

# Corporate Governance Disclosure Checklist

For periods  
commencing  
on or after 1  
October 2014



# Corporate Governance Disclosure Checklist

This checklist sets out the corporate governance disclosure requirements of the UK Corporate Governance Code and the Irish Corporate Governance Annex (“ISE Annex”) for reporting periods commencing on or after 1 October 2014.

The checklist is based on the relevant requirements regarding corporate governance statements prescribed in;

- (i) Irish legislation Companies Act 2014;
- (ii) the Listing Rules of the Irish Stock Exchange including the ISE Annex;
- (iii) the UK Corporate Governance Code (September 2014);
- (iv) the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting; and
- (v) the September 2012 version of the FRC Guidance on Audit Committees.

## Introduction

The UK Corporate Governance Code was revised in September 2014 and applies to accounting periods commencing on or after 1 October 2014. The ISE Annex was published in December 2010 and requires companies with a primary listing on the Main Securities Market of the Irish Stock Exchange to comply or explain against the ISE Annex in respect of accounting periods commencing on or after 18 December 2010. This checklist covers those aspects of the Code and ISE Annex that deal with the disclosures required to be made by the Board. It does not cover all the other requirements of the Code, which govern processes within the company.

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

This disclosure checklist does not include material on the detailed requirements for the directors’ report or in respect of the disclosure of directors’ remuneration.

## The Irish legal requirements regarding corporate governance statements

Directive 2006/46/EC of the European Parliament and the Council, on Company Reporting (the “Directive”) requires, among other things, that certain companies whose securities are admitted to trading on a regulated market include a Corporate Governance Statement in their Annual Report. The requirements regarding the content of the Corporate Governance Statement were incorporated into section 1373 of the Companies Act 2014, and further amended by Statutory Instrument No. 423 of 2015 “European Union (Traded Companies Corporate Governance Statements) Regulations 2015”.

The legislation requires those issuers to which it applies to include a Corporate Governance Statement, either:

- (a) as a specific section of the Directors’ Report; or
- (b) in a separate report which is either:
  - (i) published together with, and in conjunction with, the Annual Report; or
  - (ii) incorporated by means of a cross reference in the Directors’ Report to where such document is publicly available on the issuer’s website.

## The Irish Stock Exchange Listing Rules

The UK Corporate Governance Code and the ISE Annex disclosures apply to companies with a primary listing of equity securities on the Main Securities Market of the Irish Stock Exchange and do not apply to companies with only debt securities, convertible or preference shares listed, or those with a secondary listing of shares on the Irish Stock Exchange.

## 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 (formerly known as the Smith Guidance) provides guidance to listed companies on the composition, role and responsibilities of the audit committee. It was first published in 2003. A revised version was 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. A further revision was made in December 2010, and was most recently updated in September 2012.

Audit committees of certain Irish public interest entities must also comply with requirements of regulation 91 of S.I. 220 of 2010, as amended by S.I. 685 of 2011, and with Section 167 of the Companies Act 2014.

## ESM and AIM companies

Companies that have securities traded on the Irish Stock Market's Enterprise Securities Market (ESM) and/or on the London Stock Exchange's Alternative Investment Market ("AIM") are required to prepare annual reports in accordance with the ESM rules and the AIM rules respectively. These rules should not be confused with the Listing Rules. ESM and AIM companies are not required to make disclosures about compliance with the UK Corporate Governance Code or the ISE Annex. However, a way of generating investor confidence is by adopting some or all of the guidelines of the Code and the ISE Annex. Therefore ESM and 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 and the additional matters set out in the ISE's annex.

An alternative framework, issued by the representative association for smaller-sized quoted companies, the Quoted Companies Alliance (QCA), has been published for smaller quoted companies. This framework adopts key elements of the UK Corporate Governance Code, but adapts these to the needs and particular circumstances of small and mid-sized quoted companies on a public market. This publication entitled "Corporate Governance Code for Small and Mid-Size Quoted Companies 2013" was released on 1 May 2013 and can be found at <http://www.theqca.com/shop/guides/70717/corporate-governance-code-for-small-and-midsize-quoted-companies-2013-downloadable-pdf.shtml>.

The QCA have also published "Audit Committee Guide for Small and Mid-Size Quoted Companies" (2014).

