



**FRC WORKING GROUP ON
AUDITOR LIABILITY LIMITATION AGREEMENTS**

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Terms of reference

To prepare guidance, for approval by the FRC, on the use of limited liability agreements, as provided for in the Companies Act 2006 provisions on auditor's liability in relation to statutory audit.

It is intended that the guidance should include, at least:

- A suggested standard form, including the "principal terms", for such an agreement; and
- A suggested process for the effective implementation of such an agreement, including for obtaining shareholder approval.

The guidance will not address the assessment of what might be regarded as "fair and reasonable in all the circumstances of the case", nor provide a mechanism for calculating such an amount. That is to be assessed on a case by case basis and, in any event, the ultimate decision on whether an amount is "fair and reasonable in all the circumstances of the case" will lie with the Court.