Championing better work
and working lives

CIPD response to FRC Corporate Governance Code consultation 2023
13 September 2023

codereview@frc.org.uk

About us
We are the professional body for HR and people development. We've been championing better work and working lives for over 100 years.
We help organisations thrive by focusing on their people, supporting our economies and societies. We're the professional body for human resources, learning and development, organisation development and all people professionals – experts in people, work and change.
With 160,000 members globally – and a growing community using our research, insights and learning – we give trusted advice and offer independent thought leadership. And we are a leading voice in the call for good work that creates value for everyone.

Summary
We welcome the FRC Code consultation and wish to comment on some key areas relevant to the HR profession. We appreciate that the focus of the FRC and its mandate from government was to focus more on the audit and financial aspects of governance; however, we focus more on the people aspects. Our response is based on individual interviews and group calls with our senior members over several months.

- Overall, we welcome the suggested changes and believe that they will help boards to better understand and manage their responsibilities.

- We believe that there are wider issues around board composition and succession planning which should be considered: Specifically, the board needs to consider the balance of skills and experience of the board as a team in addition to the skills of the individual directors, and to consider non-financial, as well as financial, expertise. There is usually too much focus on the latter and not enough on the former in both cases. This is an area where HR professionals can add valuable expertise, as highlighted in the CIPD report: The value of people Expertise on corporate boards (2023)[i]. We make some more detailed recommendations in our report.

- Equality, diversity and inclusion (EDI): We agree that a more joined-up approach would be useful in principle, and that a focus on outcomes would be useful, but further changes are needed, especially around merit and objective criteria, and all directors should receive some basic training on EDI.

- Sustainability reporting: We are unconvinced that giving additional powers to audit committees is the right way forward. We believe that there is too much focus on financial experience and not

enough on other areas such as HR experience, which also leads to a greater danger of group-think.

We comment in more detail on our report and some of the individual questions below.

The value of people expertise on corporate boards

The CIPD published a report in July 2023 based on group calls and individual interviews with our chief people officers (CPO) members, and on statistical analysis of FTSE 250 boards.

Key findings of the report:

- Many of the key challenges facing companies relate to people issues; however, there is often a significant mismatch between the skills and knowledge of UK boards and those needed to understand the main people-related risks facing organisations. The focus is too often on the skills and performance of individual directors rather than the overall skills and knowledge of the board as a whole.

- This 'people insight' deficit also means that many organisations fail to fully recognise the value creation potential of their workforces, reflected by falling levels of investment in workforce training and disappointing levels of productivity growth in the UK.
  - Several of the main challenges around organisational performance come down to people management, including closing skills gaps, talent attraction and retention, EDI and workforce mental health. Indeed, a recent Gartner survey found that workforce issues rated alongside digital technology initiatives as the top strategic business priorities for boards in 2023-24.
  - Corporate failings, such as sexual harassment and other forms of discrimination, bullying, and poor working practices, can lead to serious reputational damage if not recognised by senior leaders.
  - Companies that don't take equality, diversity and inclusion (EDI) matters seriously are also likely to fall behind in the war for talent.

- However, the majority of UK boards lack directors with a professional background in HR and people development, which would not be seen as acceptable for financial expertise – indeed the UK Corporate Governance Code has required recent and relevant financial experience on audit committees. While 100% of FTSE 350 company boards have members with finance or accounting backgrounds, only a quarter have a member with professional HR experience. Many chairs, senior independent directors, nomination and remuneration committee chairs also have financial backgrounds. There is even a lack of HR representation on remuneration committees (23%) and nomination committees (20%), despite these both being focused on the key people issues of reward and talent.

- This picture is emphasised when looking at the professional backgrounds of executive directors on FTSE 350 boards. In all, 99% of boards have a chief financial officer (CFO) or finance director among their executive directors, compared to just 2% that have an HR director at executive director level.

- The report highlights common errors that CPOs see board members making, which include:

  - an over-confidence/a lack of understanding of people issues
  - an over-focus on the financial skillset
  - an 'over-enthusiasm' around employee engagement
  - a lack of emotional intelligence
  - a lack of awareness/discomfort around EDI.