It is recommended that, where the directors of ESM or AIM companies provide disclosures relating to the Code and/or ISE Annex, the directors disclose that they are volunteering the information. Suggested wording is:

*"Although not required to do so by the [ESM][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 or ISE Annex, they have chosen to give selected disclosures that they believe are necessary or valuable to readers.

Where directors such as those of ESM and/or AIM companies voluntarily comply or explain against the UK Corporate Governance Code, extra reporting responsibilities are applied by ISA (UK & I)700 to the auditors' report.

## Variation in requirements due to size

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.

The introduction to the ISE Annex notes that the ISE will regard a company as being of an equivalent size to a company included in the FTSE 350 index where at the start of the company's financial year it is admitted to trading on the Main Securities Market and is not eligible for inclusion in the ISEQ Small Cap Index. The ISE will regard a company as being of an equivalent size to a company included in the FTSE 100 Index where, at the start of the company's financial year, it is admitted to trading on the Main Securities Market and it has a market capitalisation of €2 billion or above.

## Other disclosures

The checklist focuses on disclosure in the annual report. The Board may wish to make further disclosure on the corporate website or in other communications to the shareholders.

## Green text

**In the checklist, requirements are printed in green for ease of reference when they relate to specific Irish requirements.**

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**The Guidance on Audit Committees (formerly known as the Smith Guidance) provides guidance to listed companies on the composition, role and responsibilities of the audit committee.**

# Corporate Governance Disclosure Checklist

**NB:** 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.

Using this checklist:

The light blue shaded boxes in the checklist below contain the main principles in bold with supporting principles set out immediately below them. Green text has been used to highlight specific additional matters that apply to Irish reporting entities.

The Listing Rules Narrative Statement		Reference principle or provision	Included? (Yes/No/N/A)
1.	<p><b>A statement of how the listed company has applied the Principles set out in the UK Corporate Governance Code, in a manner that would enable shareholders to evaluate how the principles have been applied.</b></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. But 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.</p> <p>We suggest that the narrative statement should include, or cross refer to, the statement on internal control (see Item 65).</p>	LR 6.8.3 (6)	
Statement of Compliance with the Code		Reference principle or provision	Included? (Yes/No/N/A)
2.	<p><b>A statement as to whether the listed company has:</b></p> <p>(a) complied throughout the accounting period with all relevant provisions set out in the UK Corporate Governance Code <b>and set out in the ISE Annex</b>; or</p> <p>(b) not complied throughout the accounting period with all relevant provisions set out in the UK Corporate Governance Code <b>and set out in the ISE Annex</b> 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>Example wording is as follows:  <i>“Throughout the year ended 31st December 2015 the company has been in compliance with the Code provisions set out in Section 1 of the UK Corporate Governance Code and the requirements set out in the Irish Corporate Governance Annex (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 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>	LR 6.8.3 (7) & (9)	

