

The Investor Relations Society
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David Styles
Director, Corporate Governance and Stewardship
Financial Reporting Council (FRC)
By email: codereview@frc.org.uk

13th September 2023

Dear David,

Re: FRC consultation on the UK Corporate Governance Code

Introduction

Thank you for giving us the opportunity to comment on the proposed reforms set out in the [FRC's consultation on the UK Corporate Governance Code](#), which aim to address the policy issues asked of the FRC by the Government in its response to the consultation: Restoring Trust in Audit and Corporate Governance, and to improve the functioning of its 'comply-or-explain' approach and reporting on diversity. This response is made on behalf of the UK's Investor Relations Society ('the IR Society').

The IR Society represents Members working for publicly listed companies and investor relations focused service providers, to assist them in the development of effective two-way communication with the markets. It has approaching 800 Members, drawn mainly from the UK, including the majority of the UK FTSE 100 and many of the FTSE 250 constituents and some from companies listed overseas.

The IR Society's mission is to promote best practice in investor relations; to support the professional development of its Members; to represent their views to regulatory bodies, the investment community and Government; and to act as a forum for issuers and the investment community. As such, our response has been primarily constructed through the lens of an issuer.

We recognise this consultation builds on the FRC's [2022 position paper](#) which set out how the FRC would support the Government's reforms contained in the [2022 Government response](#) to the [2021 White Paper](#) on Restoring Trust in Audit and Corporate Governance, to which the IR Society [responded](#) in July 2021.

We have considered and set out below specific responses to a number of the questions in the consultation. In doing so, we have selected those issues that we believe are most relevant to the Society's members.

In formulating our views, we have drawn upon both the expertise and experience of our Policy Committee, but also the insights from a recent Member survey, which included a request for views on certain aspects of the FRC's Code proposals. The survey was conducted from 11th August to 7th

September 2023 among IR Society Members who are largely either Investor Relations Officers or investor relations focused service providers. There were just under 50 respondents, though not everyone answered each question. We also held a joint webinar with the FRC for our members on 6th September to discuss the proposals. A recording was made available to our members, whilst non-members can access it directly [via Vimeo](#).

General comments

Overall, we support the majority of the proposed changes in the UK Corporate Governance Code, and the UK's principles-based approach to corporate governance regulation.

The IR Society encourages all companies to continue best practice at board and governance level. However, more flexibility and less prescription would be welcome in certain areas, for example, audit committee oversight of narrative and sustainability reporting given many corporates have already established a sustainability committee or other committee/individual to have oversight of narrative/sustainability reporting.

We support the increased transparency around malus and clawback arrangements, although more clarity is needed around what disclosure would be required as to their 'usage', and care needs to be taken that increased disclosure does not lead to unintended consequences (for example, deterring companies from pursuing claims).

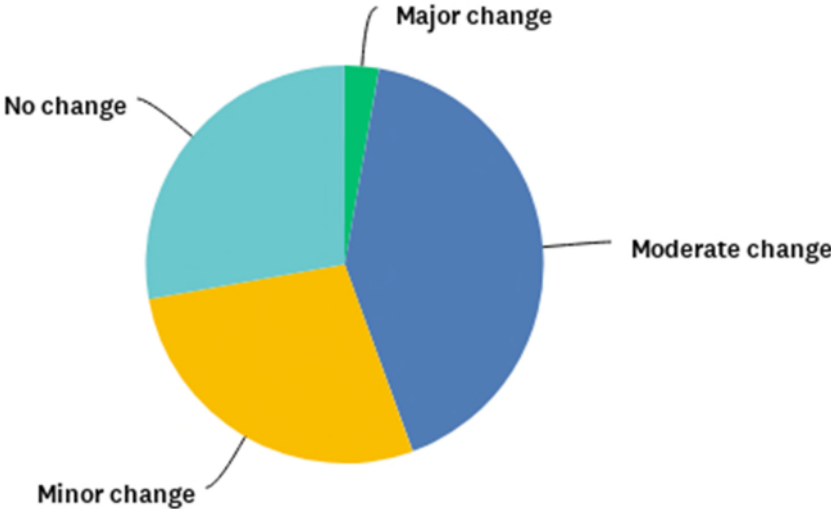
We have also identified several areas where more detailed guidance would be helpful, including:

- What would be considered 'good' outcome reporting;
- What constitutes an adequate and clear explanation when the board reports on departures from the Code's provisions;
- What would constitute 'significant' appointments under the proposed Provision 15 'over-boarding' disclosure; and
- The proposed audit committee remit around engagement with shareholders (which the FRC has not specifically asked a question about, but we refer to at Q10 below) and oversight of narrative/sustainability reporting.

