



# FRC Code Consultation: Roundtable discussion summary

August 2023

Maureen Beresford and colleagues from the FRC joined Susan Stenson and Company Secretaries to discuss the ongoing review of the UK Corporate Governance Code. Here we summarise the main points arising.

## Why the consultation?

Following last year's consultation, Restoring Trust in Audit and Corporate Governance, the government invited the FRC to review the UK Corporate Governance Code in several areas. These include:

- Setting out a revised framework of prudent and effective controls to provide a stronger basis for reporting on, and evidencing their effectiveness.
- Improving the functioning of comply-or-explain, taking account of recently published FRC research and reports.
- Making necessary revisions to reflect the responsibilities of the board and audit committee for sustainability and ESG reporting, and associated assurance in accordance with a company's audit and assurance policy.
- Updating the Code to ensure that it aligns with changes to legal and regulatory requirements as set out in the Government's response to the White Paper, including strengthening reporting on malus and clawback arrangements.

## What are the main points arising so far?

The FRC has produced this [3-page summary of key concerns raised by stakeholders](#) to date.

## How do I participate in the consultation?

The FRC are keen to receive feedback and comments from all those likely to be affected by the proposed changes.

The consultation document is [available to download here](#). You do not need to answer every question to submit a response.

Responses and any queries should be emailed by 13 September to: [codereview@frc.org.uk](mailto:codereview@frc.org.uk)

## Concerns raised at the roundtable discussion

The following points emerged during the discussion. They may be helpful as you think about your response to the consultation.

### Internal controls and management systems

The requirements for reporting on internal control effectiveness imply real-time monitoring. How realistic is this?

### Meeting the deadline

Will there be pressure to apply the changes ahead of the deadline? Will companies who already have SOX reporting in place be able to draw on that? How will “comply and explain” be applied to aspects of reporting that lag behind?

### Dates for reporting

When is the cut-off date for reporting, given the continuous nature of assessment?

### Material weakness

How should a company establish what counts as a material weakness? How can companies reporting in the US avoid further complications? What is the appropriate wording to guide companies when the intention is to require them to arrive at their own definition?

### Implications for small PIEs

What happens to small public interest companies who will now be required to make the same declarations as larger ones? How do we avoid “comply or explain” becoming in effect “comply or else”?

### Remuneration

What, beyond the obvious financial data, should be captured in reporting on remuneration? What other explanations of how the company is “investing” in the workforce should be included?

### Transparent reporting

“Brave reporting” is mentioned as being desirable. What does this mean in practice, especially when proxy agencies may have a different interpretation?

### Artificial intelligence

What safeguards are in place around the use of AI – bearing in mind that it is often used to read reports as well as to write them?

### What happens next?

The consultation is open until 13th September.

The new Code is due to be published in December 2023 or January 2024. It will be an interactive document containing links to the associated guidance, which can be updated as things progress.

Independent Audit will be hosting another roundtable discussion with the FRC after the consultation period ends in October. [Pre-register here](#) to receive an invitation.