ISE Annex Requirements		Reference principle or provision	Included (Yes/No/ N/A)
3.	Where a company has not complied with all relevant provisions of the UK Corporate Governance Code has it set out the nature, extent and reasons for non-compliance?	Annex Introduction	
	The introduction to the Annex notes that it is more for the market to comment on the adequacy of the disclosures that companies make and that the report commissioned by the ISE and IAİM in early 2010 ( <a href="#">click here</a> ) indicates that companies could do more to enhance the quality and meaningfulness of the corporate governance disclosures in Annual Reports.		
4.	Where a company diverges from the provisions of the UK Code or the ISE Annex has an explanation that clearly reflects the environment within which they operate been provided?		
5.	Where the above situation exists, has a rationale for divergence been detailed?		
6.	Where a company does not comply with a provision of the UK Code or the ISE Annex but actively intends to do so in the future, does the explanation indicate how and when it will comply?		
7.	Where a company has decided not to implement a particular provision, has an outline of its rationale been detailed?		
8.	Has the company provided meaningful <sup>1</sup> descriptions of how they apply the provisions of the UK Code and the ISE Annex?		
9.	Has the company moved away from the practice of recycling descriptions that replicate the wording of the UK Code or ISE Annex's provisions?		
10.	Has the company provided informative disclosures that will provide shareholders with insight into the company and the environment in which it operates?		
11.	Has the company avoided the practice of copying wording contained in the corporate governance disclosures from the previous year?		
	The annex states that this latter requirement should not be interpreted as imposing an obligation on companies to change the wording of their corporate governance disclosures simply for the sake of change. However, companies should always have considered whether the circumstances have remained sufficiently constant that no wording changes are required.		
Irish Legal Requirements Corporate Governance Statement		Reference principle or provision	Included? (Yes/No/ N/A)
12.	(a) Is the corporate governance statement included as a specific section of the report of the directors or (b) in a separate report which is either; (i) published together with, and in conjunction with the Annual Report; or (ii) incorporated by means of a cross reference in the Directors' Report to where such document is publicly available on the issuer's website.	<b>Section 1373 Companies Act 2014</b>	
13.	Does the corporate governance statement make reference to the corporate governance code: (i) to which the company is subject and where the relevant text is publicly available? (ii) or to which the company has voluntarily decided to apply and where the relevant text is publicly available?		
14.	Does the corporate governance statement refer to all relevant information concerning corporate governance practices applied in respect of the company which are additional to any statutory requirement, and where the information on such corporate governance practices is available for inspection by the public?		
15.	Where the company departs from a corporate governance code in accordance with any statutory provision has an explanation by the company as to which parts of the corporate governance code it departs from in accordance with the statutory provision and the extent to which it departs from such code been detailed?		
16.	Have the reasons for such departure been detailed?		
17.	Has the company explained its reasons where the company has decided not to apply any provisions of a corporate governance code?		
18.	Has a description of the main features of the internal control and risk management systems of the company in relation to the financial reporting process been detailed?		
<sup>1</sup> See appendix 1 for the text of letter issued July 2011 from ISE to Company Secretaries regarding the nature and extent of information for it to be "meaningful".			

Irish Legal Requirements (continued) Corporate Governance Statement (continued)	Reference principle or provision	Included? (Yes/No/N/A)
<p>19. Has the information required under subparagraphs (c), (d), (f), (h) and (i) of paragraph (2) of Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/ EC)) Regulations 2006 (S.I. 255 of 2006), been detailed, where the company is subject to those Regulations?</p> <p>The disclosures required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 (S.I. No. 255 of 2006) are:</p> <p>(i) to the extent not already required to be disclosed pursuant to section 67 or 91 of the Companies Act 1990, 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> <ul style="list-style-type: none"> <li>(i) the identity of the person,</li> <li>(ii) the size of the holding, and</li> <li>(iii) the nature of the holding.</li> </ul> <p>(ii) ) in the case of each person who holds securities carrying special rights with regard to control of the company -</p> <ul style="list-style-type: none"> <li>(i) the identity of the person, and</li> <li>(ii) ) the nature of the rights.</li> </ul> <p>(iii) rights, including in particular -</p> <ul style="list-style-type: none"> <li>(i) limitations on voting rights of holders of a given percentage or number of votes,</li> <li>(ii) ) deadlines for exercising voting rights, and</li> <li>(iii) arrangements by which, with the company’s cooperation, financial rights carried by securities are held by a person other than the holder of the securities.</li> </ul> <p>(iv) any rules which the company has in force concerning –</p> <ul style="list-style-type: none"> <li>(i) appointment and replacement of directors of the company, or</li> <li>(ii) amendment of the company’s articles of association,</li> </ul> <p>(v) the powers of the company’s directors, including in particular any powers in relation to the issuing or buying back by the company of its shares.</p>		
<p>20. Has a description of the operation of the shareholder meeting, the key powers of the shareholder meeting, shareholders’ rights and the exercise of such rights been detailed?</p>		
<p>21. Has the composition and operation of the board of directors and the committees of the board of directors with administrative, management and supervisory functions been detailed?</p>		

UK Corporate Governance Code Preface		Reference principle or provision	Included? (Yes/No/ N/A)
22.	The chairman's statement could 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	
23.	<b>Chairmen are encouraged to recognise the contribution made by providers of capital other than shareholders.</b> 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.	Chairman's Preface	
24.	<b>Statement of Compliance with the Code</b> 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 government practices are consistent with the principal 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"> <li>• a clear rationale for the action it is taking;</li> <li>• a description of any mitigating actions taken to address any additional risk and to maintain conformity with the relevant principle; and</li> <li>• 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.</li> </ul> <p>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.</p> <p>Refer to items 2 to 11 earlier.</p>	Comply or explain section	

## A. Leadership

### A.1 The Role of the Board

Every company should be headed by an effective board, which is collectively responsible for the long-term 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<sup>2</sup>.

