

April 2022

Governance Handbook

The FRC's mission is to promote transparency and integrity in business. The FRC sets the UK Corporate Governance and Stewardship Codes and 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.

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8th Floor, 125 London Wall, London EC2Y 5AS

Financial Reporting Council

Governance Handbook

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Governance Overview

The Board of the Financial Reporting Council (FRC) is made up of Non-executive and Executive Directors and is collectively responsible for the long-term success of the FRC.

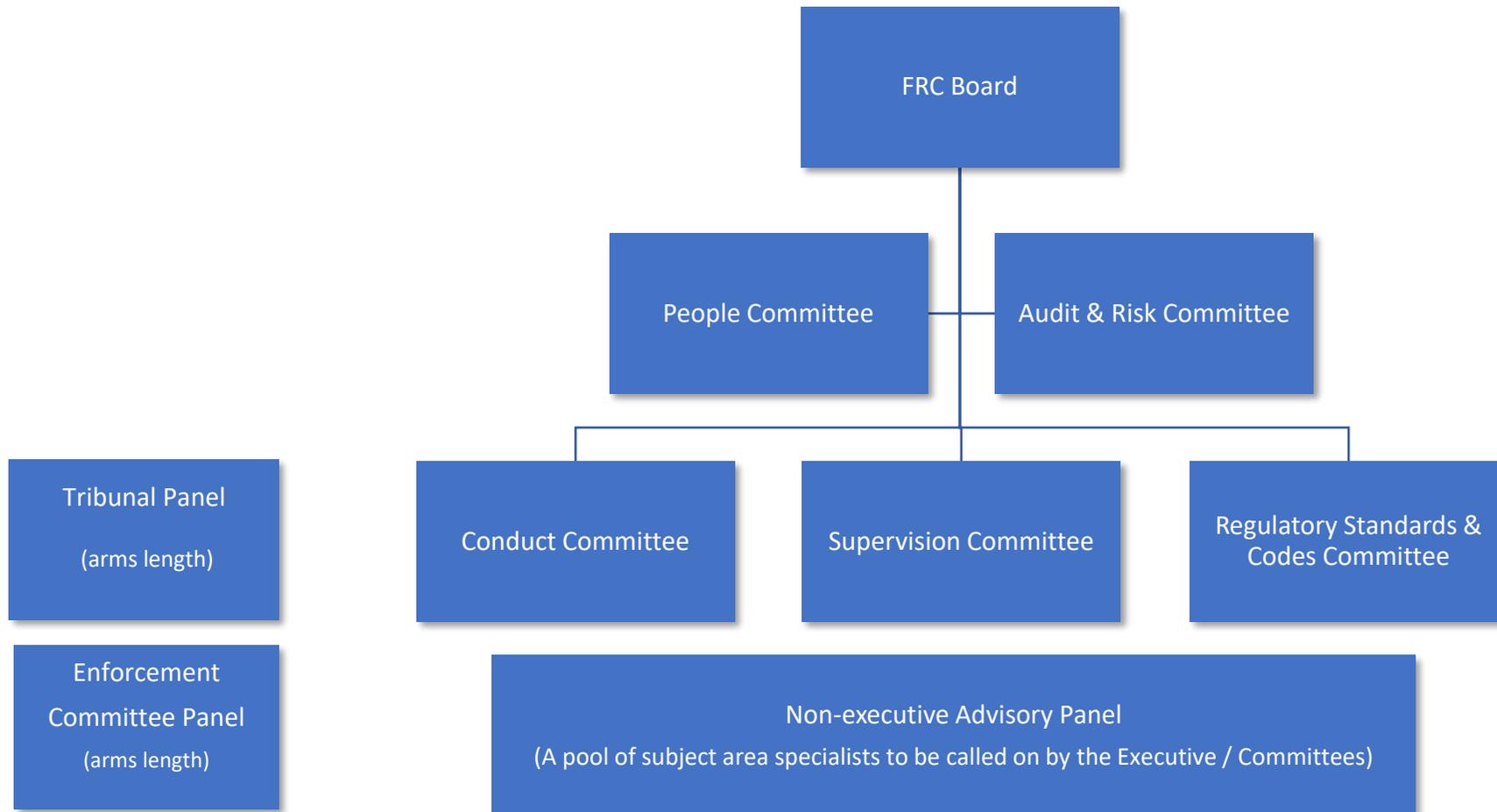
The Board's role is to provide strategic leadership of the FRC within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the FRC's strategic aims, ensures that the necessary financial and human resources are in place for the FRC to meet its objectives and reviews management performance. The Board also sets the FRC's values and culture and ensures that its obligations to its stakeholders and others are understood and met. All Board directors must act in what they consider to be the best interests of the FRC, consistent with their statutory duties.

Matters which the Board considers suitable for delegation to a Committee or the Executive are contained in Schedule of Delegations and within the terms of reference of the relevant committee. The Schedule of Delegations also indicates matters which are reserved for the Board and are not suitable for delegation to a committee because of legislative requirements or the recommendations of the UK Corporate Governance Code. Where reserved matters are considered in advance by a committee, the committee's recommendations will be provided to the Board when making its decision.

The Board is supported by two governance committees (People Committee and Audit & Risk Committee) and by three business committees (Regulatory Standards & Codes Committee, Supervision Committee and Conduct Committee). The three business committees are also supported by non-voting Senior Advisors who attend Committee meetings and the Advisory Panel who can be asked to provide input on technical matters on project to project basis.

In addition, the Tribunal Panel and the Enforcement Committee Panel are maintained pursuant to the Conduct Committee Operating procedures and the FRC's disciplinary and enforcement procedures.

FRC Governance Structure



The Financial Reporting Council Limited
Schedule of Matters Reserved to the Board

Items marked* are not suitable for delegation to a committee of the Board because of Companies Act requirements or the recommendations of the UK Corporate Governance Code. A specific committee (shown in brackets) may be given certain responsibilities in relation to that item but the final decision shall be taken by the Board as a whole.

Matters which are not marked* and which the Board considers suitable for delegation are contained in the terms of reference of its committees. In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the FRC.

In undertaking the matters set out below, the Board will support the Accounting Officer in the fulfillment of his/her responsibilities and ensure compliance with relevant HM Treasury guidance, Managing Public Money and any applicable Cabinet Office Controls.

1. Regulatory Responsibilities and Powers

- 1.1 *The issuing and maintenance of codes and/or standards for corporate governance, stewardship, corporate reporting, accounting, auditing, assurance services and actuarial work
- 1.2 *The exercise of the functions of the Secretary of State under Part 42 of the Companies Act 2006.
- 1.3 *The exercise of the functions of the competent authority under the Statutory Audit and Third Country Audit Regulations 2016.
- 1.4 With due regard to the Secretary of State Direction dated 17 June 2016:
 - 1.4.1 *The delegation and removal of tasks to/from the Recognised Supervisory Bodies;
 - 1.4.2 *The determination of any matters to be retained by the FRC.
- 1.5 *The exercise of the functions of the Independent Supervisor appointed under Chapter 3 of Part 42 of the Companies Act 2006.
- 1.6 The recognition of SORP-making bodies and approval of certain FRC statements on SORPs.
- 1.7 Oversight of the FRC's regulatory operations through receipt of regular update reports from and attendance at Board meetings by the Executive.

2. Strategy and Management

- 2.1 *Responsibility for the overall leadership of the FRC and setting the FRC's values and culture.
- 2.2 *Approval of the FRC's strategic aims and objectives.
- 2.3 *Determination of the nature and extent of the significant risks to the FRC's strategic objectives

- 2.4 Approval and regular review of the FRC's regulatory approach and Annual/Three Year Plan and Budget.
- 2.5 Approval of the annual operating and capital expenditure budgets and any material changes to them.
- 2.6 Approval of annual Levy Proposals.
- 2.7 Oversight of the FRC's operations, through receipt of regular update reports from the Executive, ensuring:
 - 2.7.1 competent and prudent management
 - 2.7.2 sound planning
 - 2.7.3 maintenance of sound management and internal control systems
 - 2.7.4 adequate accounting and other records; and
 - 2.7.5 compliance with statutory and regulatory obligations.
- 2.8 Review of performance against the FRC's regulatory strategy and Annual/Three Year Plans and Budgets and ensuring that any necessary corrective action is taken.
- 2.9 *Extension of the FRC's activities into new regulatory or geographic areas.
- 2.10 Any decision to cease to operate all or any material part of the FRC's activities.

3. Financial Reporting and Controls

- 3.1 *Approval of the Annual Report and Accounts including the directors' remuneration report, directors' report, strategic report and corporate governance statement (Audit Committee).
- 3.2 *Ensuring that the Annual Report and Accounts, taken as a whole, presents a fair, balanced and understandable assessment of the FRC's position and prospects and provides the information necessary to assess the FRC's performance, business model and strategy (Audit Committee).
- 3.3 *Approval of any significant changes in accounting policies or practices (Audit Committee).
- 3.4 Approval of treasury policies including foreign currency exposure.
- 3.5 Approval of unbudgeted capital or operating expenditures in excess of £200,000.