The Society supports the anticipated FRC review of the Stewardship Code, which is an opportunity to address some of our member concerns around investor interest, appetite and resource for engagement with companies, although any such revisions should be mindful of the possible lack of resource in some smaller companies.

Overall, our member survey indicates that 70% of our respondents expect the proposed reforms would give rise to either minor or moderate change in company dialogue with investors and other stakeholders, with a further 3% expecting this to give rise to major change, whilst 28% expected no change, as illustrated below.

Overall, do you expect the proposed reforms to change your company's dialogue with its investors and other stakeholders?

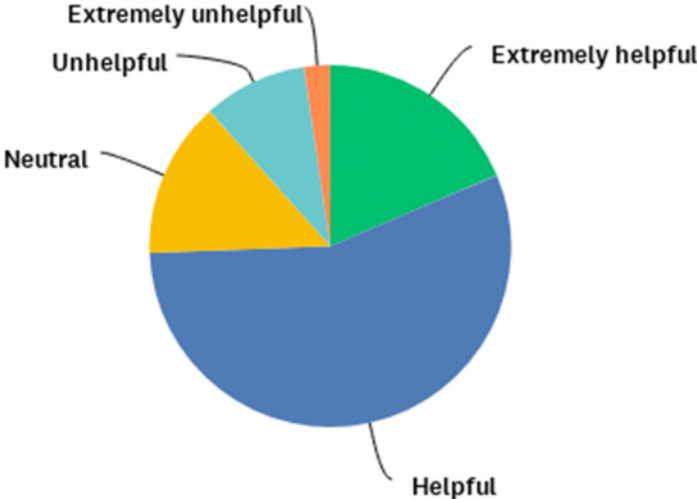


Section 1: Board Leadership and company purpose

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

We note that the [proposed revised Code](#) would require that governance reporting focuses on *outcomes* to demonstrate the *impact* of governance practices, and that clear explanations should be provided for any departures from the Code [Principle D]. We asked our members how helpful they thought this approach would be, and our member survey indicates a fairly high level of support, with 75% of respondents viewing it as helpful or extremely helpful, with only 11% viewing them as unhelpful or extremely unhelpful (and the remaining 14% neutral), as shown below.

The proposed revised Code would require that governance reporting focuses on activities and outcomes to demonstrate the impact of governance practices [Principle D]. How helpful do you consider this approach to be?



Overall, we therefore support this proposal, although we consider this to be an area where more guidance will be needed, given we note some concerns raised by our members around a number of topics, including:

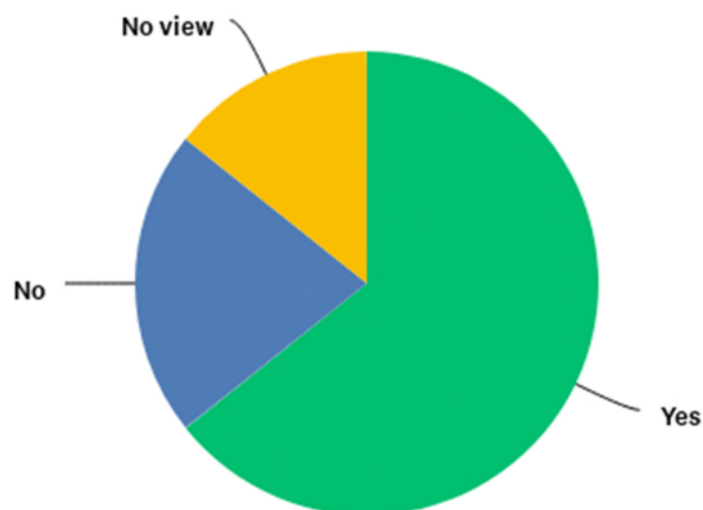
- What would be considered ‘good’ outcome reporting?
- What would constitute an adequate and clear explanation when the board reports on departures from the Code’s provisions? (although we note the FRC’s published guidance on comply or explain)
- In practice, evidencing that a good outcome is a direct result of implementing good governance activities is very difficult, as is demonstrating that a negative outcome has not occurred due to that governance activity.
- Not all governance activities have tangible outcomes that can be externally reported, whilst some benefits are not, and cannot be, realised in that particular financial year. It is also worth noting that some activities are also in place to prevent governance failures.
- Good Governance is often in place to help with rare occurrences/extreme and unusual events. By their nature these outcomes can’t be demonstrated on a regular basis.
- The term “governance activities” in relation to reporting on outcomes would need to be properly explained, as its current drafting is likely to result in boilerplate statements.