25.	<b>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.</b>	A.1.1	
26.	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.	A.1.2	
27.	The annual report should set out the number of meetings of the board and its committees and individual attendance by directors.  This is probably best presented in tabular form.	A.1.2	

<sup>2</sup> These duties are set out in Chapter 2 of Part 5 and Chapter 9 of Part 17 of the Companies Act 2014 for directors or Irish incorporated Plcs.



A. Leadership (continued)		Reference principle or provision	Included? (Yes/No/ N/A)
<b>A.2 Division of Responsibilities</b> <b>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.</b>			
28.	There are no specific disclosure requirements but a complete report would include some information on how this principle has been applied.	A.2	
<b>A.3 The Chairman</b> <b>The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.</b>			
<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>			
29.	<b>If, exceptionally, a board decides that a chief executive should become 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.</b>  Compliance or otherwise with this provision need be reported only for the year in which the appointment is made.	A.3.1	
<b>A.4 Non-executive Directors</b>  <b>As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.</b>			
<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>			
30.	There are no specific disclosure requirements but a complete report would include some information on how this principle has been applied.	A.4	
B. Effectiveness			
<b>B.1 The Composition of the Board</b>  <b>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.</b>			
<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>			



B. Effectiveness (continued)		Reference principle or provision	Included? (Yes/No/ N/A)
31.	<p>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 director:</p> <ul style="list-style-type: none"> <li>• has been an employee of the company or group within the last five years;</li> <li>• has had a material business relationship with the company within the last three years;</li> <li>• has received additional remuneration apart from the director's fee (e.g. share options, member of a pension scheme);</li> <li>• has close family ties with any of the company's advisers, directors or senior employees;</li> <li>• holds cross-directorships or has significant links with other directors through involvement in other companies;</li> <li>• represents a significant shareholder; or</li> <li>• has served on the board for more than nine years.</li> </ul> <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 at least two members.</p>	B.1.1	
<b>Companies should in the Annual Report:</b>			
32.	Outline the rationale for the current board size and structure, explaining why the company believes it to be appropriate and provide details of any planned or anticipated changes to the board size or structure;	Annex 1.1	
33.	Where the requirements of provision B.1.2 of the UK Code have been met, explain why the company regards the number of non-executive directors appointed to the board as sufficient;	Annex 1.2	
34.	Set out how the specific skills, expertise and experience of the board are harnessed to best effect in addressing the major challenges for the company;	Annex 1.3	
35.	Where a company has diverged from the requirements of provision B.1.2 of the UK Code, give a reasoned explanation for the departure.	Annex 1.4	
<b>The section of the Annual Report including the Directors' biographies should include the following:</b>			
36.	The date of appointment of each director, the length of service of each director as a director and, where applicable, the length of service of each director on a board committee;	Annex 1.5	
37.	A detailed description of the skills, expertise and experience that each of the directors brings to the board;	Annex 1.6	
38.	Where a company has directors who have been nominated by shareholders or government, a reasoned explanation for such appointments including a description of the skills and expertise these directors bring to the board as provided by the shareholders or government (as applicable) or a statement that no such description has been provided to the company.	Annex 1.7	

## B.2 Appointments to the Board

**There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.**

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.

B. Effectiveness (continued)		Reference principle or provision	Included? (Yes/No/ N/A)
39.	<p>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. Companies may wish to include this information in the annual report.</p>	B.2.1	
40.	<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. 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>	B.2.4	
<p>In order that shareholders can assess the effectiveness of the nomination committee, the Annex requires the following disclosures for each new appointee:</p>		Annex 2.1	
41.	An explanation of the process followed by the nomination committee in identifying a pool of candidates;		
42.	An explanation of the process followed by the nomination committee in selecting and recommending the candidate; and		
43.	A clear statement that the company has used external search agencies and advertising to identify a candidate, or an appropriate negative statement.		
<p><b>B.3 Commitment</b></p> <p>All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.</p>			
44.	<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	
45.	<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> <p>The Code extends for non-executive directors, the provision in Irish company law requiring that directors' (executive and non-executive) service contracts should generally be available for inspection by any member of the company, without charge, during business hours at the registered office, principal place of business or another place within the State.</p>	B.3.2	Section 216 Companies Act 2014
<p><b>B.4 Development</b></p> <p>All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.</p> <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>			