4. Internal Controls and Risk Management

- 4.1 Ensuring the maintenance of a sound system of internal control and risk management including:
 - 4.1.1 *Determining the FRC's risk appetite (Audit Committee);
 - 4.1.2 Receiving reports on, and reviewing the effectiveness of, the risk and controls processes to support its strategy and objectives;
 - 4.1.3 Approving procedures for the detection of fraud and the prevention of bribery;
 - 4.1.4 Undertaking an annual assessment of the FRC's risk management processes; and
 - 4.1.5 Approving an appropriate Risk statement for inclusion in the report and accounts.

5. Structure and Capital

5.1 *Major changes to the FRC's corporate structure including the entering into of material joint venture agreements.

5.2 Changes to the FRC's management and control structure.

6. Board Membership and Other Appointments

6.1 *Approval of the membership of Board committees (People Committee).

6.2 Appointment, continuation in office and removal of the co-opted members of the Conduct Committee and Regulatory Standards & Codes Committee.

6.3 Providing advice to the Secretary of State/BEIS in relation to the structure, size and composition of the Board and on succession planning for the Board, its committees and senior management.

6.4 *Appointment and removal of the Company Secretary (People Committee).

6.5 *Appointment, reappointment or removal of the external auditor to be put to members for approval (Audit & Risk Committee).

6.6 Approval of the remuneration of the external auditors and terms of engagement.

7. Remuneration

7.1 Determination of the remuneration of members of the Governance Structure, excluding NEDs. (People Committee).

7.2 Oversight of and strategic input to the development and maintenance of the remuneration policy for all FRC staff and the determination of the remuneration of members of the Executive Committee not including the Chief Executive subject to applicable public sector pay controls (People Committee).

7.3 Approval of any major changes to the FRC's pension arrangements or changes to the fund management arrangements (People Committee).

8. Delegation

8.1 *Approval of the terms of reference of Board Committees.

8.2 Approval of the Schedule of Delegations.

9. Corporate Governance Matters

9.1 *Supporting the Secretary of State/BEIS in undertaking a formal and rigorous performance evaluation of the Board and individual Directors.

9.2 Undertaking formal and rigorous performance evaluations of the Board's Committees.

9.3 *Determination of the independence of non-executive Directors in the light of their character, judgement and relationship and reporting any areas of potential concern to the Secretary of State.

- 9.4 *Review of the FRC's overall corporate governance arrangements, ensuring compliance with the UK Corporate Governance Code where appropriate to the FRC.
- 9.5 *Authorising conflicts of interest where permitted by the FRC's Articles of Association (People Committee).

10. Major Transactions

- 10.1 Approval of transactions (or related programmes of transactions) the value of which (including VAT) is in excess of £1 million or which is otherwise materially significant to the FRC.
- 10.2 Approval of any lease with a term exceeding five years.
- 10.3 Approval of prosecution, defence or settlement of litigation involving a value in excess of £1 million or being otherwise materially significant to the FRC (not including court applications made by the Conduct Committee pursuant to its delegated powers or matters pursued under the Accountancy or Actuarial schemes, Auditor Regulatory Sanctions Procedure or Audit Enforcement Procedure).
- 10.4 Any approvals at 10.1 to 10.3 above are subject to the requirements, directions and delegations set by BEIS as notified to the FRC's appointed Accounting Officer from time to time.

11. Schedule of Reserved Matters

- 11.1 *Approval of this schedule of reserved matters.

12. Other

- 12.1 Approval of the overall levels of insurance including directors' and officers' liability insurance (Audit & Risk Committee).
- 12.2 Any decision likely to have a material impact on the FRC from any perspective, including, but not limited to, financial, operational, strategic or reputational.
- 12.3 Oversight of the effective governance of the UK Endorsement Board including as follows:
- (a) Ensuring that the UK Endorsement Board has, and maintains, an open and transparent due process, including public consultation, in connection with its performance of the Functions*.
 - (b) Ensuring that the independence of the UK Endorsement Board's technical decision-making is maintained*.
 - (c) Reviewing annually and providing constructive challenge and recommendations, as appropriate, to the UK Endorsement Board in connection with the UK Endorsement Board's Due Process Handbook, compliance with its operating and governance procedures, independence, strategy and effectiveness*.
 - (d) Reporting annually to and notifying the Secretary of State, where considered appropriate, when the FRC Board has made an oversight recommendation and considers that the UK Endorsement Board's response or otherwise reasonably merits such notification*.

- 12.4 Engaging with the UK Endorsement Board, especially in relation to developments in financial reporting and other matters that may impact financial reporting.
- 12.5 Provision of operational resources to support the UK Endorsement Board's activities including establishing and maintaining appropriate funding arrangements whilst maintaining the independence of the UK Endorsement Board in technical decision making.

Approved by the Board with effect from 1 April 2021

Audit and Risk Committee

Terms of Reference

Purpose

The purpose of the Audit and Risk Committee ('the Committee') is to support and advise the Accounting Officer (The Chief Executive) and the Board by providing oversight of the company's financial reporting process and use of public funds, corporate governance, the audit process, the system of internal controls including business continuity and information technology, the identification and management of significant risks and its compliance with laws and regulations.

The Committee provides assurance to the Board and, when it is not satisfied with any aspect of the FRC's internal controls or reporting, it shall report its views to the Board and the Accounting Officer.

The Audit and Risk committee should provide the Board with advice on the continued appropriateness of the risk strategy and risk appetite in light of the organisation's purpose, values, corporate strategy and strategic objectives.

1 Membership

- 1.1 The Committee is a Governance Committee of the Board.
- 1.2 Membership shall comprise a minimum of three independent non-executive directors, appointed by the Board, following recommendations of the People Committee.
- 1.3 To ensure the independence of the Committee, the membership of the Committee shall not include the Chair of the Board, or any executive directors.
- 1.4 Additional non-executive members may be co-opted to the Committee on approval of the Board, following recommendation from the People Committee.
- 1.5 At least one member of the Committee shall have recent and relevant financial experience. All members must have and maintain a good understanding of financial matters and accepted good practice in the areas of risk and controls. The Committee, collectively, shall have good range of skills and competence relevant to accounting, audit, risk management, financial governance and technical issues as relevant to the organisation.
- 1.6 Appointments to the Audit & Risk Committee shall be for a period of up to three years, which may be extended for additional terms by approval of the Board. Termination of a non-executive Board director's term on the Board will also result in the termination of their membership of the Audit and Risk Committee.

2 Quorum

- 2.1 A meeting shall be quorate when at least two members of the Committee are in attendance. Attendance is defined as the ability able to hear, speak and vote at the same time as other members.
- 2.2 Only members of the Committee shall have the right to vote.

- 2.3 Decisions of the Committee will be taken by majority. In the case of equal votes, the Chair of the Committee will have a casting vote or can refer the matter up to the full Board for further consideration.

2 Authority

- 2.1 The Committee is authorised by the Board:
- (a) to investigate any matter within its terms of reference;
 - (b) to obtain, at the FRC's expense, outside legal or other independent professional advice (within budgetary constraints imposed by the Board) on any matter within its terms of reference;
 - (c) to secure the attendance of outsiders with relevant experience and expertise at meetings if it considers this necessary;
 - (d) to seek any information it requires from any employee of the FRC in order to fulfil its role; and
 - (e) publish within the Annual Report and Accounts details of any issues that cannot be resolved between the Audit and Risk Committee and the Board.

3 Secretary

- 3.1 The Company Secretary or his/her nominee shall act as Secretary of the Committee (the Secretary).

4 Frequency of Meetings

- 4.1 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle, and otherwise as required. The Committee may consider and decide urgent matters through correspondence. Written Resolutions of the Committee shall be recorded by the Secretary.

5 Attendance at Meetings

- 5.1 Only members of the Committee have the right to attend Committee meetings. However, relevant executive directors or their nominees will normally be invited by the Chair of the Committee to attend meetings. The Accounting Officer, Executive Director of Corporate Services & General Counsel, the Finance Director, Risk Manager, Lead external audit partner and the Head of Internal Audit or, if outsourced, the party carrying out the internal audit function, will be invited to attend meetings of the Committee on a regular basis.
- 5.2 Other post-holders, Senior Advisors, members of the Advisory Panel and external advisors may be invited by the Chair to attend all or part of any meeting, as and when appropriate.
- 5.3 At least once a year the Committee will meet with the external auditors and the Head of Internal Audit or if outsourced, the party carrying out the internal audit function without management being present.
- 5.4 The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.
- 5.5 Observers may be invited to meetings.

6 Notice of Meetings

- 6.1 Meetings of the Committee shall be convened by the Secretary at the request of any of its members or at the request of the auditors if they consider it necessary.

- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee, no later than 5 working days before the date of the meeting.

7 Minutes of Meetings

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.
- 7.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8 Authority

- 8.1 The Committee is authorised by the Board:
- a. to investigate any matter within its terms of reference;
 - b. to obtain, at the FRC's expense, outside legal or other independent professional advice (within budgetary constraints imposed by the Board) on any matter within its terms of reference;
 - c. to secure the attendance of outsiders with relevant experience and expertise at meetings if it considers this necessary;
 - d. to seek any information it requires from any employee of the FRC in order to fulfil its role; and
 - e. publish within the Annual Report and Accounts details of any issues that cannot be resolved between the Audit and Risk Committee and the Board.

