



**EQUINITI**

# Share Registration Conference

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2018

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Financial Reporting Council

# Fit for the Future

The 2018 UK Corporate  
Governance Code



## DRIVERS OF CHANGE

- Changing governance landscape
- Declining public trust in business
- Government and Parliament interest
- Legislation - stakeholders, remuneration and large private companies
- 25 years old



## OBJECTIVES

### **Structure**

- Principles and provisions

### **Language**

- Shorter and sharper

### **Content**

- Stakeholders/Workforce: reinvigorate section 172
- Purpose, values and culture
- Accountability



## AIM HIGH!

### **2018 Code will encourage:**

- Improved governance practices and culture
- Better quality information for investors and others
- Sustainable business success for the long-term
- Improved public trust in business



## KEY ISSUE: STAKEHOLDER ENGAGEMENT

### Principle D and Provision 5

- Board responsibility for engaging with a broader set of stakeholders
- Board to explain how section 172 matters have been considered.



## KEY ISSUE: WORKFORCE

### Principle E & Provision 5 and 6

- Board responsibility for ‘workforce policies and practices’
- Workforce engagement via:
  - a director appointed from the workforce;
  - a formal workforce advisory panel; or
  - a designated non-executive director
- Or explain the alternative method & why it is effective





## POLL QUESTION 1

### **How is your board planning to engage with the workforce?**

1. Director appointed from workforce
2. Designated NED
3. Workforce advisory panel
4. A combination of methods, incl. one of the three stated options
5. Alternative to the three stated options



## KEY ISSUE: TENURE & INDEPENDENCE

### Provisions 9, 10 & 19

- Chair - independent on appointment
- No change to independence criteria
- Explain clearly when the board 'disregards' relevant circumstances
- Chair tenure 9 years max; limited extension possible if explained



## KEY ISSUE: COMPOSITION & SUCCESSION

### Principles J & L and Provisions 17, 18 & 23

- Enhanced role for the nomination committee
- Focus on diversity at board level and in the executive pipeline
- Succession planning and effective board evaluations a priority
- Board evaluation to highlight directors' individual effectiveness



## KEY ISSUE: REMUNERATION COMMITTEE

### Principles O & P, Provisions 33 & 37

- Take account of wider workforce pay and conditions when setting executive pay
- Exercise discretion over remuneration outcomes
- Meet stronger policy and scheme expectations
- Explain decisions to the workforce
- Report against the Code for first time



## WHAT DOES IT MEAN FOR YOU?

- Accountability
- Focus on outcomes and on how
- Listening, clear purpose and aligned culture



## WHAT NEXT FOR THE FRC?

- Embedding the Code
- Future monitoring
- Updates to Guidance
- The UK Stewardship Code