B. Effectiveness (continued)		Reference principle or provision	Included? (Yes/No/N/A)
46.	There are no specific disclosure requirements but a complete report would include some information on how this principle has been applied.	B.4	
<p><b>B.5 Information and Support</b></p> <p><b>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.</b></p> <p>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.</p> <p>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.</p> <p>The company secretary should be responsible for advising the board through the chairman on all governance matters.</p>			
47.	There are no specific disclosure requirements but a complete report would include some information on how this principle has been applied.	B.5	
<p><b>B.6 Evaluation</b></p> <p><b>The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.</b></p> <p>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.</p> <p>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.</p> <p>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).</p>			
48.	<p><b>The annual report should include a statement of how performance evaluation of the board, its committees and its individual directors has been conducted.</b></p> <p>The description of the board evaluation process could be enhanced by including each of the features listed above.</p>	B.6.1	
49.	<p><b>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.</b></p> <p>It is a requirement that evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years.</p>	B.6.2	

B. Effectiveness (continued)		Reference principle or provision	Included? (Yes/No/ N/A)
<b>The ISE Annex expands the B.6.2 disclosure requirement:</b>			
50.	Has the objective and scope of the evaluation review, the methodology applied and the rationale for this methodology been stated?	Annex 3.1	
51.	Within the statement made under the annex requirement at 50 above has a distinction between the evaluation of the board process, of individual directors and of the collective board strength been made?	Annex 3.2	
52.	Does the statement specify when the most recent externally facilitated performance evaluation was undertaken, if applicable, or when the board expects to engage an external facilitator?	Annex 3.2	
53.	In circumstances where the process is one of self-evaluation, has the board included an explanation of the steps that were included in the methodology to achieve as robust and objective an approach as possible?	Annex 3.3	
<b>B.7 Re-election</b>			
<b>All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.</b>			
Note - For FTSE 350 companies, all directors should be subject to annual election; all other directors should be subject to re-election every three years. Non-executive directors who have served longer than 9 years should be subject to annual re-election.			
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.			
54.	<b>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.</b>  Many listed companies provide biographical details of all their directors rather than just those proposed for election or re-election.	B.7.1	
55.	<b>The board should set out to shareholders why they believe that an individual should be elected to a non-executive role.</b>	B.7.2	
56.	<b>The chairman should confirm to shareholders when proposing re-election of a non-executive director, that following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role.</b>	B.7.2	
<b>Companies should in the Annual Report:</b>			
57.	<b>State the board's general policy for board renewal;</b>	Annex 4.1	
58.	<b>For those directors falling within scope of the list of circumstances set out in B.1.1 of the UK Code, set out what factors the board took into account when determining that a director should be regarded as independent.</b>	Annex 4.2	
C. Accountability		Reference principle or provision	Included? (Yes/No/ N/A)
<b>C.1 Financial and Business Reporting</b>			
<b>The board should present a balanced and understandable assessment of the company's position and prospects.</b>			
The board's responsibility to present a 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.			
59.	<b>The annual report should contain an explanation from the directors of their responsibility for preparing the annual report and accounts.</b>	C.1.1	