9 Responsibilities

9.1 Financial reporting

- a. Receive routine reports on financial performance, including progress against agreed budget and any reforecasting exercises.
- b. Review and monitor financial performance and the integrity of the FRC's financial statements, including its annual report and any other formal announcement relating to its financial performance.
- c. Report to the Board on significant financial reporting issues and judgments which they contain having regard to the matters communicated to it by the auditors. In addition, the Committee will review key matters on their own initiative.
- d. Review and advise the Board and the Accounting Officer on standards and propriety in the organisation and achievement of value for money, in line with the principles of Managing Public Money.
- e. Review and challenge where necessary:
 - (i) Assurances about the financial systems which provide the figures for the accounts and the quality of controls over the preparation of accounts.
 - (ii) The consistency of, and any changes to, accounting policies both on a year on year basis and across the FRC;
 - (iii) The methods used to account for significant or unusual transactions where different approaches are possible;
 - (iv) Whether the FRC has adopted appropriate accounting policies and made appropriate estimates and judgments, taking into account the views of the external auditor;

- (v) The clarity, consistency and transparency of disclosures in the FRC's financial report and governance statement (insofar as it relates to audit and risk management);
 - (vi) All material information presented with the financial statements, such as the strategic report; and
 - (vii) The appropriateness of the going concern basis of accounting and the disclosure of any related uncertainties.
- f. The Committee shall approve unbudgeted capital or operating expenditures in excess of £200,000.

9.2 *Narrative reporting*

The Committee shall review the content of the annual report and accounts and advise the Board on whether in the Committee's opinion, taken as a whole, it is fair, balanced and understandable and provides the information necessary for the members of the FRC and the FRC's stakeholders to assess its performance, business model and strategy.

9.3 *Internal audit*

- a. consider and challenge the effectiveness of internal audit;
- b. make recommendations to the Board in relation to the appointment, reappointment and removal of the Head of Internal Audit if the function is in-house or, if outsourced, the entity carrying out the Internal Audit function;
- c. if the Internal Audit function is in-house, consider and approve the remit of the internal audit function;
- d. ensure the Internal Audit Function (whether in house or outsourced) has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- e. consider promptly all reports from the Internal Auditor;
- f. annually approve the internal audit programme and consider the major findings of internal audit reviews and review and monitor the adequacy of management's response to the findings and where they are accepted by management, ensure recommendations are implemented;
- g. periodically monitor and review the effectiveness of the FRC's Internal Audit function in the context of the FRC's overall risk management system;
- h. review annually the independence and effectiveness of the Internal Audit function and ensure that the flow of information is appropriate and timely;
- i. meet with the Head of Internal Audit at least once in each year, without executive members or staff being present, to discuss the internal audit remit and any issues arising from the internal audits carried out.
- j. ensure the internal auditors have a right of direct and confidential access to the Chairman of the Board, the Accounting Officer and the Chairman of the Audit Committee.

9.4 *Internal controls, risk management systems and governance*

- a. Receive an annual report from the internal auditors, including their opinion of the organisation's risk management and internal control framework, summarising the work performed, key issues emerging, management responses to audit recommendations and any resourcing issues affecting the delivery of the objectives of the internal audit.
- b. Keep under review the effectiveness of the FRC's internal control and risk management systems, including the financial controls, and report to the Board at least on an annual basis;

- c. In relation to risk management:
 - a. review at least twice a year the FRC's Risk Register and specifically, the current risks to the FRC; the risks to its strategy and objectives; and the management and mitigation of those risks;
 - b. review the FRC's capability to identify and manage new risks;
 - c. review reports on any material breaches of risk limits and the adequacy of proposed action; and
- d. Review and recommend to the Board the disclosures included in the annual report in relation to internal control and risk management.
- e. The Committee should provide the Board with advice on the continued appropriateness of the risk strategy and risk appetite in light of the organisation's purpose, values, corporate strategy and strategic objectives.
- f. Review bi-annual updates on complaints received and managed by the FRC.
- g. Consider whether the FRC's corporate governance arrangements comply with relevant legal requirements, public body requirements and the UK Corporate Governance Code.
- h. Evaluate the FRC's cyber resilience by seeking assurance there is an appropriate framework in place to properly manage the cyber risk and that continuous monitoring and improvement initiatives are adopted and sustained. The Committee shall pay particular attention to the cyber security governance arrangements, controls framework, structures and resources, incidence response arrangements and people training and awareness.
- i. Monitor and periodically advise the Board on the overall effectiveness of the organisation's risk arrangements includes quality and appropriateness of the organisation's risk information and reporting and that risk culture expectations are appropriately embedded in the organisation's strategy and appetite.
- j. Annually review and recommend for Board consideration and approval, proposed material changes to the organisation's risk management framework.
- k. Notify the Board and Accounting Officer promptly of actual or likely material breaches of risk appetite.
- l. Challenge whether executive management has a sound understanding of the organisation's principal and emerging risks.
- m. Consider whether executive management's attitude towards and treatment of the Head of Risk, and their approach to internal control function and external audit recommendations, is supportive of a healthy risk culture.
- n. Review the Internal controls framework and hold individuals to account with appropriate support from the risk management team.

9.5 *Whistleblowing and fraud*

- a. Review the FRC's arrangements for its employees to raise concerns, in confidence, about possible improprieties in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- b. Receive a report on any whistleblowing events raised by employees, who they were raised with and how they were dealt with and confirm that any individuals raising genuine concerns were not penalised or adversely affected;
- c. Review the FRC's procedures for detecting, responding and preventing fraud;
- d. Review the FRC's systems and controls for the prevention of bribery and receive reports on non-compliance.

9.6 *External Audit*

- a. consider and challenge the effectiveness of external audit;

- b. Consider and make recommendations to the Board, to be put to the members of the FRC for approval at the AGM, in relation to the appointment, re-appointment and removal of the FRC's external auditor;
- c. Oversee the selection process for new auditors; and
- d. If an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- e. Oversee the relationship with the external auditor including (but not limited to):
 - recommending their remuneration for audit services and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
 - approval of the external auditors' terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole;
 - satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the FRC (other than in the ordinary course of business);
 - agreeing with the board a policy on the employment of former employees of the FRC's auditor, then monitoring the implementation of this policy;
 - monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners;
 - assessing annually their qualifications, expertise and resources and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - seeking to ensure co-ordination with the activities of the internal audit function;
- f. Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- g. Review the findings of the audit with the independent external auditor. This shall include but not be limited to, the following:
 - a discussion of any major issues which arose during the audit
 - any accounting and audit judgments
 - levels of errors identified during the audit
 - the effectiveness of the audit;
- h. Review, and recommend to the Board, any representation letter(s) requested by the external auditor before they are signed;
- i. Review the management letter and management's response to the auditor's findings and recommendations;
- j. Ensure that the external auditor is not engaged to provide any non-audit services and that any audit related services are provided in a manner consistent with the FRC's own guidance and applicable standards;
- k. Ensure that auditor rotation and/or retendering is undertaken in a manner consistent with the FRC's own guidance and applicable standards;
- l. The Committee shall meet the external auditor at least once a year, without executive members or staff present, to discuss their remit and any issues arising from the audit.

9.7 Other

- a. Assess the FRC's procedures for business continuity planning and disaster recovery;
- b. Advise the FRC Board on the FRC's oversight of the UK Endorsement Board;

- c. Consider other topics, and oversee other activities, as directed by the Board or suggested by the Accounting Officer. Oversee the coordination of the internal and external auditors.
- d. The Committee shall oversee the effectiveness of the IT function, including its strategy, effectiveness and security measures and report accordingly to the Accounting Officer and Board.

10. Reporting Responsibilities

- 10.1 The Chair of the Committee will provide an update (written or oral) to the Board and Accounting Officer after each meeting.
- 10.2 The Committee Chair shall make a statement in the FRC Annual Report about its activities including the frequency of, and attendance by members at, Committee meetings.
- 10.3 The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the FRC's Corporate Governance Code.
- 10.4 The Committee shall have the right to report on any unresolved issue between the Board and/or the Accounting Officer and the Committee in the FRC Annual Report.

11. Other

- 11.1 The Committee shall review its own performance and terms of reference and report to the Board and shall implement and/or recommend any necessary changes.

Approved by the Board with effect from 1 April 2022.

People Committee

Terms of Reference

Purpose

The purpose of the People Committee (the “Committee”) is to provide the FRC Executive with challenge, constructive dialogue and strategic direction on issues relating to the appointment and recruitment, remuneration, talent management and welfare of FRC staff and non-executive members and to take high-level decisions on such issues as necessary.