Recommendations:

1. Investors should ask questions about the overall balance of skills and experience on the board. An HR director (HRD) or a chief people officer (CPO) should not necessarily be a main board member. However, boards should have formal processes for accessing the professional expertise of senior-level HR practitioners who know the business, on all matters or committees where in-depth insight on workforce matters is required.

2. The CIPD believes there is a strong case for some key refinements to the UK Corporate Governance Code and accompanying guidance to signal to boards the need for input, support and advice from senior-level HR practitioners on critical workforce issues.

3. CPOs should have the right of access to remuneration and nomination committees, in the same way that the Cadbury Report recommended that finance directors do to audit committees. In listed companies this tends to be the case already, but in the public sector or smaller organisations, it may not be.

4. The chair of the remuneration committee or the NED responsible for employee voice should have recent and relevant people experience, so that there is the same expectation of professionalism as in the audit committee. This should not necessarily mean that only those with professional qualifications can apply, but it does mean that people expertise needs to be taken as seriously as financial expertise.

5. The board, supported by the HRD (if not represented on the board), should ensure that it has the necessary knowledge of workforce policies, practices, behaviours and data to inform its understanding of people risks, in the same way that the board is expected to have sufficient understanding of the financial risks. Investors and the FRC may wish to consider whether disclosures around the skills of the board as a whole, as well as the individual directors, are sufficient.

6. The Financial Reporting Council (FRC) should consider whether the current structure of UK boards is imbalanced, with too few executive directors. The current Code wording states:

   "The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making" (Part 2: Division of Responsibilities, paragraph G).

   This is clear but, in practice, the number of executive directors is mostly reduced down to CEO and CFO.

7. Boards need to match the balance of skills and experience of the whole team on the board, including both executive and non-executive directors, to the challenges faced by the organisation. At present, the balance of experience on UK boards is weighted towards financial expertise almost by default. Boards need to consider and explain how their make-up matches the challenges faced by the company. We do not believe that this is currently the case and we suggest that the FRC's Financial Reporting Lab explores this further.

We comment further on these issues in the relevant questions below.

Consultation questions

Board leadership and company purpose

Q1: Do you agree that the changes to Principle D in Section 1 of the Code will deliver more outcomes-based reporting? *(When reporting on its governance activity the board should focus on outcomes in order to demonstrate the impact of governance practices and how the Code has been applied. Where the Board reports on departures from the Code's provisions, it should provide a clear explanation.)*

The changes themselves will not deliver more outcomes-based reporting. It is only the company's reporting that can do that. However, the changes should be helpful in communicating the desired behaviours.

However, there is a constant tension which is not really articulated here: it is not possible to achieve both:

- The more that investors seek comparability, the more focus on detail there will be, leading to more boilerplate reporting.
- The more that companies have freedom to choose what to say, the simpler and clearer the content is likely to be, but with the risk that companies may omit information that investors would like to see.

If you want boards to focus more on the key issues, you may need to reduce some other disclosures. If you want to include the maximum disclosures in order to achieve comparability, you may need to sacrifice effectiveness of communication. This is an example of a polarity[ii] whereby opposing forces pull at each other to keep things balanced.

There is a wider question as to whether and where companies are generally expected to comply and where there is more room for experimentation and explanation. In order to achieve compliance, you may need more of a performance culture. In order to achieve explanations, you may need more of a learning culture. Many companies which are at an early stage of reporting are more likely to only be able to report on inputs as a starting point; with reporting on outputs at a more mature stage.

The CIPD has conducted research into Creating learning cultures: assessing the evidence[iii]; with further information available here: Creating and developing positive organisational cultures for learning and inclusion[iv].

Questions which perhaps align more with the Department for Business & Trade Non-Financial Reporting call for evidence (see our submission in response[v]) might be:

- Would it be possible to reduce some of the disclosures around inputs, in order to achieve better reporting on outputs? An example might be to reduce the disclosures around board attendance and individual qualifications, and to focus more disclosures around the skills of the board as a whole.

- Would it be possible to disclose some of the information on the company website rather than in the annual report?