C. Accountability	Reference principle or provision	Included? (Yes/No/N/A)
<p>60. <b>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 performance, business model and strategy.</b></p> <p>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.</p> <p>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:</p> <p>"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".</p> <p>In relation to the statement on the strategy and business model, see 'Governance in focus – Describing your strategy and business model' available from <a href="http://www.corpgov.deloitte.com/uk">www.corpgov.deloitte.com/uk</a> for guidance on a methodology to adopt. Subject to appropriate disclosures being made in the annual report, the following wording could be included in the corporate governance statement:</p> <p>"The Board believes that the disclosures set out on pages [x] and [x] of the annual report provide the information necessary for shareholders to assess the company's performance, business model and strategy".</p> <p>The Guidance on Audit Committees has been amended to reflect the involvement of the audit committee in this statement, where requested by the Board.</p>	C.1.1	
<p>61. <b>There should be a statement by the auditors about their reporting responsibilities.</b></p> <p>The statement by the auditors will normally form part of their report, pursuant to the requirements of ISA (UK and Ireland) 700.</p>	C.1.1	
<p>62. <b>FRC Bulletin 1 (1) Compendium of Illustrative Auditors' Reports on Irish Financial Statements gives example statements of directors' responsibilities for a non-publicly traded company. Whilst the APB has not prepared an example for a listed company the examples are a useful indication of the points that should be covered. Accordingly, the responsibilities in relation to preparing financial statements include the following:</b></p> <ul style="list-style-type: none"> <li>• the legal requirement for directors to prepare financial statements for each financial year. The Companies Act 2014 requires that directors must not approve the financial statements 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 and otherwise comply with the Act;</li> <li>• selection of suitable accounting policies and application of those policies on a consistent basis;</li> <li>• making judgements and accounting estimates that are prudent and reasonable;</li> <li>• stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the notes to the accounts. This does not obviate the need for a formal statement in the notes to the financial statements disclosing whether the financial statements have been prepared in accordance with applicable accounting standards;</li> <li>• (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</li> <li>• 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.</li> </ul> <p>This statement can be combined with the responsibility statement required by law.</p>	Appendix 9 to Bulletin 1(1)	

C. Accountability (continued)		Reference principle or provision	Included? (Yes/No/N/A)
63.	<p><b>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.</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 downstating how the business creates value for shareholders. Visual representation can have more impact than long blocks of text. Guidance as to the matters that should be considered in an explanation of the business model and strategy is provided in the FRC's "Guidance on the Strategic Report" on the FRC website.</p>	C.1.2	
64.	<p><b>The annual report, as well as the half-yearly financial statements, should contain a statement from the directors 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.</b></p> <p>This requirement 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 follow from the directors' assessment of whether to adopt the going concern basis of accounting and whether there are material uncertainties:</p> <ul style="list-style-type: none"> <li>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 us a true and fair view; or</li> <li>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</li> <li>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.</li> </ul> <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: <a href="https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Risk-Management,-Internal-Control-and.pdf">https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Risk-Management,-Internal-Control-and.pdf</a></p>	C.1.3 LR 6.8.3 (3)	

C. Accountability (continued)		Reference principle or provision	Included? (Yes/No/N/A)
<b>C.2 Risk Management and Internal Control</b>			
The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.			
65.	<p>The directors should 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 should describe those risks and explain how they are being managed or mitigated.</p> <p>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: <a href="https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Risk-Management-Internal-Control-and.pdf">https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Risk-Management-Internal-Control-and.pdf</a></p> <p>N.B. Companies listed on the ISE's Main Securities Market are required by law to describe the main features of the internal control and risk management systems in relation to the financial reporting process.</p>	C.2.1	
<b>Summary of the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting</b>			
The relevant matters for disclosure, specified in the section on Related Financial and Business Reporting in the Guidance are set out below:			
66.	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 details 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	
67.	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	
68.	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	
69.	<p>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.</p> <p>A high-level explanation of how the principal risks and uncertainties are being managed or mitigated has also been included.</p>	Guidance 50	
70.	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 that have done do 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.	C.2.2	



C. Accountability (continued)		Reference principle or provision	Included? (Yes/No/N/A)
71.	<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>	Guidance Appendix B	
72.	<b>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.</b>	C.2.3	
73.	<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"> <li>• that there is an on-going process for identifying, evaluating and managing the principal risks faced by the company;</li> <li>• 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;</li> <li>• that they are regularly reviewed by the Board; and</li> <li>• the extent to which the systems accord with the guidance in this document.</li> </ul>	Guidance 57	
74.	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.	Guidance 58	
75.	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 requirements 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 and material uncertainties relating to the going concern basis of accounting in the financial statements.	Guidance 60	
76.	<b>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.</b>	C.3.5	

### C.3 Audit Committee and Auditors

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 auditor.