Regulations and guidances

The Committee will have full regard to all relevant legal and regulatory requirements. This will include all applicable EU and UK law (including Gender Pay Gap Regulations and the Public Sector Equality Duty), the principles and provision of the UK Corporate Governance Code and associated guidances, the Governance Code for public appointments and public sector diversity targets, the principles of Managing Public Money and the Civil Service Pay guidelines.

In carrying out the responsibilities set out in these terms of reference, the Committee will have due regard for the benefits of diversity and the desire to promote equal opportunities within the FRC. Diversity considerations will include gender, age, ethnicity, background, sexual orientation, disability and religious beliefs.

1. Membership

- 1.1. The Committee is a Governance Committee of the Board.
- 1.2. Membership shall comprise a minimum of three independent non-executive directors, appointed by the Board and shall include the Board Director with designated responsibility for staff engagement.
- 1.3. The Chair of the Board may serve as a member of the Committee, if independent on appointment, but shall not be the chair of the Committee.
- 1.4. Appointments to the Committee shall be for a period of up to three years, which may be extended for additional terms by approval of the Board. Termination of a non-executive Board director’s term on the Board will also result in the termination of their membership of the Committee.

2. Quorum

- 2.1. A meeting shall be quorate when at least two members of the Committee are in attendance at the same time and are able to speak and vote.
- 2.2. Decisions of the Committee will be taken by majority. In the case of equal votes, the Chair of the Committee will have a casting vote or can refer the matter up to the full Board for further consideration.

3. Secretary

- 3.1 The Company Secretary or his/her nominee shall act as Secretary of the Committee (the Secretary).

4. Frequency of meetings

- 4.1. The Committee shall meet as required to fulfil its remit and will meet at least twice within each calendar year. The Committee may consider and decide urgent matters

through correspondence. Written Resolutions of the Committee shall be recorded by the Secretary.

5. Attendance at Meetings

- 5.1. Only members of the Committee have the right to attend Committee meetings. However, relevant executive directors or their nominees will normally be invited by the Chair of the Committee to attend meetings.
- 5.2. Other post-holders, Senior Advisors, members of the Advisory Panel and external advisors may be invited by the Chair to attend all or part of any meeting, as and when appropriate.
- 5.3. The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.
- 5.4. Observers may be invited to meetings.

6. Notice of Meetings

- 6.1. Meetings of the Committee shall be convened by the Secretary at the request of any of its members.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, / means time and date together with an agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee no later than 5 working days before the date of the meeting.

7. Minutes of Meetings

- 7.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated to all members of the Committee and, the Board, unless a conflict of interest exists.
- 7.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8. Authority

- 8.1. The Committee is authorised:
 - a. to investigate any matter within its terms of reference;
 - b. to appoint external advisors, consultants or other service providers on any matter within its terms of reference; including legal, advertising, search and recruitment, remuneration or board evaluation
 - c. to commission or purchase any reports, surveys or information which it deems necessary;
 - d. to seek any information it requires from any employee of the FRC in order to perform its duties.

9. Responsibilities

9.1. *Appointments*

- a. Regularly review the structure, size and composition of FRC talent (staff, Board and members of the governance structure) having regard to the environment in which the FRC operates and the skills and experience that are needed to fulfil the organisations' responsibilities and current and foreseeable strategic priorities.

- b. Use the consideration undertaken in (a) to inform succession planning and:
 - i. Formulate recommendations to BEIS in respect of appointments to the FRC Board.
 - ii. Make recommendations to the Board in respect of appointments to the Audit and Risk Committee.
 - iii. Make recommendations to the Board regarding the appointment and reappointment of members of the Regulatory Committees.
- c. Support the Secretary of State for the Department for Business, Energy and Industrial Strategy (“BEIS”) in the recruitment and appointment of non-executive members of the Board as required.
- d. Having regard to relevant regulations, guidance and diversity considerations oversee the Executive’s implementation of a thorough, consistent and fair process for staff recruitment.
- e. Having regard to relevant regulations, guidance and diversity considerations approve the selection process for members of the governance structure, including the use of open advertising and/or the services of external recruitment advisers as appropriate.
- f. Appoint and reappoint Senior Advisors and members of the Advisory Panel.
- g. Appoint an independent Appointments Committee (of at least four members) to consider appointments and reappointments to the Tribunal Panel.
- h. In conjunction with the Conduct Committee, appoint the Convener to the FRC’s Accountancy and Actuarial Schemes, the Auditor Regulatory Sanctions Procedures and the Audit Enforcement Procedure.
- i. Oversee the selection process for the appointment of members of the Executive Committee, the Company Secretary and Executive Counsel.
- j. Receive notifications from the CEO on any proposed appointments to Senior Management positions.
- k. Ensure that that all appointments to the governance structure receive a formal letter of appointment setting out what is expected of them in terms of time commitment.

9.2. *People policy and talent management*

- a. Support the Chair of the Board in establishing key objectives and responsibilities for the CEO and non-executive members of the Board based on the FRC’s current strategy.
- b. Ensure an annual review of the effectiveness of the Board and wider governance structure is undertaken and is facilitated externally at least once every three years.
- c. Oversee the Executive’s implementation of a thorough, consistent and fair process for performance reviews, promotion, talent management and learning and development opportunities.
- d. Obtain assurance that the Executive’s management of staff is effective and compliant with relevant law and regulations.
- e. Provide effective channels for staff to engage with the Board, which includes the identification of a Board Director with designated responsibility for workforce engagement and engagement with any staff consultative or representative group.
- f. Consider the culture of the organisation and make recommendations to the Board as appropriate.
- g. Keep under regular review, and approve any significant changes to the FRC’s staff recruitment processes, work-place practices and policies. The Committee should be satisfied that these process, practices and policies remain consistent with the FRC’s strategy and values and long-term sustainable success.
- h. Review recommendations from the Pension Committee for any significant changes to the FRC Group Pension Plan and make recommendations to the Board as appropriate

- i. Receive regular high-level updates from the Executive regarding staff matters¹.

9.3 Remuneration

- a. Determine and keep under review the annual fees paid to members of the governance structure ensuring recommendations are informed by reliable, up-to-date information from comparator organisations.
- b. Oversee and provide a strategic steer on the development and maintenance of the framework or broad policy for the remuneration of all FRC staff (including any incentive policy).
- c. Oversee submission of the annual remuneration review ensuring the review adheres to the terms of any public sector pay controls and is consistent with agreed policy.
- d. Recommend to the Board the total individual remuneration package (including any bonuses) of the members of the Executive Committee not including the Chief Executive. The recommendations will follow consultation with the FRC Chair and/or Chief Executive as appropriate and any individual package approved by the Board will be subject to any approvals required under the public sector pay controls.
- e. Establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the Committee.
- f. Regularly review expenses claims and gifts and hospitality disclosures from members of the Executive Committee and the Board.

9.4 Conflict management

- a. Review the disclosed interests of members of the FRC Board and its Committees bi-annually, alongside consideration of other factors which could impede a member's impartiality or objectivity.
- b. Ensure that a Register of the Interests is maintained and published as set out in the provisions of the Code of Conduct.
- c. Consider the external appointments undertaken or proposed by members of the FRC's governance structure and consider whether that appointment could:
 - i. impact adversely on that member's ability to devote sufficient time to the role
 - ii. give rise to a conflict of interest; and/or
 - iii. give rise to the risk of reputational damage to the FRC.
- d. Receive notification if any Board or Committee member becomes subject of a disciplinary sanction by any professional or other body or tribunal, if found guilty of an offence by any court, declared bankrupt, enter into an arrangement with creditors, or are disqualified from acting as a Member.
- e. Refer any ongoing potential conflict of interest concerns in respect of FRC Board Members to BEIS if appropriate.

9.5 Other

- a. Approve criteria for procuring outside legal or professional advice as necessary to fulfil itself responsibilities within these Terms of Reference. Criteria shall have due regard for the advisor/consultant's independence.

¹ Including gender pay gap statistics, recruitment and vacancies, staff training offers, divisional restructures, internal promotions, ongoing grievances, whistleblowing disclosures and disciplinarys.

- b. Ensure all information received by the Committee is handled in accordance with current information security, handling and transparency regulations.
- c. Support and advise the Accounting Officer in the discharge of their responsibilities.
- d. Keep up-to-date with relevant developments, laws and regulations and best practice.
- e. Work with other Committees of the Board as necessary.

10. Reporting

The Committee shall:

- 10.1. Report to the Board at each Board meeting which follows a Committee meeting, providing a summary of the Committee's activities and on the frequency of, and attendance by members at meetings, resolutions and recommendations.
- 10.2. Provide a report on the activities and decisions taken by the Committee during the reporting period within the FRC's Annual Report.
- 10.3. Provide a statement on the Board's policy on diversity and inclusion, including any measurable objectives that have been set for implementing the policy and progress on achieving those objectives in the FRC's Annual Report.
- 10.4. Report on the process used to appoint any external advisors and consultants for matters within the Committee's remit, identifying consultants used and stating whether they have any other connection with the FRC within the Annual Report.
- 10.5. Consider any risks to the FRC identified through the work of the Committee and feed these into the FRC's risk register and principal risks on a regular basis.