Q2: Do you think the board should report on the company's climate ambitions and transition planning, in the context of its strategy, as well as the surrounding governance?

Yes, while recognising how hard some companies are finding the reporting as it may involve wider changes internally. The board should also ask itself whether it has the necessary skills and experience to know which questions to ask and seek to upskill the existing directors/seek new ones as appropriate. The FRC should encourage companies to report on key aspects of HR strategy and practice on areas such as change management, organisational design, strategic workforce planning, upskilling the workforce and supply chains; not just how it will use hard skills around carbon, hydrogen, construction, extraction, etc.

See the CIPD report on net zero for people professionals Putting people professionals on the road to net zero[vi] and examples of case studies from CIPD members: Embedding environmental sustainability initiatives in your organisation: Case studies[vii]

The need for organisations to recognise that investing in workforce skills is central to sustainability was articulated earlier this year by Microsoft President Brad Smith, who said that, as firms moved to transition to net zero, they are "*confronting a huge sustainability skills gap. This gap encompasses three categories. First, some employees need deep and specialized sustainability knowledge and skills in areas like carbon accounting, carbon removal and ecosystem services valuation. This includes the skills needed to address these issues through new climate-specific digital tools. Second, broader business teams need readier access to more limited but sometimes deep knowledge in specific sustainability subject areas, such as climate-related issues that have become important for procurement and supply chain management. Third, a great many employees need basic and broader fluency in sustainability issues and climate science fields that impact a wide variety of business operations and processes."*[viii]

Division of responsibilities

Q4: Do you agree with the proposed change to Code Principle K (in Section 3 of the Code), which makes the issue of significant external commitments (overboarding) an explicit part of board performance reviews?

Q5: Do you agree with the proposed change to Code Provision 15, which is designed to encourage greater transparency on directors' commitments to other organisations?

Our perception is that there is too much focus on the skills and performance of the individual directors rather than the board as a team, and whether the board has the skills and experience that it needs in order to meet the external challenges, and whether it is performing as a team.

Clearly shareholders need to know sufficient detail about the individual directors in order to make an informed decision as to whether or not to vote for them. However, the key questions that shareholders should be asking themselves are:

- What are the key challenges facing this board?
- Does the board as a team have the key skills and experience that it needs to meet these challenges? See the CIPD report: The value of people expertise on corporate boards, which suggests that they may not. **We recommend that all directors receive training on EDI.**

Many boards already provide an overview of the skills of the board as a whole in the annual report, but they provide much more detail about the individual directors. We also hear fewer concerns about the team rather than the individual from shareholders, but we wonder whether this is because of a focus on the disclosures made, rather than those which are most important.

We wonder whether the annual report or the company website would be the best place to include detailed biographies, the latter with a link from the annual report, or perhaps the annual report should only include biographies for new directors. The report could then focus on the skills of the team rather than the individuals.

Composition, succession and evaluation

Q6: Do you consider that the proposals outlined effectively strengthen and support existing regulations in this area, without introducing duplication?

Yes (aim to avoid duplication of the FCA listing rules).

Q7: Do you support the changes to Principle I moving away from a list of diversity characteristics (gender, ethnicity) to the proposed approach which aims to capture wider characteristics of diversity?
Proposed wording: *"Both appointments and succession plans should be based on merit and objective criteria. They should promote equal opportunity, and diversity and inclusion of protected characteristics and non-protected characteristics including cognitive and personal strengths."*

Yes, we support the move away from a list in the Code; whereby companies report where they have set targets, or explain where they choose not to report. We also support a focus on outputs (success in application) rather than inputs (policies), while recognising that newly listed companies may need to start from inputs. In addition:

- we support mandatory company reporting on gender and ethnicity, including narrative reporting, but we believe that this should be in primacy legislation or in sustainability reporting standards rather than the Code

- we support voluntary reporting on disability as proposed by the DWP
- we have commented on social reporting in more detail in our response to the call for evidence on non-financial reporting from the Department for Business and Trade
- we have produced a guide to inclusive recruitment,[ix] which is aimed at managers rather than boards, but the principles are the same.

