



The Deloitte Academy

Corporate Governance Disclosure Checklist

For periods commencing on or after 17 June 2016

Contents

Corporate Governance Disclosure Checklist	1
Detailed checklist	5
Contacts	29

Corporate Governance Disclosure Checklist

Corporate governance, broadly speaking, is the framework by which entities are directed and controlled. It aims to align the goals and actions of a company's board, management, and stakeholders in order to achieve sustainable success over the longer term.

The UK Corporate Governance system is complex, involving many different sets of requirements, which cover behaviours of company leadership and administrative as well as reporting requirements. This checklist sets out the reporting requirements. Other requirements which do not impact on annual reporting, or which impact other written communications outside the annual report, have not been included.

This checklist is based on:

- (i) the Listing Rules;
- (ii) the Disclosure Guidelines and Transparency Rules on audit committees and corporate governance statements;
- (iii) the 2016 version of the UK Corporate Governance Code issued by the Financial Reporting Council (the FRC);
- (iv) the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting;
- (v) the 2016 version of the Guidance on Audit Committees; and
- (vi) The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The Listing Rules

The Listing Rules requiring UK Corporate Governance Code disclosures apply only to companies with a Premium listing of equity securities i.e. not those with only debt securities, convertibles or preference shares listed, nor those with a Standard listing of shares. All companies with a Premium listing, regardless of where they are incorporated, are required to apply the Listing Rules relating to corporate governance.

We recommend that, if the company avails itself of an exemption, the following style of wording, adapted as appropriate, should be included in the annual report to avoid possible criticisms from those reviewing and commenting on the document.

"As the [company has only debt securities listed on the London Stock Exchange], it has availed itself of an exemption from the Financial Conduct Authority's requirement to make corporate governance disclosures and from auditor review thereof." (To be modified as appropriate).

In the situation where a company is eligible for such an exemption, but the directors decide to provide all corporate governance disclosures in any case, we would recommend the inclusion of the following type of wording.

"The company is eligible for exemption from the Financial Conduct Authority's requirements relating to corporate governance disclosures but the directors have decided to provide such disclosures which are set out on page x/below."

The Disclosure Guidelines and Transparency Rules on audit committees and corporate governance statements (DTR 7)

DTR 7 implements parts of the Audit Directive, the Fourth and Seventh Company Law Directives and the Non-Financial Reporting Directive. The rules apply to issuers whose securities are admitted to trading on a regulated market (both Premium and Standard listing). It should be noted that there is no 'comply or explain' element to these requirements – compliance is mandatory or FCA sanctions and penalties apply. However, it is important to note that there is significant overlap between the requirements of DTR 7 and the UK Corporate Governance Code requirements. Indeed DTR 7 makes reference to the relevant UK Corporate Governance Code provisions in a number of places to make it clear that compliance with these elements of the UK Corporate Governance Code will satisfy the requirements of the relevant part of DTR 7. Where appropriate, these cross-references are included in this checklist to make it clear where the overlaps exist.

DTR 7.1 applies to an issuer whose transferable securities are admitted to trading; and which is required to appoint a statutory auditor and appoint an audit committee (or have a body performing equivalent functions). It does not apply to:

- (1) any issuer which is a subsidiary undertaking of a parent undertaking where the parent undertaking is subject to DTR 7.1, or to requirements implementing Article 39 of the Audit Directive in any other EEA state;
- (2) any issuer the sole business of which is to act as the issuer of asset-backed securities provided the entity makes a statement available to the public setting out the reasons for which it considers it is not appropriate to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee;
- (3) a credit institution whose shares are not admitted to trading and which has, in a continuous or repeated manner, issued only debt securities provided that:
 - a) the total nominal amount of all such debt securities remains below 100,000,000 Euros; and
 - b) the credit institution has not been subject to a requirement to publish a prospectus in accordance with section 85 of the Financial Services and Markets Act 2000; and
- (4) undertakings for collective investment in transferable securities established in accordance with the UCITS Directive or an alternative investment fund.

Only the exemption for issuers of asset-backed securities requires an explanation of why no audit committee is required. However, it may be helpful for other companies to provide an explanation, as described below.

DTR 7.2 applies to an issuer who is required to publish a corporate governance statement. This is an issuer:

- (1) whose transferable securities are admitted to trading; and
- (2) which is a company within the meaning of section 1(1) of the Companies Act 2006.

The rules in DTR 7.2.2R, 7.2.3R and 7.2.7R do not apply to an issuer which has not issued shares which are admitted to trading unless it has issued shares which are traded on a multilateral trading facility.

Companies that qualify as small or medium sized under company law are exempt from the requirement to provide the diversity disclosures in DTR 7.2.8AR arising from the Non-Financial Reporting Directive.

We recommend that, if the company avails itself of an exemption, the following style of wording, adapted as appropriate, should be included in the annual report to avoid possible criticisms from those reviewing and commenting on the document.

"As the [company is a subsidiary undertaking of a parent undertaking subject to DTR 7.2], it has availed itself of an exemption from the Financial Conduct Authority's requirement to [provide a corporate governance statement]." (To be modified as appropriate).

In the situation where a company is eligible for such an exemption, but the directors decide to provide all corporate governance disclosures in any case, we would recommend the inclusion of the following type of wording.

“The company is eligible for exemption from the Financial Conduct Authority’s requirements relating to corporate governance disclosures but the directors have decided to provide such disclosures which are set out on page x/below.”

The UK Corporate Governance Code

This checklist covers those aspects of the 2016 UK Corporate Governance Code that deal with the disclosures required to be made by the board or by board committees. It does not cover all the other requirements of the Code, which relate to processes within the company.

This disclosure checklist does not include material on the detailed requirements for disclosure of directors’ remuneration, many of which are included in legislation rather than the Code. Helpful resources for directors’ remuneration disclosures and other governance requirements relating to directors’ remuneration are available on our website: <https://www.iasplus.com/en-gb/collections/directors-remuneration>.

Securities Exchange Commission (SEC) registrants will need to give consideration to additional US requirements, including those arising from the Sarbanes-Oxley Act.