11. Other

- 11.1. The Committee shall review its own performance and terms of reference and report to the Board and shall implement and/or recommend any necessary changes.

Approved by the Board with effect from 1 April 2022.

Regulatory Standards and Codes Committee

Terms of Reference

Purpose

The Regulatory Standards and Codes Committee (the 'Committee') shall be responsible for approving and overseeing on behalf of the Board high quality, effective and proportionate Standards, Guidance, Statements of Recommended Practice (SORPs), Practice Notes and Codes for corporate governance, stewardship, audit and assurance, actuarial, and corporate reporting work.

1. Membership

- 1.1. The Committee is a Regulatory Committee of the Board.
- 1.2. Membership shall comprise of no fewer than three and no more than six members, appointed by the Board following recommendations from the People Committee and shall include:
 - a. The Chair of the Committee who shall be a non-executive director of the Board.
 - b. Other non-executive directors of the FRC Board.
- 1.3. Additional non-executive members may be co-opted to the Committee on approval of the Board, following recommendation from the People Committee.
- 1.4. The Chair of the Board may serve as a member of the Committee, if independent on appointment, but shall not be the Chair of the Committee.
- 1.5. Appointments to the Committee shall be for a period of up to three years, which may be extended for additional terms by approval of the Board. Termination of a non-executive Board director's term on the Board will also result in the termination of their membership of the Committee.
- 1.6. The Committee shall have a majority of members who are not practising accountants, auditors and/or actuaries and no member shall be:
 - a. a practising auditor or an individual who has during the previous five years has²:
 - i. carried out statutory audits;
 - ii. held voting rights in an auditing firm;
 - iii. been a member of an administrative management or supervisory body of an audit firm; or
 - iv. been a partner, employee or otherwise contracted by an audit firm;
 - b. an officer or employee of any of the accountancy or actuarial professional bodies.

2. Quorum

- 2.1. A meeting shall be quorate when at least two members of the Committee are in attendance. Attendance is defined as the ability able to hear, speak and vote at the same time as other members.
- 2.2. Only members of the Committee shall have the right to vote.

² The EU Audit Directive Article 21: Competent Authority Conditions of independence requires minimum period of three years since employment at a firm or RSB. The Board has extended this to five years for Regulatory Committee membership (non-Chair) to align it with its policy on staff involvement in matters relating to their former firms.

- 2.3. Decisions of the Committee will be taken by majority. In the case of equal votes, the Chair of the Committee will have a casting vote or can refer the matter up to the full Board for further consideration.

3. Secretary

- 3.1. The Company Secretary or their nominee shall act as Secretary of the Committee (the Secretary).

4. Frequency of Meetings

- 4.1. The Regulatory Standards and Codes Committee shall meet as required to fulfil its remit and will meet no less than four times within each calendar year.
- 4.2. The Committee may consider and decide urgent matters through written resolution. Information relating to those matters will be circulated to all the Committee members by email and a decision will be passed when the majority of members have indicated their approval to the Committee Secretary.

5. Attendance at Meetings

- 5.1. Only members of the Committee have the right to attend Committee meetings. However, relevant executive directors and policy director or their nominees will normally be invited by the Chair of the Committee to attend meetings.
- 5.2. Other post-holders, Senior Advisors, members of the Advisory Panel and external advisors may be invited by the Chair to attend all or part of any meeting, as and when appropriate.
- 5.3. The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.
- 5.4. Observers may be invited to meetings.

6. Notice of Meetings

- 6.1. Meetings of the Committee shall be convened by the Secretary at the request of any of its members.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue/electronic platform, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than 5 working days before the date of the meeting.

7. Minutes of Meetings

- 7.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to the Board, unless a conflict of interest exists.
- 7.2. Written resolutions of the Committee shall be recorded by the Secretary.
- 7.3. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8. Responsibilities

- 8.1. The Regulatory Standards and Codes Committee shall, in relation to corporate governance, stewardship, audit and assurance, actuarial, and corporate reporting work be responsible for:
- a. The development and maintenance of regulatory standards and codes
 - b. Monitoring progress against agreed KPIs;
 - c. Approving policies and processes for developing and issuing regulatory standards and codes;
 - d. Approving Guidance, Practice Notes and 'thought leadership' in relation to regulatory standards, codes and corporate reporting;
 - e. Approving commission of internal reviews and the issue of consultation documents and reviewing / recommending final standards and codes to the Board for approval;
 - f. Approving minor, non-contentious amendments to regulatory standards and codes (barring accounting standards);
 - g. Advising the FRC Board on recognition of SORP-making bodies and issuing a Statement on a SORP when the FRC's role is referenced in legislation;
 - h. Identifying the current, emerging and potential risks, assessing risks and recommending the adequacy of actions to mitigate those risks;
 - i. Providing input to the development of FRC Strategy, Plan and Budget;
 - j. Receiving updates on the activities of the Regulatory Standards and Codes Division which will identify key areas of risk and contribution of these activities to the objectives of the FRC as endorsed by the Board.
 - k. Providing input into the key messages to be included in the FRC reports on its activities;
 - l. Approving the issue and maintenance of FRC taxonomies, including for consultation;
 - m. Performing such other functions as shall be determined by the Board from time to time.

9. Reporting Responsibilities

- 9.1. The Committee Chair shall report to the Board on the Committee's proceedings at each Board meeting. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit.
- 9.2. The Committee Chair shall make a statement in the FRC Annual Report about its activities including the frequency of, and attendance by members at, Committee meetings.

10. Other

- 10.1. The Committee shall review its own performance and terms of reference and report to the Board and shall implement and/or recommend any necessary changes.

Approved by the FRC Board with effect from 1 April 2022.

Conduct Committee

Terms of Reference

Purpose

The Conduct Committee (the 'Committee') shall be responsible for oversight of the FRC's enquiries, investigations and enforcement function, ensuring that appropriate cases are investigated and conducted fairly, in the public interest, in a timely manner and in accordance with due process and the Regulators code.

1. Membership

- 1.1. The Committee is a Regulatory Committee of the Board.
- 1.2. Membership shall comprise of no fewer than three and no more than six members, appointed by the Board following recommendations from the People Committee and shall include:
 - a. The Chair of the Committee who shall be a non-executive director of the Board.
 - b. The Deputy Chair of the Committee who shall be a non-executive director of the Board.
 - c. Other non-executive Directors of the FRC Board.
- 1.3. Additional non-executive members may be co-opted to the Committee on approval of the Board, following recommendation from the People Committee.
- 1.4. The Chair of the Board may serve as a member of the Committee, if independent on appointment, but shall not be the Chair of the Committee.
- 1.5. Appointments to the Committee shall be for a period of up to three years, which may be extended for additional terms by approval of the Board. Termination of a non-executive Board director's term on the Board will also result in the termination of their membership of the Committee.
- 1.6. The Committee shall have a majority of members who are not practising accountants, auditors and/or actuaries and no member shall be:
 - a. a practising auditor or an individual who has during the previous five years has³:
 - i. carried out statutory audits;
 - ii. held voting rights in an auditing firm;
 - iii. been a member of an administrative management or supervisory body of an audit firm; or
 - iv. been a partner, employee or otherwise contracted by an audit firm;
 - b. an officer of any of the accountancy or actuarial professional bodies.
- 1.7. No former audit partner shall serve as Chair or Deputy Chair of the Committee.

³ The EU Audit Directive Article 21: Competent Authority Conditions of independence requires minimum period of three years since employment at a firm or RSB. The Board has extended this to five years for Regulatory Committee membership (non-Chair) to align it with its policy on staff involvement in matters relating to their former firms.

2. Quorum

- 2.1. A meeting shall be quorate when at least two members of the Committee are in attendance. Attendance is defined as the ability able to hear, speak and vote at the same time as other members.
- 2.2. Only members of the Committee shall have the right to vote.
- 2.3. Decisions of the Committee will be taken by majority. In the case of equal votes, the Chair of the Committee will have a casting vote or can refer the matter up to the full Board for further consideration.

3. Secretary

- 3.1. The Company Secretary or their nominee shall act as Secretary of the Committee (the Secretary).

4. Frequency of Meetings

- 4.1. The Committee shall meet as required to fulfil its remit and will meet no less than six times within each calendar year.
- 4.2. The Committee may consider and decide urgent matters through written resolution. Information relating to those matters will be circulated to all the Committee members by email and a decision will be passed when it has been considered and confirmed by the majority of members to the Committee Secretary.

5. Attendance at Meetings

- 5.1. Only members of the Committee have the right to attend Committee meetings. However, relevant executive directors and General Counsel or their nominees will normally be invited by the Chair of the Committee to attend meetings.
- 5.2. Other post-holders, Senior Advisors, members of the Advisory Panel and external advisors may be invited by the Chair to attend all or part of any meeting, as and when appropriate.
- 5.3. The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.
- 5.4. Observers may be invited to meetings.

6. Notice of Meetings

- 6.1. Meetings of the Committee shall be convened by the Secretary at the request of any of its members.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue/electronic platform, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than 5 working days before the date of the meeting.