However, we have some reservations regarding the language in Principle I as set out below. As drafted, the Code states that: "*Both appointments and succession plans should be based on merit and objective criteria*."

The wording implies that merit is separate from/does not need to meet objective criteria, which we believe is not the intention, and is no longer in line with good practice. Indeed, the London Business School/SQW/FRC 2021 report on Board Diversity and Effectiveness[x] noted that *"it is now clearly a small minority of directors who use such language as 'meritocracy' in the diversity conversation to avoid appointing a diverse board"*.

All boards want to appoint based on merit if, by that, we mean ability to add value to the company. However, it would be better to define what they *do* mean rather than rely on a vague term: whether that be in-depth sectoral experience, or competencies such as intellectual acumen, the ability to challenge, etc, to define what outcomes they are seeking from the person and how that person will add value to the board as a team as well as his/her individual qualities. Otherwise, different committee members may all have different understandings of what the word means.

We would therefore suggest that the FRC delete the word "merit" and rely solely on "objective criteria".

Our members tell us that board members need training on EDI: "*People understand diversity and inclusion much better if they're currently in a workplace. That's where most people get their insight and learning about it. If you've been out of the workplace for a while, you might not know some of the language that is okay and not okay to use. And the impact of a non-executive director saying something that is offensive, totally unintended, is pretty big. [We can] help them to understand the latest thinking in areas like inclusion.*" (FTSE-listed CPO)

Q8: Do you support the changes to Provision 24 and do they offer a transparent approach to reporting on succession planning and senior appointments?

Revised version: *"The annual report should describe the work of the nomination committee, including:*
• *succession planning for both board and senior management positions, in order to deliver the company's strategy, including an explanation of how the committee has overseen the development of a diverse pipeline for succession;*
• *the appointments for the board and senior management, including the search and nomination procedures and promotion of diversity;*
• *the effectiveness of the diversity and inclusion policy, including progress towards company objectives and adherence to established initiatives;*
• *the gender balance of those in the senior management and their direct reports; and*
• *how the board performance review has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence future board composition.*

Yes. It will be interesting to see how boards report on the effectiveness or otherwise of their diversity and inclusion policies and progress. The CIPD has conducted an analysis of company reporting on the gender pay gap[xi] and we found that:

- in the first year of reporting on the gender pay gap, 74% of employers that had submitted their gender pay gap data also gave a weblink to a narrative explaining their figures and any plans they might have to create a more equal workplace
- by 2022/23 however, this proportion had slumped to 56%, possibly indicating that some employers no longer feel the need to justify their figures or actions.

Board performance reviews

Q9: Do you support the proposed adoption of the CGI recommendations as set out above, and are there particular areas you would like to see covered in guidance in addition to those set out by CGI?
15 Recommendations: https://www.cgi.org.uk/assets/files/pdfs/Publications/reporting-on-board-performance-reviews.pdf

Yes, we support the recommendations, which are aimed at better communication.

The CIPD has reviewed the academic evidence on what works in performance management[xii] by and for managers, rather than boards, but the principles are likely to be similar. The findings include that:

- feedback is important
- developmental conversations should be kept separate from those looking at assessments and reward
- discussions about what employees have learned and how they can improve are very different from those about accountability for past performance.

Given that annual reports are generally focused on past performance and reward, they are not likely to be the appropriate place to disclose developmental needs. See Performance management: Could do better?

Audit, risk and internal control

Sustainability reporting

Q12: Do you agree that the remit of audit committees should be expanded to include narrative reporting, including sustainability reporting and, where appropriate, ESG metrics, where such matters are not reserved for the board?

No. On balance we do not support an expanded role for the audit committee.

The FRC consultation states that: *"The audit committee has experience in setting policies and frameworks which could be adapted to ESG metrics, and as such it is best positioned to oversee ESG disclosures, controls, processes, and assurance."*

Currently there is too much focus by government, the FRC and by boards on financial expertise; see our report on the value of people expertise on corporate boards. This may lead boards to focus too much on money and risk, rather than people and opportunity. We are not convinced that the audit committee will have the relevant skills or capacity to oversee more work as many audit committees are already overstretched and their membership may not be sufficiently broad.