Guidance on Risk Management, Internal Control and Related Financial and Business Reporting

The Guidance on Risk Management, Internal Control and Related Financial and Business Reporting provides guidance as to how the Code provisions might be applied in respect of risk management and internal control. This guidance was issued in September 2014, effective for periods commencing on or after 1 October 2014.

Guidance on Audit Committees

The Guidance on Audit Committees provides guidance to listed companies on the composition, role and responsibilities of the audit committee. It was first published in 2003, with a revised version issued in October 2008 in response to the recommendations of the FRC’s Market Participants Group’s report on promoting choice in the UK audit market. Further revisions were made in December 2010, September 2012, and most recently in April 2016, in conjunction with changes made to the UK Corporate Governance Code.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (“the CMA Order”) was issued by the Competition & Markets Authority in 2014 following its market investigation into statutory audit services for large companies. The CMA Order requires FTSE 350 audit committees to include a statement of compliance with the provisions of this Order in each annual audit committee report, with additional audit committee report disclosures where there has not been a competitive tender for five consecutive financial years.

Other considerations

AIM companies

Companies that have securities traded on the Alternative Investment Market ('AIM') are required to prepare annual reports in accordance with the AIM Rules of the London Stock Exchange (which should not be confused with the Listing Rules). These rules do not require AIM companies to make disclosures about compliance with the UK Corporate Governance Code, although AIM Rule 26 requires AIM companies to disclose, on a website or elsewhere, whether they have adopted a corporate governance code and how they have applied the principles of this code, or where they have not adopted a code, to explain their corporate governance arrangements. However, a way of generating investor confidence is by adopting some or all of the guidelines of the Code. Therefore AIM companies may wish to make a statement on the degree of compliance with the Code provisions set out within section 1 of the UK Corporate Governance Code and may wish to state how they have applied the Principles within section 1 of the Code.

A number of other Codes have been established for the use of smaller-sized companies, including the Quoted Companies Alliance (QCA) Code and the ecoDa Corporate Governance Guidance and Principles for Unlisted Companies in the UK. Some AIM companies may choose to base their corporate governance approach on these other frameworks.

It is recommended that, where the directors of AIM companies provide disclosures relating to the UK Corporate Governance Code, the directors disclose that they are volunteering the information. Suggested wording is:

"Although not required to do so by the AIM Rules, the directors have decided to provide corporate governance disclosures comparable with those required of a listed company."

Where the directors have chosen to provide a limited number of disclosures, it is recommended that they state that, whilst not required to comply with the Code, they have chosen to give selected disclosures that they believe are necessary or valuable to readers.

Smaller listed companies

A few of the UK Corporate Governance Code provisions do not apply to companies below the FTSE 350. These are indicated where relevant in the checklist.

Other disclosures

The checklist focuses on disclosure in the annual report. The Board may wish to make further disclosure in the corporate website or in other communications, either for shareholders or for engagement with other stakeholders.

Detailed checklist

The Listing Rules		Reference Principle or provision	Included?		
Narrative statement					
1.	<p>A statement of how the listed company has applied the Main Principles set out in the UK Corporate Governance Code, in a manner that would enable shareholders to evaluate how the Principles have been applied.</p> <p>A brief bland statement will not suffice. Directors should satisfy themselves that all the main Principles and the supporting Principles (see below) are sufficiently covered in the narrative. They should avoid “boilerplate” recitals of Code provisions which have been complied with. The focus should be on how those provisions have been applied to the company’s particular circumstances and on how readily a shareholder will be able to evaluate the effectiveness of the arrangements described.</p> <p>We recommend that the narrative statement should include, or cross refer to, the statement on internal control (see item 34 below).</p>	LR 9.8.6R(5)	Yes	No	N/A
Statement of compliance with the Code					
2.	<p>A statement as to whether the listed company has:</p> <p>(a) complied throughout the accounting period with all relevant provisions set out in the UK Corporate Governance Code; or</p> <p>(b) not complied throughout the accounting period with all relevant provisions set out in the UK Corporate Governance Code and if so, setting out:</p> <p>(i) those provisions, if any, it has not complied with;</p> <p>(ii) in the case of provisions whose requirements are of a continuing nature, the period within which, if any, it did not comply with some or all of those provisions; and</p> <p>(iii) the company’s reasons for non-compliance.</p> <p>Suggested wording is as follows:</p> <p><i>“Throughout the year ended [date] the company has been in compliance with the provisions set out in the 2016 UK Corporate Governance Code [except for the following matters].”</i></p> <p>Where there is non-compliance, there should be a clear statement of the provisions which have not been complied with, the period during which non-compliance continued and the reasons for the non-compliance. We recommend that the statement should be self-contained. It should avoid vague cross references to non-compliance which are then scattered throughout the narrative statement.</p> <p>The Listing Rules do not prescribe where the statement of compliance should be given. It will usually be located together with the narrative statement about how the Principles have been applied. This is often a separate corporate governance statement but it may be part of the directors’ report. The statement of compliance is usually positioned either at the beginning or at the end of the narrative statement. The former treatment gives the statement a higher profile but the latter treatment enables the statement to be set in the context of the narrative discussion. Either is acceptable.</p> <p>To keep the checklist succinct, the Code provisions are referred to only where they relate to a disclosure requirement. Other Code provisions also have to be considered for the purposes of the statement of compliance with the Code.</p>	LR 9.8.6R(6)	Yes	No	N/A
N.B. A listed company which complies with LR 9.8.6R(6) (the comply or explain rule in relation to the Code) will satisfy the requirements of DTR 7.2.2R and 7.2.3R.		DTR 7.2.4G			

The Listing Rules		Reference Principle or provision	Included?		
Statements on going concern and longer term viability					
3.	Statements by the directors on:	LR 9.8.6R(3)	Yes	No	N/A
	(a) the appropriateness of adopting the going concern basis of accounting (containing the information set out in provision C.1.3 of the UK Corporate Governance Code); and				
	(b) their assessment of the prospects of the company (containing the information set out in provision C.2.2 of the UK Corporate Governance Code);				
	prepared in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the Financial Reporting Council in September 2014.				
	This requirement does not apply to non-UK incorporated companies.				
	N.B. A company that reports on Code provisions C.1.3 and C.2.2 in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting will satisfy the requirements of LR9.8.6R(3)				

