

CONFIDENTIAL**FINANCIAL REPORTING COUNCIL****Minutes of a meeting of the Regulatory Standards & Codes Committee (the 'Committee')
held at 10am on 15 June 2022 at FRC, 125 London Wall,
London EC2Y 5AS**

PRESENT:	Hannah Nixon John Coomber Sir Ashley Fox	Chair Committee member Committee member
OBSERVERS:	Clare Cole Mark Holmes	FCA BEIS
SENIOR ADVISORS:	Rosemary Beaver Paul Cox Richard Lawrence	
IN ATTENDANCE:	Mark Babington Boglarka Radi Sarah-Jayne Dominic Alex Kuczynski Sir Jan du Plessis Angela Cha Stephen Maloney James Ferris Shazia Ahmad	Executive Director, Regulatory Standards Committee Secretary Head of Policy Programmes and Strategy Executive Director, Corporate Services and General Counsel FRC Chairman Non-Executive Director Senior Project Director (for item 4 only) Director of UK Auditing Standards (for Minute 5 only) Senior Project Manager, TCA & International (for item 7 only)
APOLOGIES:	Clare Thompson	Committee member

1. WELCOME AND DECLARATION OF INTERESTS

- 1.1 The Chair welcomed everyone to the meeting and noted the meeting was quorate.
- 1.2 There were no conflict of interests declared.

2. MINUTES OF MEETING HELD ON 27 APRIL 2022 AND ROLLING ACTION POINTS

- 2.1 The minutes of the meeting held on 27 April 2022 were approved for publication.
- 2.2 The Committee noted the Rolling Action log.

3. REPORT OF THE EXECUTIVE DIRECTOR, REGULATORY STANDARDS

- 3.1 The Executive Director of Regulatory Standards provided an update on the report which included:
 - The Government Response and FRC's publication to the response which was issuing a position paper setting out how FRC proposes to take forward the intentions set out by the Government, through the Codes, Standards and Guidance the FRC issues and maintains.
 - IESBA sustainability working group activities that was chaired by Mark Babington.
 - Updates from the June IAASB and IESBA meetings would be presented to the next Committee meeting in September 2022.

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- Updates on Corporate Governance and Stewardship Code. The Committee received an update on the work of the Corporate Governance & Stewardship Team and noted that the UK Corporate Governance Code would be reviewed as FRC transitions into ARGA. In due course there would be a post-implementation review of the Stewardship Code.
- Successful recruitment to build capacity however the government's response would create additional pressure on the workload that the team needs to manage.
- Development of our approach to risk management, working closely with FRC's risk team, to ensure the risk reports are able to accommodate how we manage policy-based risk.

3.2 The committee discussed the concerns about the oversight of the Endorsement Board and confirmed that the draft UKEB report would be included in the annual report.

4. ACCOUNTING & REPORTING POLICY

4.1 The committee received a presentation from Stephen Maloney on the FRC's oversight of SORP-making bodies under the Policy on Developing Statements of Recommended Practice (SORPs) and explained the SORP Policy itself. The committee was asked for, and provided, its guidance regarding the tenure and composition of standing groups in light of the committee's previous remarks and the Accounting & Reporting Policy team's further deliberations.

4.2 The committee received a report from Stephen Maloney on the Accounting & Reporting Policy team's process for developing proposals regarding lease accounting under FRS 102, and its tentative conclusions, in the context of the ongoing Periodic Review of UK and Ireland accounting standards. It was noted that by the end of 2022 the Committee would be asked to approve the publication of the Financial Reporting Exposure Draft. The Committee was content with the direction of travel.

5. AUDIT & ASSURANCE POLICY

5.1 The Committee considered and discussed the paper that was presented by James Ferris on a revision of Practice Note 10 (PN 10) by the Public Audit Forum (PAF). The PAF has been designated as a SORP making body for the purpose of maintain and revising PN 10 and was proposing to start a three-month public consultation. The final post consultation draft of PN10 will be brought back to the Committee for approval at a future meeting. The Committee had no objection to the proposal and approved the consultation.

SUSTAINABILITY REPORTING AND ASSURANCE

6.1 The Committee received an update on the developments in international sustainability standard setting and ESG reporting and noted how FRC intends to proactively influence the developments at the International Sustainability Standards Board (ISSB) through early engagement and input into published documents.

Through discussion, the Committee noted a number of points and comments, including:

- Compatibility between industries, setting industry standards with metrics
- Standardizing the term 'sustainability' as there were differing interpretations of it
- Fraud and investor protection being the main remit of the SEC proposals on climate disclosure
- Addressing underlying climate issues in the first instance
- Market abuse issues to be addressed by the FCA, arising from the risk of greenwashing and the communication of misleading information.

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- 6.2 The Committee briefly discussed how ISSB standards can be adopted in the UK in an effective way in the future, recognising that this would be a matter for government to consult on, pending a decision by Ministers.
- 6.3 The Committee acknowledged that one of the challenges would be around the different contexts of materiality for ESG, wider sustainability and financial reporting.
- 6.4 Regarding assurance of sustainability reporting, the Committee noted possible challenges amongst some assurance providers and audit firms to take on this type of work.
- 6.5 The Committee discussed how actuaries would be involved in sustainability reporting.

7. REVIEW OF FRC'S KEY AUDIT PARTNER (KAP) GUIDANCE

- 7.1 The Committee received an update in respect of the responsibility to provide statutory guidance on the level of competence and experience required for RSB approval of an individual seeking to become a Key Audit Partner (KAP) for local audits and sign local audit opinions. It was noted that FRC last issued Guidance to the RSBs on the approval of KAPs in May 2015, and the updates proposed which had been consulted on, were one of the measures being developed to expand capacity and the number of KAPs in the local audit market. The Committee noted that significant input had been received from the Director of Professional Oversight, GCT and the Executive Directors of Regulatory Standards and Supervision.
- 7.2 The Committee noted the consultation feedback and consequent amendments to the FRC Guidance. Both documents were approved by the Committee and were recommended to the FRC Board for publication.

8. REGULATORY STANDARDS & CODES COMMITTEE'S FORWARD PLANNER

- 8.1 The Committee noted the forward planner.

9. ANY OTHER BUSINESS

- 9.1 There was none.

10. REVIEW OF THE MEETING

- 10.1 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.

11. DATE OF NEXT MEETING

7 September 2022

DocuSigned by:

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Chair

18 October 2022
Date _____