For example, effective ESG reporting is likely to require insights on key areas of human resource management which are critical to an effective transition to net zero operations, including workforce planning, change management (including consultation with employees) and training and development.

Many of the risks that could derail firms' transition to net zero are people-related rather than purely financial and so reporting on ESG matters requires expertise that lies outside that of most audit committees.

Our members tell us that:

"I've been doing a plc job for 10 years and I've seen that interaction [between CPO and the board] change: the depth of it, the breadth of it… we have four board committees: audit, RemCo, NomCo and employee engagement – I'm driving three out of the four." (FTSE-listed CPO)

"Six years ago, we probably had about five investor calls. Last year we did 27 calls with investors wanting to have discussions about people – what we're doing with talent, the diversity piece… more and more of the investors want to see you linking rewards, long and short term, to ESG [environmental, social and corporate governance]." (FTSE-listed CPO)

We note that the FRC has interviewed audit committee chairs regarding ESG, but has not interviewed the chairs of other committees to obtain their views. (Audit Committee Chairs' views on, and approach to (ESG) June 2023 (frc.org.uk)) We would suggest that the FRC also interviews the chairs of ESG committees and others such as people and culture committees as regards non-financial reporting.

Given that some 41% of FTSE 250 boards now have an ESG/sustainability/CSR committee, we are unconvinced of the need to expand the remit of the audit committee. We believe that individual companies are best placed to decide which committees should have oversight around disclosures.
It may be more appropriate for the whole board to oversee ESG, or for environmental metrics to sit with a sustainability committee, or for the people and culture committee or the ESG committee or the nomination committee or the employee engagement committee to have oversight of the relevant sections of the social part of non-financial reporting.

Risk management and internal controls

Q15: Where controls are referenced in the Code, should 'financial' be changed to 'reporting' to capture controls on narrative as well as financial reporting, or should reporting be limited to controls over financial reporting?

Yes, controls should refer to both financial and non-financial reporting as this should improve the quality of data and thus the quality of reporting over the longer term. The wording should read:

"…establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial, non-financial and narrative statements."

One of the requirements in the Code on the board is to consider:

The skills, knowledge and experience of the board and management. *The board should consider whether it, and any committee or management group to which it delegates activities, has the necessary skills, knowledge, experience, authority and support to enable it to assess the risks the company faces and exercise its responsibilities effectively. Boards should consider specifically assessing this as part of their regular evaluations of their effectiveness.*

Given the findings of our report on the value of people expertise on corporate boards, which found a lack of HR expertise among board members among 75% of major listed companies, we question whether UK boards have the necessary skills, knowledge, experience, authority and support to enable them to fully assess people risks.

We also question whether nomination and remuneration committees have all the necessary skills and experience, given that 80% of nomination committees dealing with succession planning and senior talent and 77% of remuneration committees dealing with motivation and reward lack HR expertise, depending on whether they have the necessary support from HR teams.

In the internal controls guidance, boards are responsible for:

- *ensuring that appropriate culture and reward systems have been embedded throughout the organisation;*

and

Exercising responsibilities
…in deciding what arrangements are appropriate the board should consider, amongst other things: • The culture it wishes to embed in the company, and whether this has been achieved.
As with all aspects of good governance, the effectiveness of risk management and internal control ultimately depend on the individuals responsible for operating the systems that are put in place. In order to ensure the appropriate culture is in place it is not sufficient for the board simply to set the desired values. It also needs to ensure they are communicated by management, incentivise the desired behaviours and sanction inappropriate behaviour, and assess whether the desired values and behaviours have become embedded at all levels. This should include consideration of whether the company's leadership style and management structures, human resource policies and reward systems support or undermine the risk management and internal control systems.
…In addition to the board, committee and management's own monitoring activities, sources of assurance might include reports on relevant matters from any compliance, risk management, internal control and internal audit functions within the company

Given the role of HR in promoting culture, agreed behaviours, leadership and management training, talent succession planning and reward, other possible sources for non-financial reporting could be HR and/or sustainability reports within the company.