The Disclosure Guidelines and Transparency Rules		Reference Principle or provision	Included?		
Audit committees					
4.	A statement disclosing which body carries out the functions required by DTR 7.1.3R (see DTR 7.1.5R below) and how it is composed.	DTR 7.1.5R	Yes	No	N/A
An issuer must ensure that, as a minimum, the relevant body must:					
(1) monitor the financial reporting process.					
(2) monitor the effectiveness of the issuer's internal control, internal audit where applicable, and risk management systems.					
(3) monitor the statutory audit of the annual and consolidated accounts.					
(4) review and monitor the independence of the statutory auditor and, in particular, the provision of additional services to the issuer.					
[DTR 7.1.3R]					
N.B. In the FCA's view, compliance with provisions A.1.2, C.3.1, C.3.2 and C.3.3 of the Code will result in compliance with DTR 7.1.1R to 7.1.5R.		DTR 7.1.7G			

The Disclosure Guidelines and Transparency Rules		Reference Principle or provision	Included?		
Corporate governance statements					
5.	<p>A statement containing reference to:</p> <p>1) the corporate governance code to which the issuer is subject; and/or</p> <p>2) the corporate governance code which the issuer may have voluntarily decided to apply; and/or</p> <p>3) all relevant information about the corporate governance practices applied beyond the requirements under national law.</p> <p>Where 1) or 2) above apply, the statement must include where the relevant corporate governance code is publicly available. In addition, to the extent that the issuer departs from (or does not apply) that corporate governance code, an explanation of which parts of the corporate governance code it departs from (or does not apply) and the reasons for doing so.</p> <p>Where 3) above applies, the statement must include details of where the corporate governance practices applied can be found.</p> <p>DTR 7.2.1 R states that the issuer must include a corporate governance statement as a specific section of its directors' report. DTR 7.2.9R states that an issuer may elect that, instead of including its corporate governance statement in its directors' report, the information required by DTR 7.2.1 R to DTR 7.2.7R may be set out:</p> <p>1) in a separate report published together with and in the same manner as its annual report. In the event of a separate report, the corporate governance statement must contain either the information required by DTR 7.2.6R (see below) or a reference to the directors' report where that information is made available; or</p> <p>2) by means of a reference in its directors' report to where such document is publicly available on the issuer's website.</p> <p>An issuer that elects to include its corporate governance statement in a separate report as permitted by DTR 7.2.9R(1) (above) must provide the information required by DTR 7.2.10R (see below) in that report. It is important to remember that presenting the corporate governance statement as a separate report places that statement outside of the disclosures covered by the directors' liability protection provisions of the Companies Act 2006 and could lead to additional audit implications. It is recommended that a cross reference be made to include the corporate governance statement within the scope of the directors' report.</p> <p>N.B. A listed company which complies with LR 9.8.6R(6) (the comply or explain rule in relation to the Code) will satisfy the requirements of DTR 7.2.2R and 7.2.3R.</p>	DTR 7.2.2R & 7.2.3R	Yes	No	N/A
6.	<p>A statement containing a description of the main features of the issuer's internal control and risk management systems in relation to the financial reporting process.</p> <p>An issuer which is required to prepare a group directors' report within the meaning of section 415(2) of the Companies Act 2006 must include in that report a description of the main features of the group's internal control and risk management systems in relation to the process for preparing consolidated accounts. In the event that the issuer presents its own annual report and its consolidated annual report as a single report, this information must be included in the corporate governance statement.</p>	DTR 7.2.5R DTR 7.2.10R	Yes	No	N/A

The Disclosure Guidelines and Transparency Rules		Reference Principle or provision	Included?		
			Yes	No	N/A
7.	<p>Where applicable, the statement must contain information required by paragraph 13(2)(c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (see below).</p> <p>Extract from para 13(2), Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008:</p> <p>(c) in the case of each person with a significant direct or indirect holding of securities in the company, such details as are known to the company of:</p> <p>(i) the identity of the person,</p> <p>(ii) the size of the holding, and</p> <p>(iii) the nature of the holding.</p> <p>(d) in the case of each person who holds securities carrying special rights with regard to control of the company:</p> <p>(i) the identity of the person, and</p> <p>(ii) the nature of the rights.</p> <p>(f) any restrictions on voting rights, including in particular:</p> <p>(i) limitations on voting rights of holders of a given percentage or number of votes,</p> <p>(ii) deadlines for exercising voting rights, and</p> <p>(iii) arrangements by which, with the company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities.</p> <p>(h) any rules that the company has about:</p> <p>(i) appointment and replacement of directors, or</p> <p>(ii) amendment of the company's articles of association.</p> <p>(i) the powers of the company's directors, including in particular any powers in relation to the issuing or buying back of the company of its shares.</p>	DTR 7.2.6R			
8.	<p>The statement must contain a description of the composition and operation of the issuer's administrative, management and supervisory bodies and their committees.</p> <p>N.B. In the FCA's view, the information specified in provisions A.1.1, A.1.2, B.2.4, C.3.3 and D.2.1 of the Code will satisfy the requirements of DTR 7.2.7R.</p>	<p>DTR 7.2.7R</p> <p>DTR 7.2.8G</p>			

The Disclosure Guidelines and Transparency Rules		Reference Principle or provision	Included?		
			Yes	No	N/A
9.	<p>The statement must contain a description of the diversity policy applied to the company's administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, educational and professional backgrounds; the objectives of this policy; how the policy has been implemented and the results during the reporting period; or, if the company has no diversity policy, an explanation why that is the case.</p> <p>This requirement applies for periods commencing on or after 1 January 2017.</p> <p>The administrative, management and supervisory bodies relates to the unitary board itself and does not include any other executive committees. The wording is designed to capture other forms of board that are more common outside the UK, as this requirement arises from the UK implementation of the EU Non-Financial Reporting Directive.</p> <p>In practice, companies may make elements of this disclosure already, either in nomination committee reports under Code provision B.2.4 or in the Strategic Report and in that case suitable enhancements and cross-references may be added to satisfy the requirement.</p> <p>Companies that qualify as small or medium sized under company law are exempt from this requirement; [DTR 7.2.8BG]</p>	DTR 7.2.8AR			