Where additional guidance is provided, specific examples of good practice are generally welcomed as particularly helpful.

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?

We note the revisions of the Code would require the board to report on the company’s climate ambitions in the context of its strategy [Provision 1]. The findings from our member survey indicate majority support for this, with nearly two thirds (63%) of respondents viewing this proposal as useful (as illustrated below), with respondents commenting, for example, that this would ‘*demonstrate board acknowledgment that climate is a central issue not a side issue*’ or that it would help provide ‘*greater alignment & potential progress...probably more useful than the TCFD Risk & Opps*’.

It is proposed that the board should report on the company’s climate ambitions in the context of its strategy [Provision 1]. Is this a useful change in your view? [select one]:



However, we note that nearly one in four respondents (23%) did not view this proposal as useful, citing concerns such as those listed below:

- Climate ambitions are clearly defined elsewhere in the annual report (TCFD) and the governance and strategy for managing climate risks and opportunities are described. These should remain a risk focus unless material to the corporate strategy.
- 'Climate ambitions' appears quite vague without mandating a detailed plan to reach those ambitions. This could risk inadvertent greenwashing.
- This is very sector dependent, being very relevant for some companies, and less relevant for others. This may be an issue if this becomes an investor screening topic, as companies who genuinely have little impact may lose out.
- Doubt that reporting on ambitions is helpful - factual reality is better, with measurable goals or milestones perhaps?
- It is up to companies to decide their own strategy and it should not be mandated by regulatory reach, although comply or explain could prove helpful in mitigating this concern.
- It should be left to companies and their owners to determine whether and how climate ambitions should be reported, although again comply or explain could prove helpful in mitigating this concern.
- The UK's existing regulatory architecture is already sufficient in supporting companies in communicating their climate ambitions and transition plans to their shareholders [e.g. the FCA Listing Rules on TCFD framework, the 2022 UK regulations on mandatory reporting requirements in strategic reports, plus the anticipated UK company sustainability disclosures that will be based on ISSB standards]. The UK Code should ... be signposting ... existing [UK climate reporting] requirements to companies, with the emphasis being on companies explaining how they approach disclosure – the UK Code should not issue further requirements which do not necessarily provide additional value to shareholders.

This same respondent went on to underline the importance of international interoperability for sustainability reporting standards, noting that other jurisdictions – such as the EU with its Corporate Sustainability Reporting Directive (CSRD) and the Corporate Due Diligence Directive (CSDDD) – have developed their own regulatory initiatives which seek to align with the sustainability-related standards issued by the ISSB. These all include disclosures related to the role of the board including oversight, expertise, and sign-off on targets and performance. It is strongly believed that reporting on climate ambitions and transition planning is most valuable to investors when there are consistent global standards (i.e. the ISSB) and did not support any re-drafting of the UK Code which inadvertently undermines this objective.

Given the above concerns, we suggest this would be another area where detailed guidance would be welcome.

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

We note that Provision 3 would be amended to require board committee chairs to engage with shareholders on significant matters related to their areas of responsibility, which would replace the previous wording that they should “seek” such engagement. However, we note that, unless and until equivalent reciprocal revisions are made to the Stewardship Code around investor engagement with issuers, there is a risk that investor interest, appetite and/or resource could make this engagement across all board committees difficult to achieve (see also Q10 below, which relates to audit committees).

Section 2: Division of responsibilities ('Over-boarding')

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?

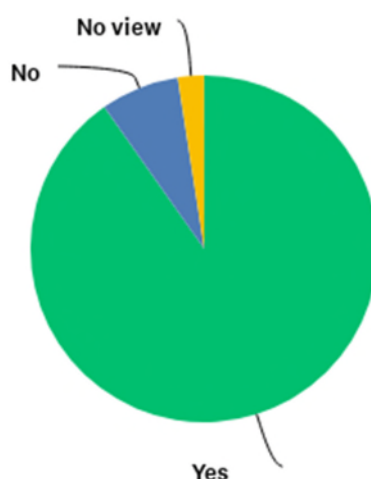
Yes, we agree with this proposal. See also our comments at Q5 below.