Q18: Are there any other areas in relation to risk management and internal controls which you would like to see covered in guidance?

We note that the quality of people data is less reliable than financial data due to under-investment over many years[xiii]. Companies have not prioritised investment in non-financial data systems, which means that they will not have received non-financial reports of the same quality as financial reports[xiv], and may not have truly understood these risks or known to ask the right questions about people risk management due to their lack of HR/other non-financial expertise.

Remuneration

Q22-23:

- **Do the proposed revisions strengthen the links between remuneration policy and corporate performance?**
- **Do you agree that the proposed reporting changes around malus and clawback will result in an improvement in transparency?**

Yes. We support reference to employee pay and conditions being taken into account in remuneration outcomes for directors. Listed companies already report their pay ratios.

Q24: Do you agree with the proposed changes to Provisions 40 and 41? *(Aim to reduce reliance on templates, cross-refer to gender pay gap reports)*

Yes. There has been an improvement in reporting with companies talking about the impact that their engagement with employees has had, in addition to their engagement with shareholders.

Q25: Should the reference to pay gaps and pay ratios be removed, or strengthened?

Companies do not currently communicate well on the gender or ethnicity pay gap. We support greater use of narrative reporting in addition to the figures, although we believe that this should be in legislation rather than in the Code. It should be reported annually, but not all of the detail need be included in the annual report. However, if this is to happen, there should be a reference or link to the relevant information.

The CIPD has championed the need for employers to produce narratives explaining their pay ratios and gaps, so we would support companies reporting the measures that they have taken to reduce those gaps and the impact of those measures.

What boards and remuneration committees should focus on in the context of the Corporate Governance Code is not so much the detail, but more the key risks to their business, given the economic and social context: many companies face talent shortages, and with 57% of undergraduates now female[xv], and up to 80% of consumer decisions taken by women[xvi], boards need to consider how they will be able to compete with the potential loss of talent and customers if their competitors' pay gap is much smaller, such that they have first choice of talent, as well as the risks to employee motivation where there are huge pay disparities (60% of respondents in a CIPD survey[xvii] agreed that CEO pay levels in the UK demotivate employees) at the same time as a cost-of-living crisis, and the impact on the culture created when the pay gap effectively tells some employees that their work has less value than others, with a corresponding impact that this may have on the company's ability to deliver its plans. Investors will have an interest in understanding the environment in which the company is operating, and how boards are managing these tensions.

If boards need additional information, we have produced guidance for companies on how to report here:

- Gender pay gap reporting guide[xviii]
- Ethnicity pay gap reporting guide[xix]

We support the DWP guidance on disability reporting[xx].

And we have looked at the impact of the cost-of-living crisis on employees[xxi]:

Artificial intelligence

Q26: Are there any areas of the Code which you consider require amendment or additional guidance, in support of the Government's White Paper on artificial intelligence?

We do not believe that there is a need for additional guidance in the Code. It may be useful, however, to consider whether to include some content in the board effectiveness guidance in the future. For example, highlighting the need for boards to ensure they have met the five principles for the responsible use of AI set out in the Government's white paper if these are adopted:

- Safety, security and robustness
- Appropriate transparency and explainability
- Fairness
- Accountability and governance
- Contestability and redress.

An area of people risk which boards may need to be particularly wary of is EDI, where the data used to train the AI may or may not have been diverse, which may affect the outcomes proposed by the AI. Boards may want to ask whether the AI has been subject to a diversity audit to guard against these risks.

The CIPD recommends that organisations draw up an AI policy to:

- ***Consider your organisational culture:*** *If you have values or behaviours that encourage initiative, curiosity and experimentation, then your AI policy should reflect these. If the environment is more tightly controlled or regulated, then your policy may need to reflect that.*
- ***Determine why you want an AI policy:*** *Consider the areas of risk management for the organisation, particularly regarding data security (e.g. ensuring the organisation's data is not inadvertently placed into the public sphere), accuracy and quality assurance (e.g. ensuring employees don't solely rely on outputs from AI tools, but validate the generated information), control*

(agreeing what is and isn't reasonable use), and fairness (e.g. ensuring that use of tools guards against bias).