UK Corporate Governance Code		Reference Principle or provision	Included?		
The Main Principles are set out below in bold; Supporting Principles are set out immediately below them. They are shown with the relevant reference in the Code.					
Preface					
10.	The chairman's statement should include a report on how the principles (in Sections A and B of the Code) relating to the role and effectiveness of the board have been applied.	Chairman's Preface	Yes	No	N/A
11.	Chairmen are encouraged to recognise the contribution made by providers of capital other than shareholders.	Chairman's Preface	Yes	No	N/A
Consideration should be made as to including a reference, in the Corporate Governance statement, to other providers of capital, the contribution they make in providing capital for the company and details of any steps taken by the board to understand their concerns. This is aligned with the goals of improved reporting to broader stakeholders pursued by Government and by the FRC.					
Statement of compliance with the Code					
12.	Statement of compliance with the Code	Comply or Explain section	Yes	No	N/A
The FRC is keen to ensure that meaningful explanations of all non-compliance with the provisions of the Code are provided which illustrate how the actual governance practices are consistent with the principle to which the particular provision relates, contribute to good governance and promote delivery of business objectives. Explanations for non-compliance with the provisions of the code should include the following:					
<ul style="list-style-type: none"> • a clear rationale for the action it is taking; • a description of any mitigating actions taken to address any additional risk and to maintain conformity with the relevant principle; and • where the deviation from the Code's provision is intended to be time-limited, an explanation indicating when the company expects to conform with the provision. 					
These disclosures should be made in the "Statement of compliance with the UK Corporate Governance Code" section of the corporate governance statement or where any non-compliance is discussed elsewhere in the corporate governance statement.					

UK Corporate Governance Code		Reference Principle	Included? or provision		
A. Leadership					
A.1 The role of the board					
Every company should be headed by an effective board, which is collectively responsible for the success of the company.					
The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The board should set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met.					
All directors must act in what they consider to be the best interests of the company, consistent with their statutory duties.					
13.	The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management should be included in the annual report.	A.1.1	Yes	No	N/A
N.B. This element of the Code disclosure requirements is specifically referred to in DTR 7.2.8G.					

A. Leadership		Reference Principle or provision	Included?		
			Yes	No	N/A
14.	<p>The annual report should provide the names of the chairman, the deputy chairman (where there is one), the chief executive, the senior independent director and the chairmen and members of the board committees.</p> <p>N.B. This element of the Code disclosure requirements is specifically referred to in DTR 7.1.7G and 7.2.8G.</p>	A.1.2	Yes	No	N/A
15.	<p>The annual report should set out the number of meetings of the board and its committees and individual attendance by directors.</p> <p>This is probably best presented in tabular form.</p> <p>N.B. This element of the Code disclosure requirements is specifically referred to in DTR 7.2.8G.</p>	A.1.2	Yes	No	N/A
<p>A.2 Division of responsibilities</p> <p>There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.</p>					
16.	<p>There are no specific disclosure requirements but a complete report would include some information on how this principle has been applied.</p>	A.2	Yes	No	N/A
<p>A.3 The chairman</p> <p>The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.</p> <p>The chairman is responsible for setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. The chairman should also promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.</p> <p>The chairman is responsible for ensuring that the directors receive accurate, timely and clear information. The chairman should ensure effective communication with shareholders.</p>					
17.	<p>If, exceptionally, a chief executive is appointed to the position of chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.</p> <p>Compliance or otherwise with this provision need be reported only for the year in which the appointment is made.</p>	A.3.1	Yes	No	N/A
<p>A.4 Non-executive directors</p> <p>As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.</p> <p>Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.</p>					
18.	<p>There are no specific disclosure requirements but a complete report would include some information on how this principle has been applied.</p>	A.4	Yes	No	N/A

B. Effectiveness	Reference Principle or provision	Included?
<p>B. Effectiveness</p> <p>B.1 The composition of the board</p> <p>The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.</p> <p>The board should be of sufficient size that the requirements of the business can be met and that changes to the board's composition and that of its committees can be managed without undue disruption, and should not be so large as to be unwieldy.</p> <p>The board should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking.</p> <p>The value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding chairmanship and membership of committees.</p> <p>No-one other than the committee chairman and members is entitled to be present at a meeting of the nomination, audit or remuneration committee, but others may attend at the invitation of the committee.</p>		
<p>19. The annual report should identify each non-executive director whom the board considers to be independent, with reasons where necessary. Relationships which could affect, or appear to affect, the director's judgement would include circumstances such as the director:</p> <ul style="list-style-type: none"> • has been an employee of the company or group within the last five years; • has had a material business relationship with the company within the last three years; • has received additional remuneration apart from the director's fee (e.g. share options, member of a pension scheme); • has close family ties with; • holds cross-directorships or has significant links with other directors through involvement in other companies; • represents a significant shareholder; and • has served on the board for more than nine years. <p>If the board determines that a director is independent where such relationships or circumstances exist, their reasons for doing so must be disclosed.</p> <p>For FTSE 350 companies, at least half the board, excluding the chairman, should comprise non – executive directors that the board has deemed to be independent. For smaller companies, the requirement is two members.</p>	<p>B.1.1</p>	<p>Yes No N/A</p>
<p>B.2 Appointments to the board</p> <p>There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.</p> <p>The search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender. The board should satisfy itself that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board and to ensure progressive refreshing of the board.</p>		
<p>20. The nomination committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</p> <p>The Code states that this requirement may be met by placing it on the company's website.</p> <p>Companies may wish to include this information in the annual report.</p>	<p>B.2.1</p>	<p>Yes No N/A</p>