7. Minutes of Meetings

- 7.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to the Board, unless a conflict of interest exists.
- 7.2. Written resolutions of the Committee shall be recorded by the Secretary.
- 7.3. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8. Responsibilities

The Committee shall:

- a. Exercise those functions delegated to the Conduct Committee by the Board in accordance with the Accountancy and Actuarial Schemes, the Auditor Regulatory Sanctions Procedure, Crown Dependency Auditor Regulatory Sanctions Procedure, the Audit Enforcement Procedure and the Comptroller and Auditor General Disciplinary Arrangements.
- b. Insofar as it relates to enforcement activity, advise the FRC Board on its exercise of its functions as the designated Competent Authority under The Statutory Audit and Third Country Auditor Regulations 2016 (SATCAR16).
- c. Insofar as it relates to enforcement activity, oversee the executive's monitoring of each recognised supervisory body's (RSB) compliance with the conditions of the delegation arrangements under SATCAR16.
- d. Advise the FRC Board on its exercise of the functions of the Independent Supervisor appointed under Chapter 3 of Part 42 of the Companies Act 2006 in relation to the maintenance and exercise of the Comptroller and Auditor General Disciplinary arrangements.
- e. Receive updates on the activities of the Enforcement Division which will identify key areas of risk and how these activities contribute to the objectives of the FRC as endorsed by the Board.
- f. Approve plans for, and the publication of, annual public reports or thematic reviews relating to the FRC's enforcement and disciplinary activities.
- g. Review and approve budgets for enforcement and disciplinary investigations.
- h. Oversee the progress of enforcement investigations against agreed milestones and KPIs.
- i. Oversee the work of the Case Examinations and Enquiries team, ensuring appropriate cases have been referred to the Committee by the Case Examiner.
- j. Receive reports on the progress of tasks delegated to the RSBs.
- k. Appoint members of the Enforcement Committee.
- l. Consider and respond to requests for advice from the Regulatory Standards & Codes Committee and Supervision Committee.
- m. Perform such other functions as shall be determined by the Board from time to time.

9. Reporting Responsibilities

- 9.1. The Committee Chair shall report to the Board on the Committee's proceedings at each Board meeting. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit.

9.2. The Committee Chair shall make a statement in the FRC Annual Report about its activities including the frequency of, and attendance by members at, Committee meetings.

9.3. The Committee shall regularly report to the Supervision Committee in relation to its oversight of the RSB's enforcement activities for the purposes of achieving consistent oversight of the audit profession by the respective Committees.

10. Other

10.1. The Committee shall review its own performance and terms of reference and report to the Board and implement and/or recommend any necessary changes.

Approved by the FRC Board with effect from 1 April 2022

Supervision Committee

Terms of Reference

Purpose

The Supervision Committee (the 'Committee') shall be responsible for overseeing the FRC's delegated statutory supervisory and oversight functions and its non-statutory monitoring work, with the aim of serving the public interest by promoting high professional standards in accounting, audit, actuarial work and corporate reporting.

1. Membership

- 1.1. The Committee is a Regulatory Committee of the Board.
- 1.2. Membership shall comprise of no fewer than three and no more than six members, appointed by the Board following recommendations from the People Committee and shall include:
 - a. The Chair of the Supervision Committee who shall be a non-executive director of the Board.
 - b. Other non-executive Directors of the FRC Board.
- 1.3. Additional non-executive members may be co-opted to the Committee on approval of the Board, following recommendation from the People Committee.
- 1.4. If, The Chair of the Board may serve as a member of the Committee, if independent on appointment, but shall not be the Chair of the Committee.
- 1.5. Appointments to the Committee shall be for a period of up to three years, which may be extended for additional terms by approval of the Board. Termination of a non-executive Board director's term on the Board will also result in the termination of their membership of the Committee.
- 1.6. The Committee shall have a majority of members who are not practising accountants, auditors and/or actuaries and no member shall be:
 - a. a practising auditor or an individual who has during the previous five years has⁴:
 - i. carried out statutory audits;
 - ii. held voting rights in an auditing firm;
 - iii. been a member of an administrative management or supervisory body of an audit firm; or
 - iv. been a partner, employee or otherwise contracted by an audit firm;
 - b. an officer or employee of any of the accountancy or actuarial professional bodies.
- 1.7. No former audit partner shall serve as Chair of the Committee.

⁴ The EU Audit Directive Article 21: Competent Authority Conditions of independence requires minimum period of three years since employment at a firm or RSB. The Board has extended this to five years for Regulatory Committee membership (non-Chair) to align it with its policy on staff involvement in matters relating to their former firms.

2. Quorum

- 2.1. A meeting shall be quorate when at least two members of the Committee are in attendance. Attendance is defined as the ability able to hear, speak and vote at the same time as other members.
- 2.2. Only members of the Committee shall have the right to vote.
- 2.3. Decisions of the Committee will be taken by majority. In the case of equal votes, the Chair of the Committee will have a casting vote or can refer the matter up to the full Board for further consideration.

3. Secretary

- 3.1. The Company Secretary or their nominee shall act as Secretary of the Committee (the Secretary).

4. Frequency of Meetings

- 4.1. The Supervision Committee shall meet as required to fulfil its remit and will meet no less than four times within each calendar year.
- 4.2. The Committee may consider and decide urgent matters through written resolution. Information relating to those matters will be circulated to all the Committee members by email and a decision will be passed when the majority of members have indicated their approval to the Committee Secretary.

5. Attendance at Meetings

- 5.1. Only members of the Committee have the right to attend Committee meetings. However, relevant executive directors and General Counsel or their nominees will normally be invited by the Chair of the Committee to attend meetings.
- 5.2. Other post-holders, Senior Advisors, members of the Advisory Panel and external advisors may be invited by the Chair to attend all or part of any meeting, as and when appropriate.
- 5.3. The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

6. Notice of Meetings

- 6.1. Meetings of the Committee shall be convened by the Secretary at the request of any of its members.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue/electronic platform, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than 5 working days before the date of the meeting.

7. Minutes of Meetings

- 7.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to the Board, unless a conflict of interest exists.
- 7.2. Written resolutions of the Supervision Committee shall be recorded by the Secretary.

- 7.3. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8. Responsibilities

The Committee shall:

- a. Advise the FRC Board on the exercise of its functions as the designated Competent Authority under The Statutory Audit and Third Country Auditor Regulations 2016 (SATCAR 16) including on the delegation of tasks to the Recognised Supervisory Bodies (RSBs) or their removal or retention, insofar as concerns monitoring and market supervisory activity.
- b. Advise the FRC Board on its exercise of the delegated functions of the Secretary of State under Part 42 of the Companies Act 2006 and its exercise of the functions of the Independent Supervisor appointed under Chapter 3 of Part 42 of the Companies Act 2006 including on:
 - i. the continued recognition of bodies to offer a recognised audit qualification and/or to supervise auditors;
 - ii. the need to impose a direction or penalty on an RSB or Recognised Qualifying Body (RQB);
 - iii. the need to apply to the court for an Order to require a RSB or RQB to meet its statutory obligations;
 - iv. the recognition of an Overseas audit qualification; and
 - v. the maintenance and exercise of the arrangements necessary to supervise the Auditors General.
- c. Advise the Board on the exercise of its delegated functions of the Secretary of State under section 457 of the Companies Act 2006 and section 14(2) of the Companies (Audit, Investigations and Community Enterprise) Act 2004.
- d. Maintain published operating procedures for carrying out the FRC's delegated responsibilities for reviewing corporate reporting as above.
- e. Oversee the executive's monitoring of compliance with the requirements of the Companies Act 2006 by each RSB and RQB.
- f. Oversee the executive's monitoring of compliance with the conditions of the delegation arrangements with each RSB under SATCAR16.
- g. Oversee the exercise of the FRC's functions under the Local Audit and Accountability Act 2014.
- h. Receive updates on the activities of the Supervision Division which will identify key areas of risk and how these activities contribute to the objectives of the FRC as endorsed by the Board.
- i. Exercise those functions delegated to the Committee in accordance with the FRC's processes pursuant to Articles 4(2), 17(6) and 17(8) EU Audit Regulation and section 511A Companies Act 2006.
- j. Oversee the Executive's process for the determination of AQR grades and decide or oversee grade reconsiderations in accordance with such process as may be maintained for this purpose.
- k. Consider and respond to requests for advice from the Regulatory Codes and Standards Committee or Conduct Committee.
- l. Perform such other functions as shall be determined by the Board from time to time.
- m. Review its own performance and terms of reference from time to time and report to the Board and implement and/or recommend any necessary changes.

9. Reporting Responsibilities

- 9.1. The Committee shall report to the Board on the exercise of the delegated function of the Secretary of State under 457 Companies Act 2006 and section 14(2) of the Companies (Audit, Investigations and Community Enterprise) Act 2004.