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?

We note that the proposed revised Code would require that all *significant* director appointments should be listed in the annual report, describing how each director has sufficient time to undertake their role effectively in light of commitments to other organisations [Provision 15].

On balance, we support this proposal but on the basis that more guidance is given around what would constitute 'significant' appointments. Our member survey indicates overwhelming support (90%) for more guidance around which 'significant' appointments should be disclosed, as illustrated below.

Do you think further guidance would be needed around which 'significant' appointments should be disclosed? [select one]:



This guidance could include, for example, the minimum criteria, and would become even more important with the expanding remit of certain board committees (in particular the audit committee, see Section 4 below).

This guidance could also deal with the arrangements that companies could put in place to address issues where an outside appointment unexpectedly has an impact on the availability of certain directors.

We also note the following comments made by our members:

- *'There should be guidance around listed vs unlisted company boards, committee memberships (as those sometimes take more time and attention than the board meetings) and level of structural complexity of the companies directors are serving on.'*
- *'Existing mechanisms are in place to determine whether a director has sufficient time to undertake their role. A board performance review should focus squarely on the outcomes that the board and its directors are achieving (or not). While external commitments are not irrelevant,*

it will, in practice, be difficult to tangibly link a large number of external commitments to poor performance in the way that skills, experience and knowledge would be.'

- *'Significant - is open to interpretation, but the big point is that is not just having the time, directors should be required to explain exactly how each of them have provided a meaningful contribution during the year (this is perhaps better related to the outcomes of activities point [see Q1 above])'*
- *'This needs to be clear to ensure appointment issues can be addressed quickly.'*
- *'Yes, no harm in this being prescriptive. Chair of a committee on another board would be one obvious one'*
- *'To some extent it depends on how 'significant' is defined. There are already adequate controls in non-exec time commitments, both in terms of the appointment process and existing governance and listing regulations. Attendance and participation in board and committee meetings is already measured and less than 100% attendance requires explanation. Adding to the report & accounts, and therefore auditing process, is over burdensome with little to be gained. Providing Directors' roles in their biographies on the corporate website should suffice. In addition determining 'sufficient time to undertake role effectively' is so subjective as to be meaningless.'*
- *'Over-boarding remains an important topic. Clarification would be helpful'*
- *'Different industries and size of companies mean this cannot be a broad assumption'*
- *'What is the definition or minimum criteria of 'significant'?''*
- *'This is important. Boards need to be run effectively with full commitment from members. Appointments should be clarified. This will be especially impactful for the investment trust sector where there is often considerable director duplication and thus too much group think.'*
- *'We often see a high level of over-boarding with female and minority directors. It is important that stricter over-board recommendations do not push some companies to avoid recruiting female talent to avoid over-boarding. The Code should encourage companies to consider talent without existing public company board experience. This would alleviate the recruitment shortage in some industries.'*
- *'Over-boarding is a critical issue of poor governance. Time and time again it's clear that not enough time and attention is given to board responsibilities and errors creep in. There needs to be a great acceptance of higher fees, but also significantly fewer board responsibilities. This will encourage a breadth of experience and widening of the non-exec talent pool which still feels like a very narrow and/or not experienced cross-section of former senior management.'*
- *'Unclear what the definition of "significant" is. What benchmark would be used to assess that a director had sufficient time to undertake their role? Adding a description as to how each director has sufficient time to undertake their role effectively would make director descriptions more wordy and would stakeholders really read that level of detail?'*

By contrast, several members commented that, in their view, all appointments should be disclosed, allowing users/readers to decide whether appointments are significant.

Section 3: Composition, succession and evaluation

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

See Q8 below.

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?