B. Effectiveness		Reference Principle or provision	Included?		
			Yes	No	N/A
21.	<p>A separate section of the annual report should describe the work of the nomination committee, including the process it has used for board appointments; a description of the board's policy on diversity, including gender; any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives.</p> <p>An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director.</p> <p>Where an external search consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the company.</p> <p>The code is seeking to promote equality and transparency in respect of appointments to the board.</p> <p>N.B. This element of the Code disclosure requirements is specifically referred to in DTR 7.2.8G.</p> <p>The new diversity disclosure requirements in DTR 7.2.8AR may also helpfully be built into this section on the work of the nomination committee.</p>	B.2.4	Yes	No	N/A
B.3 Commitment All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.					
22.	<p>Any other significant commitments of the chairman and the impact of any changes to them during the year should be disclosed in the annual report.</p> <p>Compliance with this provision need be reported only for the year in which the appointment is made or when there are changes during the year, in which case the impact of such changes must be explained.</p>	B.3.1	Yes	No	N/A
23.	<p>The terms and conditions of appointment of non-executive directors should be made available for inspection.</p> <p>The Code states that this information should be made available for inspection by any person at the company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting). Although it is unlikely to be appropriate to include these details in full in the annual report, it may be appropriate to provide some key terms or at least refer to the fact that the terms and conditions are available for inspection.</p>	B.3.2	Yes	No	N/A
B.4 Development All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge. <p>The chairman should ensure that the directors continually update their skills and the knowledge and familiarity with the company required to fulfil their role both on the board and on board committees. The company should provide the necessary resources for developing and updating its directors' knowledge and capabilities.</p> <p>To function effectively, all directors need appropriate knowledge of the company and access to its operations and staff.</p>					
24.	<p>There are no specific disclosure requirements but a complete report would include some information on how this principle has been applied.</p>	B.4	Yes	No	N/A

B. Effectiveness		Reference Principle or provision	Included?
B.5 Information and Support The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. The chairman is responsible for ensuring that the directors receive accurate, timely and clear information. Management has an obligation to provide such information but directors should seek clarification or amplification where necessary. Under the direction of the chairman, the company secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required. The company secretary should be responsible for advising the board through the chairman on all governance matters.			
25.	There are no specific disclosure requirements but a complete report would include some information on how this principle has been applied.	B.5	Yes No N/A
B.6 Evaluation The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. Evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness. The chairman should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, proposing new members be appointed to the board or seeking the resignation of directors. Individual evaluation should aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties).			
26.	The annual report should include a statement of how performance evaluation of the board, its committees and its individual directors has been conducted. The description of the board evaluation process could be enhanced by including each of the features listed above.	B.6.1	Yes No N/A
27.	Where an external facilitator has been used in the performance evaluation, they should be identified in the annual report and a statement made as to whether they have any other connection with the company. It is a requirement that evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years.	B.6.2	Yes No N/A
B.7 Re-election All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. For FTSE 350 companies, all directors should be subject to annual election; all other directors should be subject to re-election every three years. Note – The Code requires the following details to be sent out to shareholders in the papers accompanying a resolution to elect or re-elect directors. In practice these details will often be provided within the annual report but, at a minimum, details are required to be included within the papers accompanying the notice of the AGM.			
28.	The names of the directors submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information to enable shareholders to take an informed decision on their election or re-election. Many listed companies provide biographical details of all their directors rather than just those proposed for election or re-election.	B.7.1	Yes No N/A

B. Effectiveness		Reference Principle or provision	Included?		
29.	The board should set out to shareholders why they believe an individual should be elected to a non-executive role.	B.7.2	Yes	No	N/A
30.	When proposing re-election of a non-executive director, confirmation from the chairman that, following formal performance evaluation, the individual's performance continues to be effective and demonstrates commitment to the role.	B.7.2	Yes	No	N/A
C. Accountability					
C.1 Financial and Business Reporting					
The board should present a fair, balanced and understandable assessment of the company's position and prospects.					
The board's responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.					
The board should establish arrangements that will enable it to ensure that the information presented is fair, balanced and understandable.					
31.	The annual report should contain an explanation from the directors of their responsibility for preparing the annual report and accounts.	C.1.1	Yes	No	N/A
32.	The annual report should contain a statement from the directors that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.	C.1.1	Yes	No	N/A
The FRC has not produced guidance on what is meant by "fair, balanced and understandable". They believe that stewardship is about judgement and that a principles-based stewardship regime requires people to make up their own minds and take responsibility.					
The board will need to be satisfied that all the matters it has considered and which have been brought to its attention during the year have been reflected adequately in the annual report. Once the board is satisfied the following wording could be included:					
"Having taken all the matters considered by the board and brought to the attention of the board during the year into account, we are satisfied that the annual report and accounts, taken as a whole, is fair, balanced and understandable."					
In relation to the statement on the strategy and business model, subject to appropriate disclosures being made in the annual report, the following wording could be included in the corporate governance statement:					
"The board believes that the disclosures set out on pages [X] to [X] of the annual report provide the information necessary for shareholders to assess the company's position, performance, business model and strategy."					
The Guidance on Audit Committees reflects the involvement of the audit committee in this statement, where requested by the board.					
33.	The annual accounts should include a statement by the auditors about their reporting responsibilities.	C.1.1	Yes	No	N/A
The statement by the auditors will normally form part of their report, pursuant to the requirements of ISA (UK) 700 (Revised June 2016).					

