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## UK Corporate Update.

### **FRC reports encouraging developments**

The Financial Reporting Council has published a review of the impact and implementation of the UK Corporate Governance and Stewardship Codes in 2012 which concludes that developments in this area are encouraging.

Compliance with the UK Corporate Governance Code by listed companies is high overall and half of all FTSE 350 companies comply fully with the Code. In addition, companies have responded positively to changes to the Code introduced in 2010. Almost all companies now put their directors up for annual re-election and a large majority will have had at least one external evaluation of their boards by 2013. Reporting on diversity is already being undertaken by 60% of the FTSE 100, although specific recommendations in this area did not take effect until October 2012.

Greater engagement between companies and investors is encouraged by the Stewardship Code, which now has over 250 signatories, including most major institutional shareholders.

The review also comments on the actions that the FRC intends to take in 2013. These include:

- > consulting on amendments to its guidance on internal control and going concern;
- > consulting on further amendments to the UK Corporate Governance Code to address executive directors' remuneration, once the Government's legislation on shareholder votes and remuneration reports is finalised;
- > holding meetings to help companies and audit committees conduct audit tenders efficiently;
- > facilitating a project (to be led by the Financial Reporting Lab) on improving the quality of audit committee reports;

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- > monitoring the impact of changes to the Stewardship Code on the quality of engagement between companies and investors. The FRC stresses the role of asset owners and hopes that recent amendments to the Stewardship Code will help them define better the services they expect from asset managers. It would also like to see more involvement in stewardship from non-UK holders of UK shares, hopes are that Professor Kay's proposal for an investor forum will help encourage this; and
- > exploring ways to make the investor chain more reliable. Whilst acknowledging that this is a broad topic, the FRC plans to meet with market participants in the first quarter of 2013 to debate how investors in pooled investment funds can exercise their voting rights.

Click [here](#) for "Developments in Corporate Governance 2012 - The impact and implementation of the UK Corporate Governance and Stewardship Codes".

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