

Invitation to Tender (ITT):

Wates Principles of Corporate Governance FRC Research Project

Provision of Research Services

Reference	FRC2020- 0113 Wates Principles <u>Corporate Governance – FRC Research Project</u>
Date	7 th December 2020

1. Background

The Financial Reporting Council sets the UK Corporate Governance and UK Stewardship Codes; sets UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the competent authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality. The FRC works in the public interest. Our work is aimed at investors and others who rely on company reports, audit and high-quality risk management.

2. Project / Requirements

2.1. Background

In June 2018 the UK Government introduced The Companies (Miscellaneous Reporting) Regulations 2018¹ (hereafter '*the Regulations*'). These require all companies of a significant size, that were not already required to provide a corporate governance statement, to disclose their corporate governance arrangements as follows:

26. (1) The directors' report must include a statement (a "statement of corporate governance arrangements") which states:
- a) which corporate governance code, if any, the company applied in the financial year;
 - b) how the company applied any corporate governance code reported under sub-paragraph (a), and;
 - c) if the company departed from any corporate governance code reported under sub-paragraph (a), the respects in which it did so, and its reasons for so departing.
- (2) If the company has not applied any corporate governance code for the financial year, the statement of corporate governance arrangements must explain the reasons for that decision and explain what arrangements for corporate governance were applied for that year.

Extract from The Companies (Miscellaneous Reporting) Regulations 2018

This new requirement applies to all companies that satisfy either, or both, of the following conditions:

- more than 2,000 employees;
- a turnover of more than £200 million, and a balance sheet of more than £2 billion.

¹ <https://www.legislation.gov.uk/ukdsi/2018/9780111170298/contents>

The UK Department for Business, Energy and Industrial Strategy (BEIS) estimates² that, based on the above criteria, approximately 1,800 companies were within scope of the Regulations in January 2019.

The Wates Corporate Governance Principles for Large Private Companies³ (hereafter '*the Wates Principles*') were published by the FRC in December 2018. They provide a framework to help companies not only meet the legal requirements of the Regulations but to promote long term success. The Wates Principles encourage companies to adopt a set of key behaviours to secure trust and confidence among stakeholders and to benefit the economy and society in general.

2.2. Project objectives

The objective of this research project is to answer the following questions.

- A) Of the companies within scope of the Regulations for their first full reporting year beginning on or after January 2019, which of them provided a Corporate Governance Statement in their 2019⁴ reporting⁵ to Companies House? Of those that did so:
 - i) Which companies applied a known corporate governance code? For each of these, which code was chosen (e.g. Wates Principles, UK Corporate Governance Code, Luxembourg Corporate Governance Code, etc), and did the company report any departures from that code?
 - ii) Which of them instead reported that they were applying other corporate governance arrangements, and what was the stated reason for doing so?
- B) Taking a representative sample of companies that chose to apply the Wates Principles, what was the quality of their reporting?

2.3. Project scope, approach, and sampling

We would like research question A answered for all companies (approximately 1,800) that were within scope of the Regulations in January 2019. For each company, the research team will need to obtain the Annual Report (Directors' Report or Strategic Report) as submitted to Companies House⁵ in order to answer question A above.

We also ask that – at the time of doing this – the research team download the Corporate Governance Statement of each company that provided one and stores them (electronically) in an organised manner for subsequent FRC access.

² The FRC will provide the appointed research contractor with the BEIS list of companies that were in scope of the Regulations in January 2019.

³ <https://www.frc.org.uk/getattachment/31dfb844-6d4b-4093-9bfe-19cee2c29cda/Wates-Corporate-Governance-Principles-for-LPC-Dec-2018.pdf>

⁴ This will be 2019/20 reporting to Companies House for companies whose reporting year is not the calendar year.

⁵ A company's Corporate Governance Statement will be found in its Annual Report (Directors' Report or Strategic Report) and should also be available from its website as this is required by the Regulations. Company reports containing their Corporate Governance Statement may also be available from third-party data suppliers.

We would like research question B answered for a representative sample of the 1,800 companies within scope of the Regulations. By representative we mean a sample covering a range of sizes (by employees, turnover, and balance sheet) and sectors.

Research question (B) will require a careful in-depth reading of selected companies' reporting⁶ against the Wates Principles. It is therefore important that the research team has the requisite experience and knowledge of corporate governance practices and reporting.

The research team will need to design an appropriate qualitative coding scheme for assessing the quality of each company's reporting and record the application of this using suitable qualitative content analysis software. In answering research question (B), the research team should also identify examples of good practice, where found, and document these in the project report.

Proposals to carry out this research should specify what sample size (for question (B)) can be achieved within the timeframe and budget. Proposals should also provide an overview of the coding scheme you would develop, including examples of criteria that could be used, as well as explaining what procedures will be in place for ensuring consistency of application among research team members.

