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Investor Relations and Markets Committee

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Dear Catherine

Consultation on Proposed Revisions to the UK Corporate Governance Code (“the Code”)

I am writing in my capacity as Chairman of The 100 Group Investor Relations and Markets Committee to share with you our views on the FRC’s consultation document on the above topic.

Who we are

The 100 Group represents the views of the finance directors of FTSE 100 and several large UK private companies. Our member companies represent almost 90% of the market capitalisation of the FTSE 100, collectively employing over 7% of the UK workforce and in 2013, paid, or generated, taxes equivalent to over 14% of total UK Government receipts. Our overall aim is to promote the competitiveness of the UK for UK businesses, particularly in the areas of tax, reporting, pensions, regulation, capital markets and corporate governance.

Our views

As stated in our previous response letters dated 28 April 2013 and 3 February 2014, on implementing the recommendations of the Sharman Panel on going concern and on Draft Guidance on applying the UK Corporate Governance Code respectively, we are supportive of the FRC’s desire to improve the transparency of reporting on corporate governance. Nevertheless, we have concerns regarding the proposed changes to the Code, particularly in relation to risk management and going concern. We summarise our views below:

Risk management and going concern

We agree that Directors have the duty to demonstrate the exercise of their stewardship responsibilities through transparency in communications with investors, including a meaningful disclosure of key risks that could adversely affect the business. We are concerned, however, that the requirement for Directors to provide a “*longer-term viability statement*” will result in boiler plate disclosure that adds little to investors understanding of the risks of the business. We expect that Directors will make a standard statement cross referencing the risks section and a wider caveat. We see this as a step back from the recent improvement seen in the UK in the quality of narrative reporting, particularly around principal risk disclosures.

As we have previously noted, it is our belief that the FRC should focus on encouraging better disclosure of risks and a meaningful assessment of their impact on the business’s prospects.

In our view, this is best done through promotion of best practice examples rather than a regulatory change.

If the FRC is to proceed with the Code change as proposed, we highlight the need for absolute clarity in the Guidance that the focus is on behavioural change rather than extensive disclosure requirements. Further that Directors should consider the appropriate processes to support such a statement but it is not expected that third party reviews of such support are required.

Location of the corporate governance disclosures

We strongly support the FRC's proposal to further consider whether certain elements of the corporate governance disclosures, currently required under the FCA's Disclosure and Transparency Rules, can be removed from Annual Report & Accounts ("AR&A") as long as they are available on websites.

We note that whilst the FRC's Cutting Clutter initiative has had some success, the threat of regulatory challenge is still the main barrier to many of our members taking proactive steps towards increasing the use of cross reference and links to "standing" information thus reducing the volume of an AR&A. We welcome the FRC's recent launch of Clear and Concise Reporting Programme and the Lab's Reporting in a Digital World Project and urge the FRC to work in a collaborative manner to ensure the Code (and FCA rules) is updated in keeping with contemporary forms of communication.

Our comments on the detailed questions raised in the Consultation Document are included in the Appendix to this letter.

Conclusion

The UK has made good progress in changing the way in which it reports its business and operations to a variety of stakeholders. Annual Reports and Accounts have changed considerably in recent years, with more companies focusing on providing a more holistic overview of operations, risks, value creation and various other factors.

We will continue to support any drive to reduce boilerplate disclosures, reduce the complexity and length of companies' reporting and focus users' attention on the key performance indicators of a business, what helps and may hinder achievement of strategy, and its results. We emphasise that it is very important that there are no unintended consequences in implementation. In particular, it is important that it is made clear that compliance with the proposed amendments would not require third party assurance.

Please feel free to contact me if you wish to discuss the views contained within this letter.

Yours faithfully



Matthew Lester

Chairman, The 100 Group: Investor Relations and Markets Committee

Appendix: Comments on detailed questions

Section 2: Directors' Remuneration

We do not feel it is appropriate for us to comment on questions relating to Directors' Remuneration.

Section 3: Risk Management and Going Concern

Question 5: Do you agree with the changes to the Code relating to principal risks and monitoring the risk management system?

No, we do not agree. As we have previously stated, we absolutely recognise the importance of transparent and meaningful disclosure of risks. In our view, this can be best achieved through promotion of best practice examples and not a regulatory change and will not result in a material improvement in the readers understanding of the viability of a business. All preparers we have spoken to will cross reference the risk section in order that readers understand that any viability statement must be caveated by these risks as a minimum. Therefore we do not agree the addition of such a statement adds to the readers' understanding of the company.

Question 6: Do you agree that companies should make two separate statements? If so, does the proposed wording make the distinction between the two statements sufficiently clear?

As noted above we do not believe a viability statement is appropriate. However, if the FRC proceed with this approach there does need to be a separate statement.

Question 7: Do you agree with the way proposed Provision C.2.2 addresses the issues of the basis of the assessment, the time period it covers and the degree of certainty attached?

In the context of the above answers, we are satisfied that the current wording under Provision C.2.2 allows Directors to make their own judgment as to the appropriate period under assessment and are also satisfied with the phrase "reasonable expectation" combined with qualifications or assumptions. We anticipate a wide range of periods and level of disclosures in this area in the first few years of implementation and urge the FRC to focus on clarity in the planned issuance of specific guidance around going concern and longer-term viability statements.

Question 8: Do you have any comments on the draft guidance in Appendix B on the going concern basis of accounting and/ or the viability statement?

We have no further comments in addition to our responses above.

Question 9: Should the FRC provide further guidance on the location of the viability statement?

We note that the draft revisions to the Code and guidance do not specify where the proposed broader statement of future viability should be located. We would welcome specific guidance on the location of the viability statement and would agree that including such as a statement in the Strategic Report alongside the disclosure of principal risks with appropriate cross-referencing as suggested in the Consultation would be a sensible way of reducing repeated disclosures.

Question 10: Should the recommendation that companies report on actions being taken to address significant failings or weaknesses be retained? If so, would further guidance be helpful?

We have no significant objections to the above recommendation in principle. However, as raised by other respondents during the November 2013 Consultation, we highlight the need for companies and Audit Committees to take materiality into consideration when deciding what constitutes '*significant control failures*'. Whilst the guidance has clarified that it is at the discretion of committees, it would be helpful if the guidance clarified that the overriding concept of materiality should continue to be applied in this area.

Section 4: Audit Committees and External Auditors

No specific questions included in the Consultation

Section 5: Location of Corporate governance Disclosures

Question 11: Should the option of giving companies the possibility of putting the full corporate governance statement on their website be considered further? If so, are there any elements of the corporate governance statement that should always be included in the annual report? ; and

Question 12: Are there any disclosure requirements in the Code that could be dropped entirely?

We fully support initiatives by the FRC to explore whether the full corporate governance statement can be published on company websites rather than in AR&A. In today's world of digital reporting, many investors and users of AR&A access information contained within AR&A via different methods. Rather than attempting to identify which disclosures are appropriate to be included in AR&A and which ones can be made available via websites, we urge the FRC to take a step further and work closely with other parts of the FRC that are leading the Reporting in a Digital World and Clear and Concise Reporting Projects to proactively put forward a proposition to the FCA and the Government. This will allow companies the freedom to communicate with investors and users in the most relevant and effective manner.