C. Accountability (continued)		Reference principle or provision	Included? (Yes/No/ N/A)
77.	<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"> <li>• 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;</li> <li>• 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;</li> <li>• to monitor and review the effectiveness of the company's internal audit function;</li> <li>• 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;</li> <li>• to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;</li> <li>• 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</li> <li>• to report to the Board on how it has discharged its responsibilities.</li> </ul>	C.3.2	
78.	<p>The terms of reference of the Audit Committee, including its role and 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 their annual report.</p>	C.3.3	
79.	<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 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	
80.	<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 annual report which discusses the financial statement audit, whether internal or external.</p>	C.3.6	
81.	<p>Where the Board does not accept the audit committee's recommendation on the appointment, re-appointment 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> <p>While not a disclosure requirement, this provision also states that FTSE 350 companies should put the external audit contract out to tender at least every ten years.</p>	C.3.7	



C. Accountability (continued)		Reference principle or provision	Included? (Yes/No/ N/A)
84.	<p>Has the Company included a meaningful<sup>1</sup> description of the work carried out by the audit committee during the financial year?</p> <p>Issuers should not simply recycle the committee’s terms of reference, which are required to be made available to investors in accordance with provision C.3.3 of the UK Code.</p>	Annex 5.1	
85.	Does the description explain the work done by the committee relating to the oversight of risk management on behalf of the Board ?	Annex 5.2	
86.	Where the Board has assigned work on risk management to a specific risk committee, has a meaningful <sup>1</sup> description of the work carried out by that committee been disclosed?	Annex 5.2	
D. Remuneration		Reference principle or provision	Included? (Yes/No/ N/A)
<b>D.1 The Level and Components of Remuneration</b>			
<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 performance.</p> <p>They should also be sensitive to pay and employment conditions elsewhere in the group, especially when determining annual salary increases.</p>			
87.	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.	D.1.2	
<b>D.2 Procedure</b>			
<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 take care to recognise and manage conflicts of interest when receiving views from executive directors or senior management, or consulting the chief executive about its proposals. The remuneration committee should also be responsible for appointing any consultants in respect of executive director remuneration.</p> <p>The chairman of the Board should ensure that the committee chairman 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>			
88.	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	D.2.1	
89.	<p>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.</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>	D.2.1	

<sup>1</sup> See appendix 1 for the text of letter issued July 2011 from ISE to Company Secretaries regarding the nature and extent of information for it to be “meaningful”.

D. Remuneration (continued)		Reference principle or provision	Included? (Yes/No/N/A)
90.	Has the company provided a clear and meaningful <sup>1</sup> description of their remuneration policy and not simply recycled the remuneration committee's terms of reference from the previous year?	Annex 6.1	
91.	Has the company provided a detailed description of the skills, expertise and experience for each member of the remuneration committee, in relation to that committee, to the extent not already provided in the section of the Annual Report including the directors' biographies.	Annex 6.2	
92.	Where the remuneration policy includes variable components of remuneration, has the company described the components of bonus or other variable elements of remuneration and disclosed what components of variable compensation are deferred and for how long?	Annex 6.3	
93.	Has the company described any arrangements that are designed to achieve the recovery of variable compensation awarded on the basis of assessments or data which are subsequently found to be materially inaccurate or provided an appropriate negative statement?	Annex 6.4	
94.	In line with Schedule A of the UK Code, has the company described the vesting periods for shares forming part of a director's remuneration (or otherwise awarded to the director in connection with or by reason of his being a director or employee) and such terms should not allow for vesting for at least three years after the award. Share options, or any other right to acquire shares or to be remunerated on the basis of share price movements, should not be exercisable for at least three years after the award.	Annex 6.5	
E. Relations with shareholders		Reference principle or	Included ? (Yes/No)
<b>E.1 Dialogue with Shareholders</b>			
<p>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<sup>3</sup>.</p> <p>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.</p> <p>The Board should keep in touch with shareholder opinion in whatever ways are most practical and efficient.</p>			
95.	The Board should state in the annual report the steps they have taken to ensure that the members of the Board, and in particular the non-executive directors, develop an understanding of the views of major shareholders about the company. Examples of this would be face-to-face contact, analysts or brokers briefings and surveys of shareholder opinion.	E.1.2	
<b>E.2 Constructive Use of General Meetings</b>			
The Board should use General Meetings to communicate with investors and to encourage their participation.			
96.	<p>There are no specific disclosure requirements but a complete report would include some information on how this principle has been applied.</p> <p>The Code states that the Notice of 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.</p> <p>Note however that section 1102 Companies Act 2014 provides for a minimum of 21 days (as opposed to the Code's 20 <u>working days</u>) notice in writing in the case of an Annual General Meeting.</p>	E.2 E.2.4	

<sup>1</sup> See appendix 1 for the text of letter issued July 2011 from ISE to Company Secretaries regarding the nature and extent of information for it to be "meaningful".

