

CONFIDENTIAL**FINANCIAL REPORTING COUNCIL****Minutes of a meeting of the Regulatory Standards & Codes Committee (the 'Committee')
held at 10am on 27 April 2022 at FRC, 125 London Wall,
London EC2Y 5AS**

PRESENT:	Hannah Nixon John Coomber Sir Ashley Fox	Chair Committee member Committee member (from Minute 4)
OBSERVERS:	Clare Cole Mark Holmes	FCA BEIS
SENIOR ADVISORS:	Rosemary Beaver Paul Cox Richard Lawrence	
IN ATTENDANCE:	Mark Babington Anu Bhartiya Merrik Bousfield Sarah-Jayne Dominic James Ferris Jennifer Guest Alex Kuczynski Vanessa Leung Ramana McConnon Jane O'Doherty Sir Jan du Plessis David Styles Adrian Wallis Laura Warren	Executive Director, Regulatory Standards Committee Secretary Project Director, Accounting & Reporting Policy (for Minutes 6 to 9 only) Head of Policy Programmes and Strategy Director of UK Auditing Standards (for Minute 11 only) Head of XBRL UK Taxonomy Development (for Minute 10 only) Executive Director, Corporate Services and General Counsel Director of Actuarial Policy (for Minute 5 only) Project Associate, Audit Policy (for Minute 11 only) Project Director, Accounting & Reporting Policy (for Minutes 6 to 9 only) FRC Chairman Director, Corporate Governance & Stewardship Project Director, Accounting & Reporting Policy (for Minutes 6 to 9 only) Head of Competition Policy (for Minute 12 only)
APOLOGIES:	Clare Thompson	Committee member

1. WELCOME AND DECLARATION OF INTERESTS

- 1.1 The Chair welcomed everyone to the meeting and reported that Sir Ashley Fox and Clare Thompson had joined as members of the Committee with effect from 1 April 2022. The Chair welcomed Sir Ashley Fox to his first meeting. The Chair noted the meeting was quorate.
- 1.2 There were no conflict of interests declared.

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2. MINUTES OF MEETING HELD ON 9 FEBRUARY 2022 AND ROLLING ACTION POINTS

- 2.1 The minutes of the meeting held on 9 February 2022 were approved for publication.
- 2.2 The Committee noted the Rolling Action log. Since the Committee's Away Day in July 2022 was cancelled, the discussion relating to sustainability standard setting would be included on the agenda for the June 2022 meeting.

3. REPORT OF THE EXECUTIVE DIRECTOR, REGULATORY STANDARDS

- 3.1 The Executive Director of Regulatory Standards provided an update on the report which included:
- chairing IESBA's the new Sustainability Working Group. The Group would be looking at the implications for the Code of Ethics of sustainability-related matters; and
 - the Government's Response to the feedback received to the BEIS White Paper which would be delayed until the purdah period for the local authority elections end in May 2022.
- 3.2 The Committee discussed ISSB's consultation on its first two proposed standards in relation to general sustainability-related disclosure requirements and the climate-related disclosure requirements.
- 3.3 The Committee noted the highlights of the IESBA Board meeting and the IAASB meeting held in March 2022.

4. CORPORATE GOVERNANCE AND STEWARDSHIP CODE

- 4.1 The Committee noted that the FRC provides the secretariat for the Pre-Emption Group (PEG). The PEG will need to formalise certain of its procedures and how it reports publicly in response to the work of the secondary capital raising review by Mark Austin. The review will be clear about the responsibilities and resource implications for the FRC.
- 4.2 The Committee considered the paper which set out an update on the work of the Corporate Governance and Stewardship team. Through discussion, the Committee noted a number of points and made comments including:
- the FRC plans to issue an invitation to tender for a third party to compile evidence on the influence of both proxy advisors and ESG ratings agencies. Once the evidence of practices has been gathered, the Corporate Governance Team would consider whether this would result in guidance or other actions. It was confirmed that FRC and FCA were in contact on this project as FCA has an interest in these matters.
 - the assessment of stewardship reports submitted for renewals will include areas for improvement identified by the FRC in 2021 have been addressed, areas the signatory indicated they would improve in future have been added, activity and outcome reporting has been updated and nothing significant has been omitted from the report;
 - plans were in place to publish a report on stewardship practices in the market which would include recommendations and best practices for companies.