- 9.2. The Committee shall review and recommend to the Board an annual report from the Executive on how the FRC has discharged its delegated powers and responsibilities under Part 42 of the Companies Act 2006 in accordance with Delegation Order and Schedule 13 paragraph 10 of the Companies Act 2006. This report (known as the Professional Oversight Report) shall then be provided to the Secretary of State.
 - 9.3. The Committee Chair shall report to the Board on the Committee's proceedings at each Board meeting. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit.
 - 9.4. The Committee Chair shall make a statement in the FRC Annual Report about its activities including the frequency of, and attendance by members at, Committee meetings.
- 10. Other**
- 10.1 The Committee shall review its own performance and terms of reference and report to the Board and implement and/or recommend any necessary changes.

Approved by the FRC Board with effect from 1 April 2022

Financial Reporting Council - Code of Conduct

Introduction

This document sets out a Code of Conduct for staff and members of the FRC governance structure.

The terms 'staff and/or employees' includes all permanent and temporary staff members and executives, including staff of the UKEB. Secondees to the FRC will also be required to comply with this Code. This Code applies to 'Members' of the governance structure in the conduct and context of their appointment to or by the FRC. Members include members of the Board of the Financial Reporting Council Limited, members of Board Committees, Senior Advisors, members of the Advisory Panel and members of the Enforcement Committee Panel and Tribunal Panel.

The Code has been prepared with reference to the "Seven Principles of Public Life" set out by the Committee on Standards in Public Life (Appendix 1) and applies alongside the FRC [values](#) and behaviours.

General principles

Staff and Members will at all times:

- Observe the highest standards of impartiality, integrity and objectivity in relation to the regulatory activities undertaken by and the management of the FRC;
- Ensure that the activities of the FRC are undertaken in the most economical, efficient and effective way, within available resources;
- Ensure that the FRC operates in accordance with the Better Regulation Executive's principles of good regulation.

Collective responsibilities of Members

Members have collective responsibility for the success of the FRC. They must:

- Ensure that high standards of corporate governance are observed at all times;
- Foster a culture of impartiality, integrity and objectivity;
- Be accountable to the FRC's stakeholders, to the public and where appropriate, Parliament for the activities of the FRC;
- Establish the strategic aims of the FRC within the policy and resources framework agreed by the FRC Board;
- Ensure the relevant Member operates within the limits of its authority, whether statutory, delegated or derived by agreement with any stakeholder;
- Ensure that the obligations of the relevant Member to its stakeholders and others are understood and met.

Responsibilities of individuals

Staff and Members must:

- Comply at all times with this Code of Conduct;
- Act in the way they consider, in good faith, would be most likely to promote the success of the FRC for the benefit of its stakeholders and in the public interest;
- Not misuse information gained in the course of their service for personal gain nor seek to use their position within the FRC to promote their private interests or those of connected persons, firms, businesses or other organisations and declare to their line manager / Governance Team (staff) or the FRC Chair and the FRC Company Secretary (Members) any private interests which may be perceived to conflict with their duties;
- Ensure that they comply with the FRC rules on the acceptance of gifts and hospitality;
- Ensure that they comply with the Confidentiality requirements set out below.
- Staff members must confirm annually that they have read, understood and complied with the Code of Conduct and policies contained.

FRC Conflict of Interest Policy

Introduction and purpose of the policy

This document provides guidance for **staff and Members** of the FRC governance structure on managing potential conflicts between their work with the FRC and their external interests.

The terms 'staff and/or employees' includes all permanent and temporary staff members and executives, including staff of the UKEB and FRC secondees.

This Code applies to 'Members' of the governance structure in the conduct and context of their appointment to or by the FRC. Members include members of the Board of the Financial Reporting Council Limited, members of Board Committees, Senior Advisors, members of the Advisory Panel and members of the Enforcement Committee Panel and Tribunal Panel.

Purpose

This Conflict of Interests Policy exists to ensure that our work is carried out free from unmanaged conflict or improper influence, in order to uphold effective regulation in the public interest. The Policy is intended to protect our staff and Members and the reputation of the organisation.

The principal purpose of this policy is to ensure public confidence in the FRC is maintained by avoiding a perception that:

- an individual's decision-making on behalf of the FRC may have been compromised by their own interests.
- a firm which Staff or Members are connected to may have an unfair competitive advantage by reason of assumed access to information or policy thinking.

7 Key Principles:

- At all times follow the spirit, rather than just the letter, of this policy
- Be open and act with honesty and integrity.
- Be transparent about interests and relationships which could influence judgement.
- Be objective in all decision-making, never let your personal interests influence the decisions you make for the FRC.
- Be alert to actual or perceived improper influence through the receipt of gifts, hospitality or favours.
- Be aware of the importance of information which is not publicly available and how it could be beneficial to others.
- Be responsible and actively **Identify, Monitor** and **Manage** any actual or potential conflicts of interest.

The potential for conflict will depend on a number of circumstances, for example, the precise nature of the interest and your role, and individual circumstances. Where in any doubt, consult with your line manager or Board/Committee Chair or the Governance Team⁵ in the first instance.

TIP: Always ask yourself, 'is there a chance that this potential conflict may reasonably be perceived as a negative to the FRC and/or my reputation?' if so, disclose it.

⁵ thegovernanceteam@frc.org.uk

Our Remit

We mainly regulate:

- Publicly listed **companies** (e.g. accounts, corporate reporting and UK Corporate governance Code)
- Institutional **investors** (Stewardship Code)
- **Auditors, actuaries** and **accountants** (e.g. professional standards, UK GAAP)
- Relevant **professional bodies** (e.g. ICAEW, ACCA, IFOA, CGMA)

Acting in the public interests means considering how this impacts on retail shareholders, suppliers, employees, customers, communities, pensioners and savers, and financial institutions, all of whom have an interest in the health of companies.

What is a conflict of interest?

A conflict of interest may arise when your work could be affected by your personal financial matters, close personal relationships or other associations with individuals or organisations, including previous employment at companies or firms.

It becomes significant if any person, internally or externally, might reasonably believe there is a risk of your actions, or those of a personal associate, being inappropriately influenced.

Conflicts of interest can be both direct and indirect and may arise in different ways. Examples are as follows:

- A financial interest held by you or by a commercial undertaking with which you have connections.
- A personal association or relationship with those affected, or likely to be affected, by information or issues you may become aware of.
- A previous association or employment with an entity affected by the information or issue in question.
- External roles, either paid or voluntary, at entities outside of the FRC.
- Service agreements with firms within the FRC's regulatory remit, i.e. tax advice

1. Financial Interests:

Staff and Members are asked to disclose their financial interests (shares and/or investments) and those of individuals they have close personal relationships with (to the extent that they are or should reasonably be aware of them) in any organisation that could be subject to our regulatory work. Where staff or Members stand to benefit in any way from the information gained as part of the role at the FRC they should not take part in the project or decision.

Employees with a direct financial interest⁶ in an entity should not be involved in a project related to that entity. Nor should they be involved if a family member or someone they have close personal relationships has a financial interest. All such matters should be disclosed.

2. Personal Relationships:

Conflicts of interest can arise from many different personal relationships. The most obvious ones are spouse or partner, children or other dependent family member, close friends or business associates. This is not a definitive list, and you should consider how any relationship might be perceived both within the organisation and externally. If there is any suggestion that any relationship could challenge your impartiality, then you should discuss

⁶ Shares, stocks, debentures or bonds (including interests, options or rights in or over any such securities) in the UK or overseas, where you are directly able to influence where the interest is invested or held.

with your line manager or Board/Committee Chair or the Governance Team⁷ as a matter of urgency.

3. Previous Employment

The FRC is able to take action against audit firms, auditors, accountants, listed companies and Public Interest Entities (PIE). The nature of our work means that you may previously have undertaken roles in some of these entities. Therefore, we must ensure that past roles do not cloud any future judgements and are asked to declare your past employment on XCD.

If firms or companies are mentioned in relation to potential misconduct or a breach of relevant requirements, you should disclose any affiliation with them to your line manager or the Governance Team.

4. External roles / directorships during employment or appointment

Staff should carefully consider whether any proposed external appointments / directorships / trusteeships could give rise to a conflict of interest or reputational damage to the FRC, perceived or real. All appointments outside of your FRC role, paid or not, should be approved and staff must consult their line manager and the Company Secretary before accepting an external appointment / directorship and are expected to report any potential conflict of interest.

Given the nature of the FRC's regulatory work, staff will not be able to take on any non-executive or other appointments at Public Interest Entities (PIE), AIM companies, Lloyds Syndicates, Registered Audit firms, Recognised Supervisory Bodies (RSBs) or Recognised Qualifying Bodies (RQBs).

5. Other commercial arrangements

The financial interests that do not need to be declared:

- Interests of a value less than £5,000 unless the reasonable onlooker would consider the financial interest to be a conflict in all the circumstances.
- Assets comprising goods and/or services e.g. banking or insurance services such as mortgages and loans, savings accounts, telephone services, travel and tangible assets bought on the open market on normal commercial terms available to other buyers.

6. Future employment

The FRC is able to take action against audit firms, auditors, accountants, listed companies and Public Interest Entities. If an employee is successful in securing new employment in an entity within this scope consideration should be given to the potential risk of a conflict of interest and risk of damage to the FRC's reputation. The employee should discuss these risks with their line manager as soon as is practically possible and, if considered appropriate, active steps should be taken to exclude the departing employee from any activities that relate to, or which may impact, the entity during their notice period. In exceptional circumstances, agreed by the line manager and CEO, consideration may be given to paid leave during all, or part, of the notice period.

