

Invitation to Tender (ITT):

Wates Principles of Corporate Governance **FRC Research Project**

Provision of Research Services

Reference	FRC2023 – 001 Wates Principles of Corporate Governance – FRC Research Project
Date	4th January 2023

1. Introduction

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 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 Wates Corporate Governance Principles for Large Private Companies² (hereafter ‘*the Wates Principles*’) were published by the FRC in December 2018. They provide a framework to help companies meet the legal requirements of the Regulations and to promote companies’ long-term success. The Wates Principles encourage companies to adopt a set of core behaviours to secure trust and confidence among stakeholders and to benefit the economy and society in general.

In 2020 the FRC contracted an independent external research team to provide an assessment of private companies’ reporting on corporate governance in their 2019 annual reports. The research report, published in February 2022, can be found [here](#).

We would like this new research project to now examine a sample of more recent private company reports and produce a comparison with the findings of the February 2022 research report. This will be done using the same principle-by-principle coding scheme³. In *addition* we would like the new research to build on the previous principle-by-principle research by also assessing each company’s governance disclosure as a whole.

2.2. Project objectives

The project will consider companies’ reports with year-end dates from 1 June 2021 to 31 May 2022⁴. It will answer the following research questions:

- A) Of companies that were within scope of the Regulations for their reporting year-ending in the above range, which of them provided a Corporate Governance Statement⁵ to Companies House? Of those that did, which of them 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).
- B) Taking a representative sample of companies that chose to apply the Wates Principles, what was the quality of their disclosures on a principle-by-principle basis? This assessment should use the same coding scheme as the previous research. Examples of both good and poor disclosure under each Principle should also be noted and commented upon in the final project report.
- C) Taking a (potentially smaller) representative sample of companies that chose to apply the Wates Principles, what was the quality of their governance reporting when read as a *whole*? Does each company’s reporting convey how its policies and processes support

² <https://www.frc.org.uk/getattachment/31dfb844-6d4b-4093-9bfe-19cee2c29cda/Wates-Corporate-Governance-Principles-for-LPC-Dec-2018.pdf>

³ The coding scheme used in the previous research will be provided to the successful contractor upon appointment.

⁴ Companies in scope of the Regulations submit their reports to Companies House within nine months of their reporting year end.

⁵ A company’s Corporate Governance Statement can be found in its Annual Report (in the Directors’ Report or Strategic Report) and should also be available from its website as this is required by the Regulations. These reports are also submitted to Companies House but are often uploaded as images and must therefore be read using optical character recognition software. Company reports containing the Corporate Governance Statement may also be available from third-party data suppliers.

effective decision-making to achieve its strategic objectives? Companies should go beyond declaratory or “boilerplate” statements in demonstrating this.

In answering research questions B and C, the research team should also identify examples of good practice and document these in the final project report.

2.3. Project scope, approach, and sampling

We would like research question A answered for all companies found to be in scope of the Regulations. This will not be a significantly different number of companies as were in scope of the research carried out for our February 2022 report cited above. For each company, the research team will need to obtain the Annual Report (Directors’ Report or Strategic Report)⁵.

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 store them (electronically) in a form suitable for subsequent FRC access and analysis.

We would like research questions B and C answered for representative samples of the companies in scope of the Regulations. By representative we mean samples covering a range of sizes (by employees, turnover, and balance sheet) and sectors.

Research questions B and (especially) C 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.

Successfully answering question C will require the research team to go beyond a binary checklist or series of yes/no answers and consider how the report conveys the company’s governance and its impact on decision making and strategy. The research team will need to apply their knowledge of how complex organisations make decisions, implement them, and assess their outcomes.

The final project report should clearly and fully explain the rigour of the assessments made by the research team, supported by examples of reporting/disclosures. Consideration should also be given as to what makes a report engaging and specific to an individual company.

Proposals to carry out this research should specify what sample size(s) for question B and C can be achieved within the timeframe and budget. Proposals should also provide an overview of how the research team would approach the company-specific assessment needed for question C.

⁶ Where Corporate Governance Statements direct readers to information in the Strategic Report or another company document, the research team will need also to access and assess that in order to answer research questions B and C.

2.4. Deliverables and high-level milestones/timeline

Date	Deliverable / milestone
Mid-February 2023	Project kickoff meeting
Mid-February	Work begins on questions A and B
March	Discuss and agree approach to question C; work begins on question C
June	Interim findings report and presentation: <ul style="list-style-type: none"> • <u>Full</u> findings for questions A and B • <u>Interim</u> findings for question C
August	Draft full project report
End of September 2023	<ul style="list-style-type: none"> • Final project report comprising analytical narrative of all findings. • Separately, in electronic form: <ol style="list-style-type: none"> Full dataset of answers to question A for all in-scope companies Coding data that was compiled to answer question B, supplied in usable format for the FRC Electronic copies of all company reports/statements/documents used in answering questions A, B and C <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> • The final project report should be of publishable quality⁷

2.5. Liaison arrangements

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

2.6. Tender Evaluation

Bids will be assessed on the following basis:

- The suitability of your overall approach, including methodology, management, and proposed sample size(s) for answering questions B and C [40%]
- Experience / relevant experience of the proposed personnel, including experience and knowledge of corporate governance practices and reporting. [40%]
- Pricing / cost of your proposal [20%].

⁷ This requirement is not to be read as a commitment on the part of the FRC to publish the final report. It may be published in whole, as a standalone output, or excerpts from it may be used in an FRC publication. In all cases the report's authors and their institutions will be fully acknowledged and credited.

2.7. 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.

2.8. 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.
- An overview of how you would approach the company-specific assessment needed for question C.
- Arrangements for managing this work and quality assuring outputs, including consistency checking and moderation among team members carrying out research for questions B and C.
- 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.
- Your organisation's experience of similar projects and relevant research capability.
- Details of personnel to be involved including their role in this project and their relevant experience. The appointed research team will need a strong background in corporate governance practices and reporting, and should demonstrate this in their bid.
- 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
04-01-2023	Publication of this Invitation to Tender
12-01-2023 by 12.00noon	Deadline to submit clarification questions
18-01-2023 by close of play	The FRC to publish responses to clarification questions
02-02-2023 by 5.00p.m.	Deadline for tender submission to the FRC.
17-02-2023	Tender Outcome
w/c 20-02-2023	Contract Start
By 14-06-2023	Interim findings presentation and report
By 15-08-2023	Draft final report
29-09-2023	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.