultation – Comments from Professor Catriona Paisey**

I have read the above consultation document with interest and wish to make the following comments. By way of background, I am currently a Professor of Accounting at the University of Strathclyde, Glasgow. My comments below stem from my expertise in accounting via my professional qualification as a chartered accountant and 34 years as an academic undertaking teaching and research in the areas covered by the consultation. In particular, I conducted research commissioned by ICAS (The Institute of Chartered Accountants of Scotland) that was published in 2019 on the ethical dilemmas faced by accountants with specific reference to speak up arrangements, listening and corporate culture. This research is available at the following links:

[Speak-up-Listen-up-Whistleblow-A-Survey-of-ICAS-members.pdf](#)

[Speak-up-Listen-up-Whistleblow-In-their-own-words.pdf \(icas.com\)](#)

**Section 1**

Q1: Do you agree that the changes to Principle D in Section 1 of the Code will deliver more outcomes-based reporting?

Yes

Q2: Do you think the board should report on the company's climate ambitions and transition planning, in the context of its strategy, as well as the surrounding governance?

Yes

Q3: Do you have any comments on the other changes proposed to Section 1?

Provision 1: I agree with the inclusion of environmental and social matters, climate ambitions and transition planning. The provision relates to “the basis on which the company generates and preserves

value over the long-term” but I note that there is no reference to ethical matters. I believe that the current focus on ESG (environmental, social and governance) matters, though welcome, is incomplete without the inclusion of ethical matters. My research has shown that these are particularly challenging to deal with but that an effective ethical climate can help to tackle issues at an earlier stage rather than allowing them to fester. Environmental, social and governance matters all have an ethical dimension but I believe that the provision would be enhanced if it referred to “environmental, social and ethical matters”.

Provision 2: The statement that “The Board should assess and monitor culture and report on how effective the desired culture has been embedded” is welcome and important, but this makes no mention of the importance of a speak up culture or listen up culture which are embedded in the FRC’s 2021 document, *Creating positive culture – opportunities and challenges*. Instead, the issue of raising concerns is included in Provision 6. While I welcome Provision 6, I believe that Provision 2 would be strengthened if it was linked in some way with Provision 6 as this would then emphasise the importance of speaking up and a listening culture within organisational culture more broadly.

Provision 7: I have a concern that the two parts of Provision 7 are not entirely compatible. I agree with the intention behind the second part of the provision, that the board “should ensure that the influence of third parties does not compromise or override independent judgement” although I question whether it is possible to “ensure” this in all circumstances. The first part of the provision, that “the board should take action to identify and manage conflicts of interest, including those resulting from significant shareholdings”, does not seem to me to be sufficient to ensure that the influence of third parties does not compromise or override independent judgement. Indeed, I think it could be argued that the only way of ensuring that this is the case would be to require conflicts of interest to be avoided altogether, rather than managed. I recognise that UK law does not prohibit conflicts, so it may be considered undesirable for the Code to go further than the law in this regard. I believe that there is a strong case for a wider review of guidance and the law around conflicts of interest and whether they can be managed or avoided altogether but, in the meantime, I believe that the two parts of Provision 7 need to be made compatible. As a minimum, my preference would be for a form of wording that goes further than saying that conflicts of interest should be managed. In my opinion, it would be preferable to have a default position where conflicts are avoided wherever possible, even where there is a Board feeling that they can be managed.

### **Section 3**

Q6: Do you consider that the proposals outlined effectively strengthen and support existing regulations in this area, without introducing duplication?

Broadly, yes, but I believe that the proposals could be enhanced. Please see my comments below re Q7 and Q8 for details.

Q7: Do you support the changes to Principle I moving away from a list of diversity characteristics to the proposed approach which aims to capture wider characteristics of diversity?

Principle I includes a wide range of characteristics, both those protected (under the Equality Act 2010 these include age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation) and “non protected characteristics including cognitive and personal strengths”. Neurodiversity is increasingly being discussed, so the reference to cognitive and personal strengths recognises the importance of this aspect, but one area that is neither protected nor subsumed within cognitive and personal strengths is social class and socio-economic background. My own research has focused on this aspect within the accountancy profession but other research covering the professions in general, company management, politics, journalism and other areas confirms my own findings that opportunities across a wider swathe of society vary by social class and socio-economic background. I therefore wonder whether it is helpful to specifically mention one area, cognitive and personal strengths, without providing a fuller list of non-protected characteristics since the highlighting of one area inevitably leads to other areas being given less attention. One way of being as wide-ranging as possible would be to rephrase Principle I to state that the board “should promote equal opportunity, and diversity and inclusion of both protected and non-protected characteristics”. Alternatively, if it is considered that the specific reference to cognitive and personal strengths is desirable, then I believe that the Code would need to specify which other non-protected characteristics were intended, so as not to single one out for particular attention. My preference is for the former as the latter approach seems to contradict the sentiment expressed the question, with which I agree.

Q8: Do you support the changes to Provision 24 and do they offer a transparent approach to reporting on succession planning and senior appointments?

I have a concern about bullet 4 of Provision 24 that refers to gender, whereas the remainder of provision 24 refers to “diverse”, “diversity” and “diversity and inclusion”. I wonder why gender should be singled out for special mention when other characteristics are now also being increasingly discussed.

## **Sections 2, 4 and 5**

No comments

Kind regards

Professor Catriona Paisey

*Professor of Accounting,* [REDACTED]  
[REDACTED]