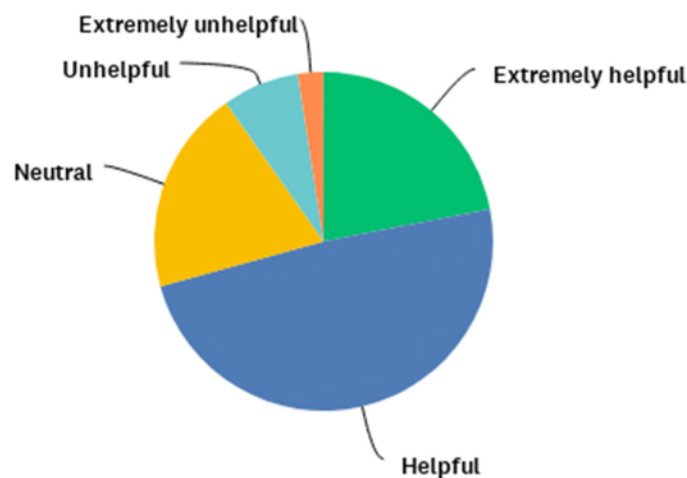
See Q8 below.

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

Under Provision 24 in the proposed revised Code, annual reports would include disclosure around succession planning and the effectiveness of the diversity and inclusion policy for boards and executive management.

Our member survey indicates a high level of support for these changes to Provision 24, with nearly 70% of respondents viewing this proposal as helpful or extremely helpful, with only 12% viewing this proposal as unhelpful or extremely unhelpful, and the remaining 19% neutral, as illustrated below.

How do you view these proposals to increase transparency in respect of diversity and succession?



One of those in support of these proposals stated that the *'markets can take fright when boards and management change, but in reality that is a natural cycle of business. Better disclosure around succession planning and the board's approach to candidate review ought to be somewhat helpful to allaying market fears when change occurs'*; another noted that *'succession and diversity can be quite different subjects. More positive regulation for diversity and less so on succession planning'*. One respondent who found these proposals extremely helpful nevertheless suggested that *'clearly public information on succession activities will necessarily remain light touch/ somewhat vague (e.g. more process than people)'*.

We note that some of our member respondents would go further, commenting that *'this should go lower than executive management to understand how the diversity and inclusion policy has impacted levels below the executive teams'*.

However, verbatim comments from the minority who do not support the proposed revisions mention that there are *'already sufficient guidelines and disclosure on DEI'* and that increased disclosure in the annual report around succession planning could be *'very sensitive & destabilising, and should instead be limited to confirmation that there are clear succession plans in place, which could be a directors' commitment'*. Other minority comments were that:

- *'It should be up to companies to talk to what matters to them - not tick boxes and be mandated',* and
- One particularly detailed response was that: *'We would reiterate the overarching principle that we outlined [above, at Q2] that the UK Code should signpost to existing UK legislation so as to not unnecessarily duplicate and inadvertently raise confusion or costs for companies'*. This respondent recommended that the FRC should make references to the FCA Listing Rule requirements to *'maximise their impact and deliver on the intention to facilitate a more joined up approach to supporting the importance of diversity and inclusion in the composition of boards, executive management teams and succession plans'* which would *'principally align [with] existing expectations set out in the Listing Rules and standardise language – will help reassure and clarify to companies that the FRC is not inadvertently creating duplicative or fragmented obligations.'*

Q9: Do you support the proposed adoption of the [CGI recommendations](#) as set out above, and are there particular areas you would like to see covered in guidance in addition to those set out by CGI?

See Q8 above.

Section 4: Audit, risk and internal control

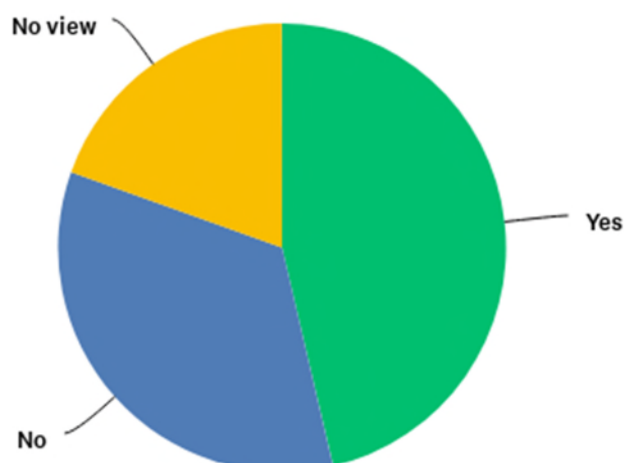
Q10: Do you agree that all Code companies should prepare an Audit and Assurance Policy, on a 'comply or explain' basis?

Yes, we agree with this proposal.

Audit committee lead on engagement?