C. Accountability	Reference Principle or provision	Included?
<p>Guidance: APB Bulletin 2010/2 (App 17)</p> <p>Appendix 17 of APB Bulletin 2010/2 is an example statement of directors' responsibilities for a non-publicly traded company preparing UK GAAP accounts. Whilst APB has not prepared an example for a listed company (i.e. for which IFRS accounts are required) this example is a useful indication of the points that should be covered. These responsibilities in relation to preparing financial statements include the following:</p> <ul style="list-style-type: none"> • the legal requirement for directors to prepare financial statements for each financial year. The Companies Act requires that directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company (or group) as at the end of the financial year and of the profit or loss for the year then ended; • selection of suitable accounting policies and application of those policies on a consistent basis; • making judgements and accounting estimates that are prudent and reasonable; • stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements. This does not obviate the need for a formal statement in the notes to the accounts disclosing whether the financial statements have been prepared in accordance with applicable accounting standards; • (where no separate statement on going concern is made by the directors – this should therefore not apply to listed companies) preparing the financial statements on the going concern basis unless it is not appropriate to presume that the company/group will continue in business; and • keeping adequate accounting records, for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities. <p>This statement can be combined with the responsibility statement required by DTR 4.1.12R.</p> <p>An illustrative statement of directors' responsibilities for IFRS accounts is included in our publication "GAAP 2017 Model annual report and financial statements for UK listed groups" (Listing Rules 9.8.6R(3)).</p>		
<p>34. The annual report should include an explanation from the directors of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company.</p> <p>The requirement to explain the business model is a legal requirement under the Strategic Report Regulations (CA06 s414C(8)(b)).</p> <p>The business model can be shown in any format. Consider what best suits the business, bearing in mind the overall goal of explaining how the business creates value for shareholders and how the directors meet their duty under s172 of the Companies Act to promote the success of the company by describing how longer term value is created. Visual representation can have more impact than long blocks of text.</p>	C.1.2	Yes No N/A

C. Accountability	Reference Principle or provision	Included?		
		Yes	No	N/A
<p>35. The annual report, as well as the half-yearly financial statements, should contain a statement from the directors as to whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.</p> <p>This requirement overlaps with LR 9.8.6R(3) and should be prepared in accordance with Appendix A of the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, published by the Financial Reporting Council in September 2014. This guidance identifies three reporting scenarios which the directors can reach on whether to adopt the going concern basis of accounting and whether there are material uncertainties:</p> <ul style="list-style-type: none"> the going concern basis of accounting is appropriate and there are no material uncertainties. The directors should adopt the going concern basis of accounting as part of the company's financial statements, make an explicit statement that the adoption of the going concern basis of accounting is considered appropriate and make any disclosures necessary to give a true and fair view; or the going concern basis of accounting is appropriate but there are material uncertainties. The directors should adopt the going concern basis of accounting in preparing the financial statements, make an explicit statement that the adoption of the going concern basis of accounting is considered appropriate, disclose and identify any material uncertainties and make any other disclosures necessary to give a true and fair view; or the going concern basis of accounting is not appropriate. Such a conclusion is likely to be rare. The directors should make an explicit statement that the adoption of the going concern basis of accounting is not considered appropriate, disclose the basis of accounting adopted and make any other disclosures necessary to give a true and fair view. <p>In performing this assessment, the directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that are available to the directors.</p> <p>To be useful the disclosures of material uncertainties must explicitly identify that they are material uncertainties that they may cast significant doubt upon the entity's ability to continue to apply the going concern basis of accounting.</p> <p>The full guidance is available at: https://www.frc.org.uk/getattachment/d672c107-b1fb-4051-84b0-f5b83a1b93f6/Guidance-on-Risk-Management-Internal-Control-and-Related-Reporting.pdf</p>	C.1.3			

C. Accountability		Reference Principle or provision	Included?		
C.2 Risk Management and Internal Control					
The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.					
36.	The directors confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors have described those risks and explain how they are being managed or mitigated.	C.2.1	Yes	No	N/A
Full implementation of the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting will constitute compliance with the principles and provisions in this section. The full guidance can be accessed at https://www.frc.org.uk/getattachment/d672c107-b1fb-4051-84b0-f5b83a1b93f6/Guidance-on-Risk-Management-Internal-Control-and-Related-Reporting.pdf .					
N.B. In order to satisfy the requirements of DTR 7.2.5R, companies are required to describe the main features of the internal control and risk management systems in relation to the financial reporting process.					
Summary of the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting					
The relevant matters for disclosure, specified in the section on Related Financial and Business Reporting in the Guidance are set out below.					
37.	The board provides clear and concise information that is tailored to the specific circumstances material to the company, and avoids using standardised language which may be long on detail but short on insight. In considering how to meet the different disclosures, the board bears in mind the need for the annual report and accounts as a whole to be fair, balanced and understandable.	Guidance 46	Yes	No	N/A
For groups of companies, all reporting is from the perspective of the group as a whole. An explanation is given of how the board assesses and manages the risks faced in relation to investments in material joint ventures and associates. Where the board does not have access to, and oversight of, detailed information concerning those entities' business planning, risk management and internal controls, this fact has also been disclosed.		Guidance 47	Yes	No	N/A
A risk or uncertainty may be unique to the company, a matter that is relevant to the market in which it operates or something that applies to the business environment more generally. Where the risk or uncertainty is more generic, the description makes clear how it might affect the company specifically.		Guidance 49	Yes	No	N/A
The descriptions of the principal risks and uncertainties is sufficiently specific that a shareholder can understand why they are important to the company. The report includes a description of the likelihood of the risk, an indication of the circumstances under which the risk might be most relevant to the company and its possible impacts. Significant changes in principal risks such as a change in the likelihood or possible impact, or the inclusion of new risks, have been highlighted and explained. A high-level explanation of how the principal risks and uncertainties are being managed or mitigated has also been included.		Guidance 50	Yes	No	N/A

C. Accountability		Reference Principle or provision	Included?		
			Yes	No	N/A
38.	<p>Taking account of the company's current position and principal risks, the directors explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.</p> <p>Reasonable expectation does not mean certainty. It does mean that the assessment can be justified. The longer the period considered, the more the degree of certainty can be expected to reduce.</p> <p>That does not mean that the period chosen should be short. Except in rare circumstances it should be significantly longer than 12 months from the approval of the financial statements. The length of the period is determined, taking account of a number of factors, including without limitation: the board's stewardship responsibilities; previous statements they have made, especially in raising capital; the nature of the business and its stage of development; and its investment and planning periods.</p> <p>Any qualifications or assumptions to which the directors consider it necessary to draw attention in their statement are specific to the company's circumstances, rather than so generic that they could apply to any predictions about the future. They are relevant to an understanding of the directors' rationale for making the statement. They include matters that are highly unlikely either to arise or to have a significant impact on the company. Where relevant, they cross-refer to, rather than repeat, disclosures given elsewhere.</p>	C.2.2	Yes	No	N/A
		Guidance Appendix B			
39.	<p>The board monitors the company's risk management and internal control systems and, at least annually, carries out a review of their effectiveness, and reports on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.</p> <p>In its statement the board, as a minimum, acknowledges: that it is responsible for those systems and for reviewing their effectiveness and discloses:</p> <ul style="list-style-type: none"> • that there is an on-going process for identifying, evaluating and managing the principal risks faced by the company; • that the systems have been in place for the year under review and up to the date of approval of the annual report and accounts; • that they are regularly reviewed by the board; and • the extent to which the systems accord with the guidance in this document. <p>The board summarises the process it has applied in reviewing the effectiveness of the system of risk management and internal control. The board explains what actions have been or are being taken to remedy any significant failings or weaknesses. Where this information has been disclosed elsewhere in the annual report and accounts, for example in the audit committee report, a cross-reference to where that information can be found is sufficient. In reporting on these actions, the board is not expected to disclose information which, in its opinion, would be prejudicial to its interests.</p>	C.2.3	Yes	No	N/A
		Guidance 57	Yes	No	N/A
		Guidance 58	Yes	No	N/A