5. PUBLICATION OF CONSULTATION PAPER FOR TECHNICAL ACTUARIAL STANDARDS POST IMPLEMENTATION REVIEW

- 5.1 The Committee considered and discussed the consultation paper for the revisions to the Technical Actuarial Standard 100 which address the needs identified by the FRC, the actuarial community and users of actuarial information proportionately. The Actuarial Policy Team had sought input from a selection of Advisory Panel members with related expertise and the Enforcement / General Counsel Team.

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- 5.2 Through discussion, the Committee queried whether the feedback from actuarial users that *'the identification of the most material judgement is obscured by the extensiveness of the communications'* was based on evidence; it was confirmed that the Team had verified the issue.
- 5.3 The Committee discussed background and context of the proposed TAS 100 A7.1(d) *'where actuarial information contains prudence, include sufficient information to enable the intended user to understand the level of prudence in the resulting actuarial information'*. It was suggested and agreed that the term 'prudence' would be included in the glossary, and as part of the outreach programme, feedback on this matter would be sought.
- 5.4 The Committee also raised a query whether there was a need for engaging in respect of Funeral Plan Trusts in order to address its related risks. It was reported that the Call for Feedback in relation to sector specific TASs would include Funeral Plan Trusts. The Team was in regular contact with the FCA in respect of its new regulatory regime and the changes required to the relevant TAS.
- 5.5 Subject to the above, the Committee approved the publication of the *Consultation Paper – Technical Actuarial Standard 100: General Actuarial Standards*.

6. AMENDMENT TO FRS 101 – 2021/22 CYCLE

- 6.1 The Committee considered the amendments to Basis for Conclusions FRS 101 *Reduced Disclosure Framework – 2021/22* and the Impact Assessment and Feedback Statement. The Committee noted that six responses were received, all of which reflected the nature of the consultation, which proposes no amendments.
- 6.2 The Committee approved the final amendments to the Basis for Conclusions FRS 101 *Reduced Disclosure Framework – 2021/22*, and they be issued along with the Impact Assessment and Feedback Statement.

7. FRS 100 APPLICATION GUIDANCE AMENDMENTS

- 7.1 The Committee recognised the need for updating FRS 100 *Application of Financial Reporting Requirements* which contains the Application Guidance *The Interpretation of Equivalence* which was out of date following the UK's exit from the European Union. Updating the Application Guidance was necessary to aid preparers in navigating the current legal requirements.
- 7.2 The Committee considered the draft FRED 80 *Draft amendments to FRS 100 Application of Financial Reporting Requirements – Application Guidance The Interpretation of Equivalence* and approved its publication for a period of 12 weeks.

8. AMENDMENTS TO THE FRC'S GUIDANCE ON THE STRATEGIC REPORT

- 8.1 The Committee received an update on the purpose of updating the edition of the FRC's *Guidance on the Strategic Report* (the Guidance) which included revisions in relation to legislative changes which implement disclosure requirements to:
- climate-related financial risks and opportunities, in line with the *Taskforce on Climate-related Financial Disclosures* recommendations;
 - the need for traded limited liability partnerships (LLPs) and banking LLPs to publish a strategic report;
 - clarifying the scope and definitions of the requirements with regard to public interest entities (PIEs); and
 - the government's *Streamlined Energy and Carbon Reporting* requirements.

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- 8.2 The Committee considered and acknowledged the need for the amendments to the Guidance. Whilst there was a risk that the Guidance may not be as accessible and easy to navigate as the previous version, the Committee noted that incorporating the legislative changes into the existing format was the most appropriate way to ensure the Guidance was up to date in the short term and that there was an intention to review the Guidance more comprehensively in the medium term.
- 8.3 As the proposed amendment reflected changes to legislation, rather than introducing new guidance, the Committee was supportive of the view that it was not necessary expose the revised Guidance to public consultation.
- 8.4 In the ensuing discussion, the BEIS Observer queried the definition of PIEs. In view of the BEIS's consultation in relation to the definition of PIE and the revised definition approved by the IAASB, it was suggested and agreed that reference would be made to the 'existing legislation' in relation to the definition and refer it as 'UK PIE'.
- 8.5 Subject to the above, the Committee approved the publication of an updated edition of the FRC's *Guidance on the Strategic Report*.

9. UPDATE ON THE PERIODIC REVIEW 2022

- 9.1 The Committee had received an update on the Periodic Review in October 2021. The Committee noted the further update on progress which included considerations to what had gone well during the Review so far, and what had not gone according to plan, the opportunities and risks that the Accounting and Reporting Team foresee as the Review progresses, and the implications of the plans.

