

UK Corporate Governance Code: BCC Consultation Response

ABOUT BCC

Across the UK, the 53 Accredited Chambers that make up our network are trusted champions of businesses, places, and global trade. Together, we represent tens of thousands of businesses of all shapes and sizes, which employ almost six million people across the UK. Our growing Global Business Network also connects exporters with over 75 markets around the world.

Working together, we help firms of all sizes to achieve more. We believe it's our relationships with others that lead us to achieve goals beyond those we could ever achieve alone. We're the only organisation that helps British businesses to build relationships on every level, in every region and nation of the UK. Our network exists to support and connect companies, bringing together firms to build new relationships, share best practice, foster new opportunities, and provide practical support to help member businesses trade locally, nationally, and globally.

INTRODUCTION

Scope of this response

This response focuses on issues on which BCC has a consistent view based on member feedback. The numerous other questions included in the consultation paper are, we consider, more for individual businesses to comment on, as they deal with issues including risk and succession. For further information please contact Policy@britishchambers.org.uk

RESPONSES TO QUESTION

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

Yes, as the proposed changes in the code require the annual report to include information on outcomes as well as policies and process.

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?

The Code should have regard to the broader reforms to Non-Financial Reporting (NFR) which is currently under review by the Department for Business and Trade¹. This review, in partnership with the FRC, may lead to changes to the NFR requirements UK companies need to comply with to produce their annual report. We ask the FRC to reflect on whether changes to the Code are appropriate at this time given the potential for more significant changes once the NFR review is concluded.

¹ <https://www.gov.uk/government/calls-for-evidence/smarter-regulation-non-financial-reporting-review-call-for-evidence>

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

No further comments

Q4: Do you agree with the proposed change to Code Principle K (in Section 3 of the Code), which makes the issue of significant external commitments an explicit part of board performance reviews?

We agree with the principle that non-executive directors should have sufficient time to meet their board responsibilities. We also agree that this issue should be part of Board discussions, as it is an important factor in Board performance.

Q5: Do you agree with the proposed change to Code Provision 15, which is designed to encourage greater transparency on directors' commitments to other organisations?

As noted above we agree with the principle that non-executive directors should have sufficient time to meet their board responsibilities considering other responsibilities. However, we would question whether it is appropriate for a company's Annual Report to include information on how Board members fulfil this requirement; it seems more appropriate to be considered by the Board in their review processes. We encourage FRC to review submissions from the business community on this point and take a pragmatic view.

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?

BCC supports equality in the workplace, and we agree that is important to capturing a broad spectrum of diversity in corporate reporting.

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?

As noted above, issues around NFR should be considered in light of the NFR review. If the Audit Committee's remit is expanded into ESG it is important to retain flexibility (through the phrase "where appropriate" as there may be ESG metrics that are outside the expertise of Audit Committees.

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

BCC strongly supports the provision of transparent data on gender pay gaps, however we agree with the FRC about the value of reducing duplication across the corporate reporting space. We are reviewing the area of gender pay as part of our multi-year Equity Commission

initiative, and we will submit further information to FRC as an input to future considerations on this issue².

Q26: Are there any areas of the Code which you consider require amendment or additional guidance, in support of the Government's White Paper on artificial intelligence?

We are reviewing the area of AI as it applies to the workplace, and we will submit further information to FRC as an input to future considerations on this issue.

² <https://www.britishchambers.org.uk/news/2023/07/leading-national-experts-and-businesses-join-bcc-workplace-equity-commission>