C. Accountability		Reference Principle or provision	Included?		
<p>The report on the review of the risk management and internal control systems is normally included in the corporate governance section of the annual report and accounts, but this reflects common practice rather than any mandatory requirement and companies can choose where to position it in their report. In any event, the company has considered whether and how to link reporting on the review of the risk management and internal control systems to the information on principal risks in the Strategic Report and material uncertainties relating to the going concern basis of accounting in the financial statements.</p> <p>N.B. In order to satisfy the requirements of DTR 7.2.5R, companies are required to describe the main features of the internal control and risk management systems in relation to the financial reporting process.</p>		Guidance 60	Yes	No	N/A
40.	<p>The Code requires audit committees to review the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Although there is no requirement to do so, boards may wish to refer to these procedures as part of the statement on internal control.</p>	C.3.5	Yes	No	N/A
<p>C.3 Audit Committee and Auditors</p> <p>The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.</p>					
41.	<p>The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:</p> <ul style="list-style-type: none"> to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them; to review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems; to monitor and review the effectiveness of the company's internal audit function; to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and to report to the board on how it has discharged its responsibilities. <p>N.B. Note that this element of the Code disclosure requirements overlaps with DTR 7.1.3R.</p>	C.3.2	Yes	No	N/A

C. Accountability		Reference Principle or provision	Included?		
			Yes	No	N/A
42.	<p>The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available.</p> <p>The Code states that this requirement may be met by making the information available on request and placing it on the company's website. Companies may wish to include this information in the annual report.</p> <p>N.B. This element of the Code disclosure requirements is specifically referred to in DTR 7.1.7G and 7.2.8G.</p>	C.3.3	Yes	No	N/A
43.	<p>Where requested by the board, the audit committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the company's position and performance, business model and strategy.</p> <p>There are no specific disclosure requirements but a complete report would include some information on how this provision has been dealt with if the situation were to arise.</p>	C.3.4	Yes	No	N/A
44.	<p>Where there is no internal audit function, the reasons for the absence of such a function should be explained in the relevant section of the annual report.</p> <p>"Relevant section" refers to the section in the audit report which discusses the financial statement audit, whether internal or external.</p>	C.3.6	Yes	No	N/A
45.	<p>Where the board does not accept the audit committee's recommendation on the appointment, reappointment or removal of an external auditor, a statement from the audit committee explaining the recommendation and the reasons why the board has taken a different position is required in the annual report.</p> <p>This disclosure is required in both the annual report and in any papers recommending appointment or re-appointment of the auditors. But circumstances leading to such disclosure should be very rare.</p>	C.3.7	Yes	No	N/A

C. Accountability	Reference Principle or provision	Included?		
		Yes	No	N/A
<p>46. A separate section of the annual report should describe the work of the audit committee in discharging its responsibilities, including:</p> <ul style="list-style-type: none"> the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed; an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, including the length of tenure of the current audit firm and when a tender was last conducted; advanced notice of any retendering plans; and if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded. <p>This provision elevates guidance previously included in the Guidance on Audit Committees regarding the external auditor relationship to a Code provision. Further detail on how to meet these disclosure requirements is included in the Guidance on Audit Committees.</p> <p>The 2016 Guidance on Audit Committees notes that the committee will need to exercise judgement in deciding which of the issues it considered in relation to the financial statements are significant, but should include at least those matters that have informed the board's assessment of whether the company is a going concern. It goes on to say that the committee should aim to describe the significant issues in a concise and understandable form whilst reporting on the specific circumstances of the company.</p> <p>Reporting on the significant issues that the committee considered should include issues in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the auditors; the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team; and, where the company's audit has been reviewed by the FRC's Audit Quality Review Team, the Committee should make disclosures about any significant findings and the actions they and the auditors plan to take, without disclosing the audit quality category.</p> <p>When reporting on the significant issues, the audit committee would not be expected to disclose information which, in its opinion, would be prejudicial to the interests of the company (for example, because it related to impending developments or matters in the course of negotiation).</p> <p>The guidance goes on to state that the auditor is required by auditing standards to report, in their report on the financial statements, if the section of the annual report describing the work of the audit committee does not appropriately address the matters communicated by the auditor to the audit committee.</p> <p>The reference to a "separate section" of the annual report helps to ensure that the description is clearly identifiable. A sub-section within a larger corporate governance statement would generally be acceptable.</p>	<p>C.3.8</p> <p>Guidance on Audit Committees 82</p> <p>Guidance on Audit Committees 81</p> <p>Guidance on Audit Committees 83</p>			
N.B. This element of the Code overlaps with DTR 7.1.5R and 7.2.7R.				