10. 2023 TAXONOMIES WORKPLAN AND UPGRADING UKSEF

- 10.1 The Committee considered the annual taxonomies workplan which was scoped and budgeted as recommended by the Technical Task Force and Governance Committee. The Committee noted that the work undertaken would continue to improve digital reporting quality, availability, and support other regulators in delivering their digital transformations.
- 10.2 The Committee considered the upgrade to the technical structure of the UKSEF taxonomy which would resolve a number of issues caused by the UK's jurisdictional tagging requirement following UK's exit from the European Union and the ESEF digital reporting requirements. The Committee noted that the work would provide value for money in the public interest, better outcomes for all stakeholders, and support better quality digital reporting.
- 10.3 Input to the workplan and upgrade to the UKSEF taxonomy was received from the Technical Task Force, Governance Committee, Corporate Governance and Stewardship team, Accounting and Reporting Team, Corporate Reporting Review Team, CoreFiling and ESMA. The funders to the programme were HMRC, Companies House, FCA, Irish Revenue, Charities Commission and BEIS.
- 10.4 In response to the objections raised in relation to UKSEF by the FCA members on the Governance Committee, it was reported that there were ongoing discussions between FRC and FCA to resolve the issues.
- 10.5 Subject to the discussions with FCA, the Committee approved the 2023 Taxonomies Workplan and the upgrade to the UKSEF Taxonomy.

11. PROFESSIONAL JUDGEMENT

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- 11.1 The Committee received an update on draft guidance on the effective application of professional judgement by auditors. The Committee noted that the work was in response to Sir Donald Brydon's recommendation that the FRC seek to improve the quality of professional judgement in audit. The draft guidance was a result of the work of a working group which included FRC colleagues (including Supervision and Enforcement), external practitioners, the FRC advisory panel and experts to assist in the development of a Professional Judgement Framework, including a series of illustrative examples. Those experts included Professor Likierman, who had been involved in the relevant parts of the Brydon review. Professor Karthik Ramana of the Blavatnik School of Government, University of Oxford, had provided additional and positive comments on the draft document.
- 11.2 The Committee thoroughly discussed the expectations on how the guidance could be used in practice. Through discussion, the Committee made a number of comments and suggestions, including:
- expert input would be received on designing and making the document more engaging and accessible on the FRC website;
 - the guidance would clarify that it is part of restoring trust in the audit profession;
 - the guidance would not be authoritative; it would be intended to be 'persuasive' rather than 'prescriptive' encapsulating good practice;
 - the diagram on professional judgement framework was informative;
 - the project had gained interest from the international audit regulators.
- 11.3 The Committee was supportive of the draft guidance and the paper on the FRC's expectations as to how the Professional Judgement Framework could be used.

12. COMPETITION POLICY STRATEGY

- 12.1 The Committee received an update on the paper which set out a strategy for competition policy from April 2022 until introduction of legislation that establishes ARGAs and its competition-related powers. The Committee noted that the creation of the strategy had been triggered by the recent developments with the reform process, and the ongoing need to improve competition in the audit market in light of stakeholder concerns.
- 12.2 Through discussion, the Committee raised a number of queries and noted points including:
- the importance of undertaking research and analysis to understand the audit market and help improve its resilience through greater competition and choice;
 - the work in relation to supporting the implementation of operational separation on a voluntary basis was well advanced; and
 - the future activities for the Competition Policy Team will include stakeholder outreach and engagement.
- 12.3 The Committee noted that the Board may have a further discussion on competition.

13. FRC ESG & CLIMATE GROUP UPDATE

- 13.1 The paper was taken as read.

14. FRC TECHNOLOGY & DIGITAL UPDATE

- 14.1 The paper was taken as read.

15. RESEARCH PROGRAMME UPDATE

- 15.1 The paper was taken as read.

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16. FRC LAB – QUARTERLY UPDATE

16.1 The paper was taken as read.

16.2 It was reported that the FRC Lab’s project on Net Zero would be presented to the Committee to note how net zero commitments were reported by companies and used by investors, along with their expectations.

17. REGULATORY STANDARDS & CODES COMMITTEE’S FORWARD PLANNER

17.1 The Committee noted the forward planner.

18. ANY OTHER BUSINESS

Hybrid meeting tips

18.1 The Committee noted the paper on hybrid meetings which set out the challenges of hybrid meetings and how to make such meetings as effective as possible.

19. REVIEW OF THE MEETING

19.1 The Committee Members, Observers and Senior Advisors shared their views on the conduct of the meeting. It was acknowledged that meeting time was well spent on matters that required detailed discussion while taking some matters as read.

20. DATE OF NEXT MEETING

15 June 2022

DocuSigned by:

Hannah Mizon

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Chair

20 June 2022

Date