2.4. Project phasing due to data availability constraints

Companies in scope of the Regulations would usually submit their reports to Companies House within nine months of their financial year end. As such, the majority are submitted by the end of September each year, with a smaller but significant number submitted by the end of December.

For reports submitted during 2020, companies have been given an additional three months in which to submit their reports:

- Reports for the year ending 31-12-2019 will be submitted by 31-12-2020
- Reports for the year ending 31-03-2020 will be submitted by 31-03-2021

We would therefore like this research project to be carried out in two phases. With questions (A) and (B) being answered first for companies with December year-ends, and subsequently for those with March year-ends. We would like to receive interim project findings from the first phase by mid-April 2020. Please specify in your proposal whether you believe this is realistic, and – if not – when you believe such interim findings could be delivered.

The final report of the project should cover both phases together, including any resampling needed to ensure the sample for question (B) remains representative of the full company population (i.e. those companies in scope of the Regulations).

⁶ Where Corporate Governance Statements cross reference information which in the Strategic Report or another company document, the research team will need also to access and assess that in order to answer research question B.

2.5. Deliverables, milestones and high-level timeline

Date	Deliverable / milestone
Late January 2021	Kickoff where FRC gives a steer on how the quality of CG statements could be coded
Early February 2021	Discussion with FRC, based on preliminary work by the contractor, on the design of the qualitative coding scheme for question (B) (assessing the quality of reporting against the Wates Principles)
Mid-February 2021	Sign-off final coding scheme for question (B)
Mid-April 2021	Interim findings report and presentation to FRC, including a discussion of what constitutes 'best practice' in Wates Principles reporting
End of June 2021	<ul style="list-style-type: none"> • Final research report comprising analytical narrative of all findings. • Separately in electronic form: <ol style="list-style-type: none"> i. Full dataset of answers to question (A) for all in-scope companies ii. Coding data that was compiled to answer question (B), supplied in usable format for the FRC iii. Electronic copies of all company reports/statements/documents used in answering questions (A) and (B) <p>For (i) and (ii) above the data supplied should be linked to the data on each company's sector, employee count, annual turnover, and balance sheet size.</p> <ul style="list-style-type: none"> • The final research report should be of publishable quality; bidders should include in their costs the necessary work to create a downloadable PDF in their house-style, co-branded with the FRC logo⁷

2.6. Liaison arrangements

The FRC team should be updated on project progress and consulted on key decisions in the research design and operationalisation. This will include regular progress updates (by conference call and email).

2.7. Tender Evaluation

Bids will be assessed on the following basis:

- The suitability of your overall approach (including methodology and management).

⁷ This requirement is not to be read as a legally binding commitment on the part of the FRC to publish the final report.

- Evidence of the research team's experience and knowledge of corporate governance (and related) reporting
- Suitability of proposed coding scheme for answering question B (evidenced by providing a scheme overview and example criteria)
- The proposed sample size for answering question B
- Pricing / cost of your proposal.

2.8. References

You will be required to provide references within the Tender Response Document. The FRC reserves the right to take up references. References must be relevant to the FRC requirement and within the last five years.

2.9. Your tender response

Please submit all documents in a Microsoft Word compatible format (or Open Document format).

The proposal should be no more than 7 pages in total, excluding annexes, and include:

- A detailed, but succinct, summary of your proposal, referring to all the key requirements explained in the sections above.
- An estimated timeline of project milestones/deliverables.
- Details of personnel to be involved including their role in this project and their relevant experience.
- Your organisation's experience of similar projects and relevant research capability.
- Arrangements for managing this work and quality assuring outputs, including consistency checking and moderation among team members carrying out research for question B.
- A budget, including a breakdown of time and costs per activity, in line with the principal project objectives outlined above. If your proposal includes options, these should be costed separately.
- Project team CVs should be placed in an annex, along with any additional information about your organisation that you think is relevant.

Bids should identify any real or perceived conflicts of interest.

3. Cost /Financials

- The tenderer should provide a fixed fee for the work exclusive of VAT however inclusive of all expenses. Tenderers should detail their cost in the Tender Response Documents in the format specified. No other costs should be charged on top of the fixed fee, unless and except if the scope has materially changed from what is set out / agreed. Changes to the scope / cost must be mutually agreed.
- **The FRC does not anticipate tender bids over £50,000 excluding VAT**

4. Use of ITT & publication

Tenderers must not undertake any publicity activity regarding the procurement within any section of the media.

5. Questions & Clarifications

- 5.1. Tenderers may raise questions or seek clarification regarding any aspect of this further competition at any time prior to the tender clarification deadline.
- 5.2. Tenderers may raise questions or seek clarification within the timeframe by sending questions to procurement@frc.org.uk in the following format.

Nature of query / clarification	Query / Clarification

- 5.3. The FRC will not enter into exclusive discussions regarding the requirements of this ITT with tenderers.
- 5.4. To ensure that all tenderers have equal access to information regarding this tender opportunity, the FRC will publish all its responses to questions raised by Tenderers on an anonymous basis.
- 5.5. Responses will be published in a questions and answers document to all Tenderers who have indicated that they wish to participate.

