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

Vistry Group agree that outcome-based reporting is likely to follow from the changes to section 1 D, however, would suggest the following clarification:

- Elements of the code will likely overlap with other existing disclosure requirements (e.g. s172 of the Companies Act). The FRC should be clear as to how companies manage this duplication when reporting outcomes?
- Regarding reporting departures of the code, what does the FRC mean by clear explanation and is this an explanation of the departure, the outcome, or both? Vistry Group believe that guidance as to reporting process would be sensible.

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?

- Vistry Group agree that boards should report on company's climate ambitions and transition planning. As set our in the response to Q1, we believe there is the potential for overlap with other external reporting standards (e.g. TCFD, taskforce on climate related financial disclosure) and so the FRC should be wary not to insist on duplicate reporting.

Q10. Do you agree that all Code companies should prepare an Audit and Assurance Policy (AAP), on a 'comply or explain' basis?

- Vistry Group agree that Code companies prepare an Audit & Assurance policy which, in our opinion should be reviewed annually at least annually by the Audit Committee, with changes and revisions to be made specifically through the audit committee.
- The revision makes reference to the Audit Committee engaging directly with shareholders. Practically speaking we feel it would be helpful to be more specific in relation to the expectation and depth of engagement. At present most Audit Committee's engagement is in summary form through the annual report & accounts. Perhaps the FRC could be specific in terms of whether this description of activity and resource allocation is sufficient, alongside the publication of the AAP? We have sought to undertake shareholder engagements on various issues in the last 12-months and find many UK institutional shareholders are non-responsive. We are concerned that it ill be difficult to achieve meaningful engagement.

Q12. Do you agree that the remit of audit committees should be expanded to include narrative reporting, including sustainability reporting, and where appropriate ESG metrics, where such matters are not reserved for the board?

- At present Board at Vistry Group oversees sustainability reporting with support from a Sustainability Committee which an executive committee with NED participation. We agree that it is imperative that the board receives sufficient assurance against ESG targets and that these can be covered either by the Board or the Audit Committee, and ultimately this should be clarified within the AAP. To continue the drive for ESG to become embedded in the core activities of companies, it will be more effective for that responsibility to reside with the Board, including reporting. The Audit Committee already oversees TCFD reporting as part of independent assurance. The Audit Committee is best focussed on the financial accounting implications of requirements, whereas sustainability reporting is much broader than this.

Q13: Do you agree that the proposed amendments to the Code strike the right balance in terms of strengthening risk management and internal controls systems in a proportionate way?

- We are comfortable that the proposal, in theory, strikes the intended balance. However, it remains important that the code is strictly focussed on 'material' operational, reporting and compliance controls only. Materiality is fundamental to ensure that this does not become a replication of US SOX compliance rules for which the scope was often misinterpreted to cover all controls with little flexibility. This also allowed the external auditor to significant increase their remit, scope and testing requirements, and the distraction and burden placed upon companies became difficult and often unmanageable. In our view, the definition of what is both in scope and material should be based upon a thoughtful discussion by the board and leadership team and would advise that there is some consideration within the code that ensures this isn't used by the external auditor to test beyond a reasonable remit.
- We do have concern regarding the requirement to report failures of controls. This must only be for material failures. We are also concerned that the external auditors will push for more disclosure that we would feel is required. We should not be required to disclose commercially sensitive information and guidance is needed to avoid scope creep with auditors.

Q14: Should the board's declaration be based on continuous monitoring throughout the reporting period up to the date of the annual report, or should it be based on the date of the balance sheet?

- In our view the existing reporting period set out in the annual report is the most sensible as it allows year-end procedures and controls to fully complete, and then for appropriate testing and disclosure processes to conclude.

Q15: Where controls are referenced in the Code, should 'financial' be changed to 'reporting' to capture controls on narrative as well as financial reporting, or should reporting be limited to controls over financial reporting?

- We believe that it is sensible that it be extended to cover 'reporting' rather than just financial, but these should be specific to material/significant/key controls only and provide clarity as to expected process as to agree the effective scope of applicable controls.

Q16: To what extent should the guidance set out examples of methodologies or frameworks for the review of the effectiveness of risk management and internal controls systems?

- In our view it would be helpful to set out examples of methodologies or frameworks, or at the very least be more explicit on any minimum standard requirements.

Q17: Do you have any proposals regarding the definitional issues, e.g. what constitutes an effective risk management and internal controls system or a material weakness?

- Material Weakness : In our view this would constitute a control failure that gives rise to a financial or operational event that is either financially material (against a predetermined limit), or, has an impact that triggers board awareness. Most organisations will have a risk management framework that sets our based upon impact and likelihood a measure of operational and reputational risk outcomes. In our view, a material weakness should be impact assessed at board level for each principal risk in the same vein as risk appetite currently is.

Q23: Do you agree that the proposed reporting changes around malus and clawback will result in an improvement in transparency?

- Vistry Group does not agree with reporting use of malus or clawbacks over a period of 5-years. In our view this is too long a period and prevents companies from moving on from negative issues that have been transparently addressed. We agree with reporting if used in the last reporting period, and only then include the details of malus and clawback over a 3-year period. Furthermore, we believe additional clarity should be provided for:
    - long-term incentive plans. Would a cancelation of a share-based award trigger a formal malus/clawback reportable instance should performance indicators / individual performance metrics not be met?
    - Further clarity could be provided to the level this change extends to directors/leaders who have left an organisation.

Q25: Should the reference to pay gaps and pay ratios be removed, or strengthened?

- It is not clear what value is derived from pay gaps and pay ratios other than meaningless newspaper headlines. Employees do not raise concerns regarding patio ratios, rather they are focussed on understanding how remuneration structures are flowed down through the organisation.