We note that the FRC has not specifically asked a question about another proposed amendment to Provision 26 in the Code, which would give the audit committee responsibility for taking the lead on engagement with shareholders and other stakeholders on the role of the audit committee, the scope of work of the external auditor, and the approach to the audit and assurance policy (AAP), including in relation to narrative/sustainability reporting, the new statements on resilience and internal controls. The findings from our member survey indicate narrow support for this, with 46% of respondents supporting this proposal (as illustrated below).

Do you support these proposed Code amendments? [select one]:



Comments included that *'investors tend to be reactive with a lack of resources'* and that *'to implement good governance, conversations should be more proactive to air views before they're fixed and to find common ground'*, which should *'ensure investors feel and see their views being listened to and possibly enacted - understanding that a good process will embrace a range of views'*.

However, as the chart above shows, there is significant minority dissent (34%), with the remaining 20% not expressing a view, with some of our members regarding this proposal as overly prescriptive, and commenting that:

- this should apply to other stakeholders but not *shareholders*,
- there should be more flexibility to allow, for example, the CEO or Chair to take on this role where more appropriate/convenient, and
- this should be an IR responsibility (*'IR should maintain the shareholder relationship and take the lead on shareholder engagement for both financial and non-financial information, working closely with ESG experts for the latter'*).

Other minority comments/concerns raised include:

- *'How many meetings with shareholders by the audit committee would constitute good practice in the FRC's view? 2 meetings a year with the Top 50 shareholders? How is that scalable? Either for ACs or for investors.'*
- *'The executive board members should lead this, with shareholders having a clear route to the chair of the board if issues arise'*
- *'In my experience shareholders do not want additional engagement unless there is particular stress.'*
- *'One for investors to consider. Do they want to put added time, resource and measurement into performance of the audit committee. In reality the actions of the audit committee are taken as a deliverable, rather than for a point of debate by investors. So this feels like box ticking for the sake of box ticking rather than actually trying to deliver any meaningful value for investors.'*
- *'This is a fundamental error, this is the responsibility of the CEO with the Chair in support.'*

One idea that came out of our recent webinar was that our member concerns around investor interest/appetite and resource could be addressed in the FRC's revisions to the Stewardship Code that are due to be consulted on towards the end of this year, although we would suggest that any such revisions should be mindful of the possible lack of resource in some smaller companies.

Q11: Do you agree that amending Provisions 25 and 26 and referring Code companies to the Minimum Standard for Audit Committees is an effective way of removing duplication?

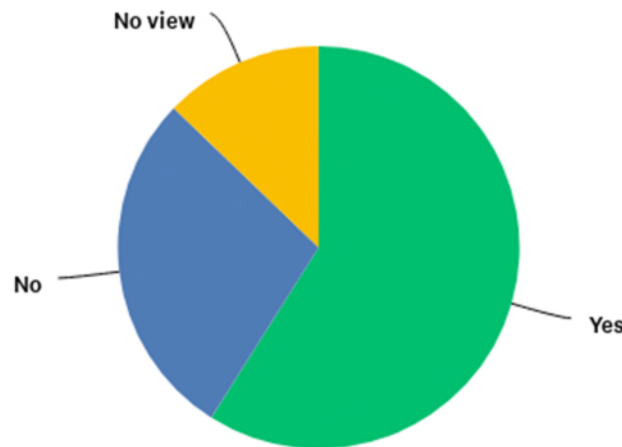
No comment.

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?

We note the revised Code would extend the main roles and responsibilities of the audit committee to include monitoring the integrity of narrative reporting, including sustainability reporting and, where appropriate, ESG metrics, and reviewing any significant reporting judgements [Provision 26].

The findings from our member survey indicate support for this, with 60% of respondents supporting this proposal (as illustrated below), with members commenting that this would put sustainability reporting on an equal footing with financial reporting, and is appropriate in light of the EU move towards external assurance over sustainable metrics, and the anticipated UK sustainability reporting standards (that will be based on the ISSB standards) and will therefore have a financial materiality lens.

Do you agree with these proposed amendments to the Code that would give an oversight role over narrative and sustainability reporting to the audit committee, where it is not reserved for the board? [select one]:



However, there is again minority dissent (28%), with some of our members viewing this as overly prescriptive, and concerned about audit committee levels of resource and/or expertise, whilst some expressed their preference for this to instead be dealt with via one of:

- board discretion over which board member/committee has oversight, which could be particularly pertinent where the size and resource of companies applying the Code differs so widely,
- the Sustainability Committee, or
- by splitting ESG from wider narrative reporting, with the Sustainability Committee having oversight over ESG.