- ***Articulate the benefits that you want to achieve**: Is the aim to increase productivity, improve quality, reduce time spent on activities, or possibly to accelerate learning? Articulating desired benefits guides usage and reduces fear about elimination of jobs.*
- ***Understand current use in your organisation**: This may be difficult if there is low trust at present. People who are already using AI may worry they will get into trouble. But it is important to get at least some sense of where, when and how people are using the tools.*
- ***Consider where AI may be deployed in different roles**: Some of this will be driven by the approach of senior leaders but will also be influenced by the nature of the role. AI tools can support research, planning documents, writing business papers and policies, assessing data for errors, writing code and beyond.*
- ***Maintain compliance with obligations and requirements**: These can include aspects such as data security and GDPR obligations, local legislation or requirements from industry regulators. It is also critical to identify how the organisation will guard against algorithm bias. Determine whether there are new legal requirements driven by AI, or whether your existing policies already cover them sufficiently or should be revised. The new policy may need to articulate the connection to the ones already in place, reminding employees of their existing responsibilities.*

In the round, these elements of the organisational culture, structure, current usage, along with matters such as legislative requirements, will guide the development of your policy.

For more on people and technology risks, please see our reports and guidance below:

- Automation, AI and technology | CIPD[xxii]
- Impact of artificial intelligence, robotics and automation technologies on work | CIPD[xxiii]
- Responsible investment in technology | CIPD[xxiv]
- Preparing your organisation for AI use | CIPD[xxv]

---

[i] www.cipd.org/uk/knowledge/reports/people-expertise
[ii] www.harvardbusiness.org/navigating-complexity-managing-polarities
[iii] www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/creating-learning-cultures-1_tcm18-75606.pdf
[iv] www.cipd.org/uk/views-and-insights/thought-leadership/the-world-of-work/positive-organisational-culture-inclusion
[v] www.cipd.org.uk/ TBC not yet online
[vi] https://www.cipd.org/uk/knowledge/reports/people-professionals-net-zero/
[vii] www.cipd.org/en/knowledge/case-studies/environmental-sustainability
[viii] https://blogs.microsoft.com/on-the-issues/2022/11/02/closing-sustainability-skills-gap/
[ix] www.cipd.org/en/knowledge/guides/inclusive-employers
[x] www.london.edu/-/media/images/leadership-institute-refresh/frc-board-diversity-and-effectiveness-in-ftse-350-companies.pdf
[xi] www.cipd.org/uk/views-and-insights/thought-leadership/cipd-voice/gender-pay-gap
[xii] https://prod.cipd.co.uk/en/knowledge/reports/what-works-in-performance-management-report/ and www.cipd.org/en/topics/recruitment
[xiii] www.cipd.org/uk/views-and-insights/cipd-viewpoint/people-analytics
[xiv] www.cipd.org/uk/knowledge/reports/improving-people-data
[xv] Education and training statistics for the UK, Reporting year 2022 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)
[xvi] Avivah Wittenberg Cox 20-First Interview Final Cut on Vimeo

Championing better work and working lives

[xvii] www.cipd.org/uk/knowledge/reports/ceo-pay-report
[xviii] https://prod.cipd.co.uk/en/knowledge/guides/gender-pay-gap-reporting-guide
[xix] https://www.cipd.org/uk/knowledge/guides/ethnicity-pay-reporting-guide
[xx] www.gov.uk/government/publications/voluntary-reporting-on-disability-mental-health-and-wellbeing
[xxixxi] www.cipd.org/uk/views-and-insights/thought-leadership/cipd-voice/cost-of-living-workplace
[xxii] www.cipd.org/uk/views-and-insights/cipd-viewpoint/automation-ai-technology
[xxiii] www.cipd.org/en/knowledge/evidence-reviews/artificial-intelligence-workplace-impact
[xxiv] www.cipd.org/uk/knowledge/guides/responsible-investment-technology
[xxv] www.cipd.org/en/knowledge/guides/preparing-organisation-ai-use