6. Timeline (see also section 2.5 above)

DATE/TIME	ACTIVITY
07-12-2020	Publication of this Invitation to Tender
15/12/2020	Deadline to submit clarification questions
18/12/2020	The FRC to publish responses to clarification questions
08-01-2021	Deadline for tender submission to the FRC.

01-02-2021	Contract Start
15-04-2021	Interim findings presentation and report
15-06-2021	Draft final report
30-06-2021	Final report; contract end

7. Conduct

- 7.1. The tenderer must not communicate to any person the tender price, even approximately, before the date of the contract award other than to obtain, in strict confidence, a price for insurance required to submit the tender.
- 7.2. The tenderer must not try to obtain any information about any other person’s tender or proposed tender before the date of the contract award.
- 7.3. The tenderer must not make any arrangements with any other person about whether or not they should tender, or about their tender price.
- 7.4. The tenderer must not offer any incentive to any member of the FRC’s staff for doing or refraining from doing any act in relation to the tender.
- 7.5. If the tenderer engages in any of the activities set out in this paragraph or if the FRC considers the tenderer’s behaviour is in any way unethical the FRC reserves the right to disqualify the tenderer from the procurement.
- 7.6. The tenderer must represent and warrant that a conflict of interest check has been carried out and that check revealed no conflicts of interest.
- 7.7. Where a conflict of interest exists or arises or may exist or arise during the procurement process or following contract award the tenderer must inform the FRC and submit proposals to avoid such conflicts.
- 7.8. Tenderers must obtain for themselves at their own responsibility and expense all information necessary for the preparation of tenders. The FRC is not liable for any costs incurred by the tenderer as a result of the tendering procedure. Any work undertaken by the tenderer prior to the award of contract is a matter solely for the tenderer’s own commercial judgement.

8. Due Diligence

8.1. While reasonable care has been taken in preparing the information in this ITT and any supporting documents, the information within the documents does not purport to be exhaustive nor has it been independently verified.

8.2. Neither the FRC, nor its representatives, employees, agents or advisers:

- makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the ITT and supporting documents; or
- accepts any responsibility for the adequacy, accuracy or completeness of the information contained in the ITT and supporting documents nor shall any of them be liable for any loss or damage, other than in respect of fraudulent misrepresentation, arising as a result of reliance on such information or any subsequent communication.

8.3. It is the tenderer's sole responsibility to undertake such investigations and take such advice, including professional advice, as it considers appropriate in order to make decisions regarding the content of its tender and in order to verify any information provided to it during the procurement process and to query any ambiguity, whether actual or potential.

8.4. It is a requirement that the successful supplier (i) comply with all applicable laws and regulations including, without limitation, the Bribery Act 2010, the Equality Act 2010 and the Modern Slavery Act 2015; and (ii) in addition to any contractual requirement(s), inform the FRC immediately upon becoming aware of any event (including actual or threatened court proceedings) which may impact upon the reputation of the FRC, whether or not connected with the Supplies and/or Services.

9. Submitting a Tender

- 9.1. Tenderers must submit their tender response within the deadline to procurement@frc.org.uk
- 9.2. Where a Tender Response Tender is provided, potential providers must align their tender response with that format.
- 9.3. A Tender must remain valid and capable of acceptance by the Authority for a period of 90 days following the Tender Submission Deadline. A Tender with a shorter validity period may be rejected.

10. Evaluation

The FRC will award the contract on the basis of the tender which best meets the evaluation criteria aligned to the requirements.

11. Acceptance of Tender & Notification of Award

- 11.1. The FRC reserves the right to amend, add to or withdraw all or any part of this ITT at any time during the procurement.
- 11.2. The FRC shall not be under any obligation to accept the lowest price tender or any tender and reserves the right to accept such portion or portions as it may decide, unless the tenderer includes a formal statement to the contrary in the tender. The FRC also reserves the right to award more than one contract to fulfil the requirement.
- 11.3. The tenderer will be notified of the outcome of the tender submission at the earliest possible time.
- 11.4. Where the procurement process is subject to EU public procurement directives, a minimum standstill period of 10 calendar days will apply between communicating the award decision electronically to tenderers and awarding the contract.
- 11.5. Nothing in the documentation provided by the FRC to the tenderer during this procurement or any communication between the tenderer and the FRC or the FRC's representatives, employees, agents or advisers shall be taken as constituting an offer to contract or a contract. No tender will be deemed to have been formally accepted until the successful tenderer has received a formal contract award letter from the FRC.

12. Additional Information

- 12.1. Please use the attached Tender Response Document for your reply.

12.2. The Terms and Conditions that will apply to this proposed Agreement are attached. Suppliers should accept the T&C's with no material changes.