Others noted concern that the audit committee's *'remit should be limited to the narrative commentary related to the financial performance of the company during the reporting period, as*

opposed to covering all commentary or wording in the annual report'. In this view 'An audit committee should not be accountable for all narrative commentary, including, for example, the company strategy (which the whole board must own), market developments, product information, supplier developments, and employee volunteering. Delegating such responsibility to the audit committee is likely to inadvertently weaken existing accountability frameworks between a company board and shareholders, rather than enhance it.' We note that the FRC Consultation paper mentions that boards may consider narrative reporting a reserved matter (as is the case with many of the duties listed for committees in the Code), and we suggest that this should be made clearer in the Code, which would address some of these concerns. (The 2018 Code does not include specific language around reserved decisions, but the supporting 2018 guide on board effectiveness retained the language from the 2016 code regarding the "formal schedule of matters specifically reserved for [the board's] decision" and stated that the "terms of each committee should set out its responsibilities and the authority delegated to it by the board.") It may be useful if there was clarification (either in the new 2023 Code itself or a similar supporting document) that narrative reporting may be reserved.

Provision 26 is also cited as an area where more guidance would be helpful, for example given many corporates have already established a sustainability committee - how should the two committees interact/work together? More discretion could be helpful here, for instance, a member of the audit committee could join the sustainability committee.

There is also some concern that the audit committee may not have the time/resource to give ESG and sustainability reporting the necessary attention, and that the audit committee may not have the requisite skills/competency (e.g. around ESG metrics), with some members suggesting that the audit committee be required to disclose the sustainability-related skills and competency of the audit committee to ensure adequate oversight.

Other concerns raised include:

- audit committee oversight could *'constrain achievement of high levels/standards of sustainability that the UK has become recognised for'*, and
- *'this could lead to [unnecessary?] additional external audit fees, ultimately reducing shareholder returns'*.

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?

No comment.

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?

No comment.

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?

No comment.

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?

No comment.

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?

No comment.

Q18: Are there any other areas in relation to risk management and internal controls which you would like to see covered in guidance?

No comment.

Q19: Do you agree that current Provision 30, which requires companies to state whether they are adopting a going concern basis of accounting, should be retained to keep this reporting together with reporting on prospects in the next Provision, and to achieve consistency across the Code for all companies (not just PIEs)?

No comment.

Q20: Do you agree that all Code companies should continue to report on their future prospects?

No comment.

Q21: Do you agree that the proposed revisions to the Code provide sufficient flexibility for non-PIE Code companies to report on their future prospects?

No comment.

Section 5: Remuneration

Q22: Do the proposed revisions strengthen the links between remuneration policy and corporate performance?

We support these revisions, including the requirement for ARA reporting on how REM policies/metrics support strategy and ESG objectives [Provision 43], as this is an area of interest for investors and so these increased disclosures will help IR departments in their shareholder engagement.

