

Corporate Governance Expert Group – 2019/20

Consultations

The below categorised list highlights both the outstanding and submitted consultations that the CGEG are/have been responsible for thus far in 2019. The categories demonstrate that a large portion of the CGEG's work falls outside the direct remit of corporate governance. To this end, to what extent does the Corporate Governance Expert Group's *Terms of Reference* need updating to reflect the variety of its work and/or is there need for the creation of sub-groups/working groups of experts that the CGEG can delegate more specific areas of work to?

Diversity

11/01/19 – BEIS Ethnicity pay reporting

Green finance/Task Force on Climate-related Financial Disclosures (TCFD) reporting

31/01/19 – FCA Climate Change and Green Finance

Stewardship

29/03/19 – FRC Proposed Revision to the UK Stewardship Code

30/04/19 – FCA & FRC Building a Regulatory Framework for Effective Stewardship

Corporate Governance

11/06/19 – BEIS Independent Review of the FRC: Initial consultation on the recommendations

05/07/19 – ICASA Review of the effectiveness of independent board evaluation in the UK listed sector

05/08/19 – BEIS Corporate Transparency and Register Reform

Themes/topics for 2019/20

Technology

Market initiatives and developments:

Artificial intelligence (AI) is becoming more prominent and is increasingly affecting day-to-day business operations. AI's presence is evident, but its implications for corporate governance and for board members and executives are significant. There are already several firms that are developing AI practices in corporate governance, such as [Salesforce's Einstein](#) and Deep Knowledge Venture's *Vital* programme. Artificial intelligence in corporate governance offers companies advanced and sophisticated problem-solving, market predictions and risk identification and management procedures and solutions through the use of data-driven analytics.

Blockchain and Distributed Ledger Technology (DLT) also have significant implications for corporate governance. In particular, blockchain makes possible:

- Greater transparency of ownership and changes in ownership as all users can see transactions
- Efficient and fair shareholder meetings – easier voting, certainty in tabulation of votes, make it increasingly difficult to manipulate board elections and limit the role of proxy firms
- Real-time accounting
- Elimination of certain intermediaries that make the system overly complex

Key questions:

- What role can technology play in the future of corporate governance?
- If technology plays an increased role, what does this mean for directors and management?
- What are the risks associated with these technologies?

Potential guest speakers:

- [Salesforce – Einstein](#)

Environmental, Social and Governance

Market initiatives and developments:

Investors, shareholders and wider stakeholders have become increasingly attentive to environmental and social issues related to a company's operations. Collectively, these are referred to as environmental, social and governance (ESG). Negative, positive, thematic and impact investing approaches have been adopted by investors with an ESG focus. It is often suggested that there is a continued divide between investors and corporates on ESG-related disclosures.

Key questions:

- To what extent is there a need to develop a code/guidance to help smaller companies disclose ESG-related information?
 - How can we ensure proportionality for smaller companies in relation to ESG disclosure?
- What, if any, considerations are given to smaller companies on releasing ESG information?
- To what extent is there a relationship between companies with risk management practices that take into consideration industry, regulatory and societal risks with long-term sustainable performance and generating shareholder value?
- Why do investors want to see ESG-related information and what ESG-related data should companies be reporting on?

Potential guest speakers:

- [Principles for Responsible Investment](#)
- [Sustainalytics](#)
- [Morrow Sodali](#)

The theory and purpose of the company

Market initiatives and developments:

[The Big Innovation Centre's Purposeful Company](#) project has been set up to examine how the governance and capital markets environment in the UK can be enhanced to support the development of value-generating companies that act with the long-term benefits of all stakeholders in mind. It has found that companies with a declared purpose, which is adhered to by their management and understood by their shareholders, perform better on key metrics than less purposeful companies. The Purposeful Company project have released their [Interim Report](#) and [Policy Report](#), which sets out its recommendations, which includes recommendations to change: Company law and reporting; Accounting for purpose; Repurposing the investment industry; Blockholding; Finance for purpose; and Executive remuneration.

[British Academy's Future of the Corporation](#) are undertaking a project to provide a framework for the future of the corporation. Its remit is to consider the implications of economic, environmental, political and social challenges, and scientific and technological opportunities for the future development of business. Within their framework for the corporation are three key principles (1) corporate purpose – defining and aligning a corporation's purposes; (2) trust – embedding a commitment to trustworthiness; (3) culture – developing an enabling culture.

Key questions:

- What is the purpose of the company?
 - What are the roles and responsibilities of the different parties operating on the markets?
- How do emerging trends and changing social expectations fit with existing company law and theories around what the purpose of the company is?
 - To what extent is there need to push back on increasing social expectations?
- What legislative changes, if any, need to be made?
 - How can we make sure that legislative changes are suitably flexible for the smaller company?
- As investors, employees and other stakeholders are increasingly demanding of companies, what can be done to ensure that smaller companies are not overburdened?

Potential guest speakers:

- The Big Innovation Centre
- The British Academy