<sup>3</sup> Nothing in these principles or provisions should be taken to override the general requirements of law to treat shareholders equally in access to information.

# Appendix 1

## July 2011 ISE letter to Company Secretaries on “meaningful”

Dear [Company Secretary]

Following the introduction of the Irish Corporate Governance Annex (“the Irish Annex”) we have been asked whether the ISE will be issuing any further formal guidance on how to interpret or apply the provisions of the Irish Annex. In particular, guidance designed to assist boards and audit committees in determining the nature and extent of information to be provided in order to meet the Annex’s requirement for Annual Reports to include a meaningful description of the Audit Committee’s activities during the year.

The Annex’s provisions relating to disclosures were intended to support the ISE’s aim, shared with the Financial Reporting Council, of encouraging boards to avoid ‘the “fungus” of boilerplate’ which, the FRC notes in its introduction to its 2010 Corporate Governance Code, ‘is so often the preferred and easy option in sensitive areas but ... is dead communication.’ Based on the findings of the report commissioned by the ISE and IAİM, we share that concern and the introduction to the Annex sets out the principal objectives the ISE had in mind when creating its provisions in response. In our view, the annual report should be a document that is designed to provide shareholders with the information they need concerning the activities of the company. In particular, the ISE expects companies to provide meaningful descriptions of how they have applied the provisions of the UK Code of Corporate Governance and the Irish Annex.

The use of the word “meaningful” has led some to question what exactly the ISE expects and how it will seek to determine whether or not a description is indeed meaningful or not. We believe that producing such a description of the audit committee’s activities – or indeed other areas of the board’s response to the Code – will require boards to make a careful assessment of both the matters that are important and relevant to shareholders in the light of each company’s particular circumstances and how those matters can be communicated most effectively. There is an intrinsic difficulty in setting out “hard” guidance on what a company needs to include in order for its descriptions to be meaningful - the circumstances for each company are unique to that company.

So, we expect meaningful descriptions of audit committee and other board activities to result in differences in emphasis and content, both between companies and often year on year. But there are some common themes that we suggest boards consider when deciding what they should include in any descriptions they provide:

- The description should properly inform shareholders. However, it is not expected to be a blow by blow account of every event or every aspect that has been considered by the Board or a Board committee
- The description should set out a fair reflection of the work carried out by the Board or committee
- The description should give a balanced view on the level of activity and significance of the various issues dealt with by the committee
- The degree of detail provided should be appropriate given the activities of the company. The ISE would expect the degree of emphasis on each subject area to reflect the Board’s and committee’s own opinions on the importance of each issue to the company.

# Appendix 1 (continued)

## July 2011 ISE letter to Company Secretaries on “meaningful” (continued)

There is also a rebuttable presumption that any specific obligation on a Board committee will form part of the description of the committee’s activities. For example, provision C.3.2 of the 2010 Code lists the main responsibilities of the audit committee and it is reasonable to expect that the description of the committee’s activities required by Annex 5.1 would cover the work done to address all those responsibilities - or, if some were not addressed, explain why. However, we do not consider that the description required by Annex 5.1 must comment on every aspect of the committee’s detailed written terms of reference. It is possible to envisage that the description of work relating to a specific obligation in the committee’s terms of reference could be omitted if the obligation were considered to be of relatively minor importance compared to others. This is most likely to arise when inclusion of the related commentary would detract from clear communication of other, more significant work by the committee.

Robust, informative reporting is, in the ISE’s view, an essential element in fostering a constructive dialogue between boards and shareholders on key issues of good governance. We hope that boards will take the opportunity of the introduction of the 2010 Code and the Irish Annex to take stock of current governance arrangements and enhance the quality of Irish reporting. To that end, I hope that these comments will be useful to you when considering how the company will meet the provisions of the UK Code of Corporate Governance and the Irish Annex when preparing the next annual report.

Yours faithfully  
Mike Duignan

Head of Market Supervision



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