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

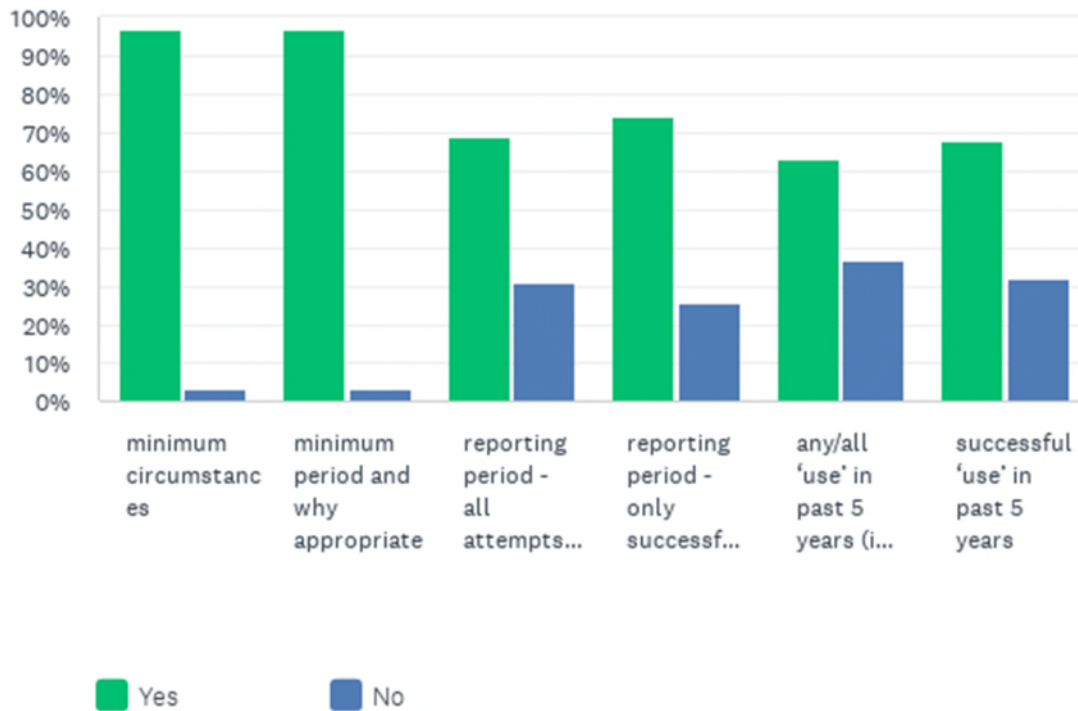
Anecdotal evidence suggests that investors do ask about whether corporates have the correct framework in place to succeed in malus/clawback where appropriate, so increased transparency around these arrangements is welcome. We note that the Government response to the BEIS White Paper only asked the FRC to improve disclosure around circumstances, rather than usage, but we are aware from our recent webinar that part of the FRC rationale behind seeking 'usage' disclosure was to encourage companies to more actively pursue claims. However, this is an area where more guidance would be helpful (see our comments at Q24 below).

Q24: Do you agree with the proposed changes to Provisions 40 and 41?

The proposed revisions to the Code would require increased disclosure of malus and clawback arrangements and their 'usage' [Provision 40]. The findings from our member survey indicate overwhelming support for disclosure around malus and clawback arrangements i.e. both the circumstances and compensation covered (97%), and strong support (74%) for disclosure of successful 'usage' in reporting period (with marginally less support (69%) for any usage'). Also there

is slightly less support for the 5 year look-back period – 68% for disclosure of successful ‘usage’ (and 63% for any usage), as illustrated in the graph below.

The proposed revisions to the Code would require increased disclosure of malus and clawback arrangements and their ‘usage’ [Provision 40]. Which of the following ARA disclosures would you support?



Overall, our members therefore support this proposal, although we consider this to be an area where more guidance will be needed, given we note concerns raised by our members around the proposed disclosure of “usage” of these provisions (both during the reporting year and during the 5 year look back period), as follows:

- One respondent noted *‘Lack of clarity - would this include “all” (i.e. including unsuccessful) attempts? What sort/level of disclosure would be expected..? It’s probably impossible to define all circumstances where malus clawback could be used, therefore how to define minimum? In reality the wording would be determined by lawyers and be as open as possible so as not to open up management to a challenge of failure.’* A requirement *‘to disclose ‘all attempts’ may result in the company not pursuing all attempts for fear of being open to lawsuits on failed attempts’.*
- Others thought there could be legal/confidentiality restrictions on disclosure.
- An unintended consequence of a requirement to disclose usage could be that companies could be less inclined to pursue claims. Anecdotal evidence suggests that these provisions are very difficult to use and claims are often unsuccessful - corporates also may wish not to proceed with claims because they involve too much time/distraction, and imposing disclosure requirements around actual usage could make these decisions even more difficult.
- Another said *‘The 5 year disclosure should be optional as not always relevant and needs to be put into better perspective’*
- One raised concern over the likely impact on length of annual report: *‘disclosure needs to be VERY summarised. REM Reports are already WAY TOO BIG. The details of this can sit in a prominent place on the website?’*
- Finally, there was a concern raised around *‘a lack of clarity around who this would apply to (PDMRs i.e. wider than C-Suite?)’.*

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

No comment.

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 recommend the FRC gives wider consideration to the role of the board and oversight of AI such as, for example, whether disclosure should be required around the potential impact of AI on the company's talent strategy.

We hope you find these comments useful. Please do not hesitate to make contact if you have any questions.

Your sincerely,