C. Accountability		Reference Principle or provision	Included?		
			Yes	No	N/A
47.	<p>The Guidance on Audit Committees recommends that the section describing the work of the audit committee should include:</p> <ul style="list-style-type: none"> • a summary of the role of the audit committee; • how the audit committee composition requirements have been addressed, and the name and qualifications of all members of the audit committee during the period, if not provided elsewhere; <p>[Note that following the update to Code provision C.3.1 in the 2016 Code and the addition of DTR 7.1.1AR(3), the composition requirements include the new requirement that the audit committee as a whole should have competence relevant to the sector in which the company operates. This arises from EU law and the FRC does not specify the number or proportion of members of the committee that would meet the “as a whole” requirement. Companies should bear this in mind when undertaking succession planning and determine in their own circumstances what audit committee composition will meet the sector competence requirement. In addition, in line with DTR 7.1.2AR, the Chairman of the Audit Committee must be independent, which we consider should be assessed in the light of Code provision B.1.1.]</p> <ul style="list-style-type: none"> • the number of audit committee meetings; • how the audit committee’s performance evaluation has been conducted; • an explanation of how the committee has assessed the effectiveness of the external audit process and of the approach taken to the appointment or reappointment of the external auditor; the length of tenure of the current audit firm; the current audit partner name, and for how long the partner has held the role; when a tender was last conducted; the advance notice of any retendering plans; • if the external auditor provides non-audit services, the committee’s policy for approval of non-audit services; how auditor objectivity and independence is safeguarded; the audit fees for the statutory audit of the company’s consolidated financial statements paid to the auditor and its network firms for audit related services and other non-audit services, including the ratio of audit to non-audit work; and for each significant engagement, or category of engagements, explain what the services are and why the audit committee concluded that it was in the interests of the company to purchase them from the external auditor; • an explanation of how the committee has assessed the effectiveness of internal audit and satisfied itself that the quality, experience and expertise of the function is appropriate for the business. 	Guidance on Audit Committees 81			

C. Accountability		Reference Principle or provision	Included?		
			Yes	No	N/A
48.	<p>Where a FTSE 350 company has not completed a competitive tender process for auditor appointments for five or more consecutive financial years, the audit committee must set out in the audit committee report relating to that financial year:</p> <ul style="list-style-type: none"> the financial year in which the company proposes that it will next complete a competitive tender process; and the reasons why completing a competitive tender process in the financial year proposed is in the best interests of the company's members. <p>Where the audit committee considers that the financial year it has previously proposed is no longer appropriate for the completion of a competitive tender process, it must provide reasons for the decision in the audit committee report published immediately subsequent to the making of that decision.</p> <p>If the FTSE 350 company does not issue an audit committee report, this information must be set out by the audit committee elsewhere in the relevant annual report.</p>	The CMA Order 4.1 – 4.4			
49.	<p>A FTSE 350 company must include a statement of compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 in the audit committee report for each financial year.</p> <p>If the FTSE 350 company does not issue an audit committee report, this information must be set out by the audit committee elsewhere in the relevant annual report.</p>	The CMA Order 7.1			
D. Remuneration					
D.1 The level and components of remuneration					
<p>Executive directors' remuneration should be designed to promote the long-term success of the company. Performance related elements should be transparent, stretching and rigorously applied.</p> <p>The remuneration committee should judge where to position their company relative to other companies. But they should use such comparisons with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and should avoid paying more than is necessary.</p> <p>They should also be sensitive to pay and employment conditions elsewhere in the group, especially when determining annual salary increases.</p>					
50.	<p>Where an executive director serves as a non-executive director elsewhere, the remuneration report should include a statement as to whether or not the director will retain such earnings and, if so, what the remuneration is.</p>	D.1.2			

D. Remuneration	Reference Principle or provision	Included?
<p>D.2 Procedure</p> <p>There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.</p> <p>The remuneration committee should consult the chairman and/or chief executive about their proposals relating to the remuneration of other executive directors. The remuneration committee should also be responsible for appointing any consultants in respect of executive director remuneration. Where executive directors or senior management are involved in advising or supporting the remuneration committee, care should be taken to recognise and avoid conflicts of interest.</p> <p>The chairman of the board should ensure that the company maintains contact as required with its principal shareholders about remuneration.</p> <p>Note – The Code states that the following requirements to make information available may be met by placing it on the company's website. But companies may wish to give the information in their directors' remuneration report or at least to include a cross reference to where it may be obtained.</p>		
<p>51. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</p> <p>N.B. This element of the Code disclosure requirements is specifically referred to in DTR 7.2.8G.</p>	<p>D.2.1</p>	<p>Yes No N/A</p>
<p>52. Where remuneration consultants are appointed, they should be identified in the annual report and a statement made as to whether they have any other connection with the company.</p> <p>The reference to "other" connections with the company appears to refer to connections other than as advisers to the remuneration committee. There are statutory disclosure requirements concerning the identity of and fees paid to persons who have provided advice or services to the remuneration committee, that materially assisted the committee in the consideration of directors' remuneration.</p> <p>Under the 2010 Code it was only necessary to disclose details of the remuneration consultants' connections to the company without naming them. This addresses that anomaly and makes the disclosure consistent with those for search consultancies and external facilitators of the board evaluation process.</p> <p>N.B. This element of the Code disclosure requirements is specifically referred to in DTR 7.2.8G.</p>	<p>D.2.1</p>	<p>Yes No N/A</p>

D. Remuneration		Reference Principle	Included?		
E. Relations with shareholders					
E.1 Dialogue with Shareholders					
There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.					
Whilst recognising that most shareholder contact is with the chief executive and finance director, the chairman should ensure that all directors are made aware of their major shareholders issues and concerns.					
The board should keep in touch with shareholder opinion in whatever ways are most practical and efficient.					
53.	The board should state in the annual report the steps they have taken to ensure that members of the board, and in particular the non-executive directors, develop an understanding of the views of major shareholders about the company.	E.1.2	Yes	No	N/A
Examples of this would be face-to-face contact, analysts' briefings or shareholder opinion surveys.					
E.2 Constructive Use of AGM					
The board should use the AGM to communicate with investors and to encourage their participation.					
54.	There are no specific disclosure requirements but a complete report would include some information on how this Principle has been applied.	E.2.4	Yes	No	N/A
The Code states that Notice of the AGM and related papers should be distributed to shareholders at least 20 working days before the meeting. Although it is unlikely to be appropriate to include these details in full in the annual report, it may be appropriate to note that papers are distributed to shareholders in advance of any meetings.					

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