In such circumstances, line managers should work with the Stakeholder Engagement and Corporate Affairs team to reduce any potential risk of reputational damage.

Direct and Indirect Interest

⁷ thegovernanceteam@frc.org.uk

A direct interest is broadly defined as when you have, or someone you have a close relationship with has, a vested interest in that entity and its future or a continuing connection or exposure to personal consequence or impact, including reputational or financial. This may include current or former employment or directorships, holding of direct financial securities⁸ or membership of that entity's pension scheme, or a risk of personal exposure to criticism or embarrassment. A direct interest may raise a question as to whether your judgment or decision-making in matters related to that entity can remain unbiased.

An indirect interest is defined as any interest which is not a direct interest. This may include a historical, but now severed association with an entity/individual, or an interest in another entity/individual who then, in turn, has or has had an association / business relationship with the entity in question. You, or someone you have a close relationship with, should be unable to gain personal benefit or preferential outcome from that entity. Your indirect interest should be highly unlikely to play a part or influence your judgment or decision-making in matters relating to that entity.

Cooling Off Periods

Staff

If staff have worked for or had a role in an audit firm or a legacy firm, they are subject to a minimum Staff and Members who are working on regulatory issues/decisions should not work on any matter or project/be party to a decision relating to a previous employer until they have completed a 5 year 'cooling off period' (see below). Exemptions may be granted by the relevant Executive Director for specific reasons. If you or your line managers believe that relationships with individuals within those firms remain close and could result in a perceived conflict, this 'cooling off' period can be extended for an indefinite period, or any work associated with these firms should be limited.

Members

Board Members are only eligible to serve on the FRC's Regulatory Committees once a period of five years had passed since their employment at any audit or actuarial firm (or legacy firm) or a Recognised Supervisory Body. To safeguard fair and due process, Members and Senior Advisors should not participate in any decisions regarding a person or entity which may give rise to a potential or perceived conflict of interests.

In addition, members of the Conduct Committee may not participate in any decision relating to their former audit firms until a period of ten years has passed since that employment. Information relating to enforcement action against their former firm will be redacted from their meeting papers.

Rules are applied by the governance team to manage Members' declarations, receipt of information and involvement in decisions relating to their external interests and relationships. Separate rules for independence apply to the FRC Tribunal Panel and Enforcement Committee who are independently appointed by the Appointment Committee under the enforcement procedures.

⁸ Shares, stocks, debentures or bonds (including interests, options or rights in or over any such securities) in the UK or overseas, where you are directly able to influence where the interest is invested or held.

Exemptions to the Policy

There may be limited instances when an exemption to the policy is agreed and disclosed. A decision to exempt an individual should be determined on a case-by-case basis and consider the risk to both the FRC and individual.

All exemptions should be approved by the relevant Executive Director and periodically disclosed to the Executive Committee.

For Additional Information on Exemptions please refer to the Additional Guidance at appendix 2.

Breaches of this Policy

The policy must be followed by all staff and Members. Any concerns or breaches must be identified and reported as soon as the breach or risk becomes apparent, to your manager, or the Governance Team⁹ in the first instance in order to minimise the risk/impact, as the responsibility is both on the individual and all the staff and members to report it.

Breaches of this policy could pose a serious risk to the reputation of the individual involved and the FRC. Failure to comply may result in such action as the FRC considers appropriate in the circumstances, such as, disciplinary action, dismissal or termination of appointment.

What you should do

IDENTIFY

Staff	Managers	Members
<ul style="list-style-type: none">• All new joiner staff must complete Register of Interest form disclose any conflicts or potential conflicts on the XCD Database. This form must be approved by your line manager, who may wish to discuss parts of it with you.	<ul style="list-style-type: none">• Must discuss the conflicts of interest policy with all new members of the team and highlight the requirement for everyone to be responsible for disclosing and updating information.	<ul style="list-style-type: none">• All new Members will be asked to declare any conflicts, or potential conflicts on a two-part Register of Interests Declaration Form.
<ul style="list-style-type: none">• As soon as any new potential conflict becomes apparent act swiftly, tell your manager and update the database.	<ul style="list-style-type: none">• Approve changes to employee disclosures on the database.	<ul style="list-style-type: none">• If you think you may have conflict of interest in relation to particular agenda item, discuss this immediately with the relevant Chair.
<ul style="list-style-type: none">• If you think you may be conflicted as the project progresses remove yourself immediately and discuss with your manager.	<ul style="list-style-type: none">• Ensure team members understand this policy and how it affects them on a daily basis.	

⁹ thegovernanceteam@frc.org.uk

<ul style="list-style-type: none"> If you have concerns about other staff or you are unsure whether you might be conflicted, discuss with your manager or Governance team¹⁰ in confidence. 	<ul style="list-style-type: none"> Ask HR to run reports as required to consider the make-up of the team for a specific project/ piece of work. 	
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MONITOR

Staff	Managers	Members
<ul style="list-style-type: none"> Confirm annually that you have read the policy and that the information held regarding conflicts is true and accurate and update your details as necessary should your circumstances change, and new potential conflicts are identified. 	<ul style="list-style-type: none"> Ensure all team members annually reaffirm their conflicts of information and declare no new issues have been identified. 	<ul style="list-style-type: none"> Each Member is responsible for keeping their own entries in the register up to date. Any changes to your interests should be notified to the Board/Committee Chair or the Governance Team so that your declaration can be updated.
<ul style="list-style-type: none"> Complete a compliance statement which asserts that each individual has complied with the policy for the year. 	<ul style="list-style-type: none"> Assess the make-up of your team to ensure that there is a broad spread of backgrounds to compensate for any individuals that are conflicted or subject to the 5 year 'cooling off' period. 	<ul style="list-style-type: none"> Review and confirm your declaration form annually.
<ul style="list-style-type: none"> Consider any changes in your personal circumstances in relation to your role and any internal or external positions you may apply for and whether the application process or working a period of notice could impact on your work. 	<ul style="list-style-type: none"> Be aware when team members reach the end of the 'cooling off period' and discuss whether it is appropriate to work on projects where they would otherwise have been conflicted. 	
	<ul style="list-style-type: none"> Monitor changes to individual circumstances and make sure they are input into XCD in a timely manner by each individual. 	
	<ul style="list-style-type: none"> Make staff aware of what may constitute 'insider information' and market sensitive information and remind them of their responsibilities in how they use and share information in line with the FRC's Market Sensitivity Information policy 	

¹⁰ thegovernanceteam@frc.org.uk

MANAGE

Staff	Managers	Members
	Maintain a general oversight of the interests that exist within your team and keep these in mind whenever assigning work.	
<ul style="list-style-type: none"> When working on cases that will lead to potential enforcement action declare prior to taking on the role that you are not conflicted. 	<ul style="list-style-type: none"> Implement procedures for evaluating and managing conflicts that have been identified in a way that ensures that decisions are not compromised by the conflicted team members. 	<ul style="list-style-type: none"> Members should remove themselves from discussions, meetings and decision making where they have a conflict of interest or perceived conflict of interest. <p>The Governance Team¹¹ should ensure that agenda items papers for meetings are not circulated to non-execs with a declared conflict on specific matters.</p>
<ul style="list-style-type: none"> Do not openly discuss cases when conflicted team members or within ear shot and do not use information you have access to for your own benefit (e.g. investment decisions) 	<ul style="list-style-type: none"> If you wish to propose a member of your team for a project where a conflict has been identified or where they have no completed the 5-year cooling off period, consider the reasons why and consult and seek agreement from relevant Executive Director before proceeding. The Executive Director will be required to declare the granted exemption to the People Committee. 	<ul style="list-style-type: none"> If you receive a paper in relation to a matter you consider having an interest in, you should not review the paper, disregard any contents and immediately notify the Company Secretary / relevant Secretary so that arrangements can be made to remove you from circulation lists that relate to the matter.
	<ul style="list-style-type: none"> Ensure that you have signed copies of any declaration forms attached to specific projects prior to individuals beginning work on the project. 	

¹¹ thegovernanceteam@frc.org.uk

Gifts and Hospitality

This policy is intended to provide broad guidance to staff and Members of the FRC Governance structure. It sets out some general factors which should be considered when they are offered, or intend to offer, gifts or hospitality associated with their role at the FRC or its subsidiaries.

The FRC encourages networking as a way of expanding knowledge and understanding and developing relationships with stakeholders. The FRC therefore accepts that staff and Members may occasionally be offered, and may need to offer, gifts and hospitality in their capacity as staff or a Member.

The UK legislation on bribery applies to FRC staff and members. A bribe is defined as a financial or other advantage which is intended to bring about the improper performance by another person of a relevant function or activity. Under the Bribery Act 2010 it is an offence for a person to offer, promise or give a bribe to another person, or to request or agree to receive or accept a bribe from another person or condone or facilitate an act of bribery.

The FRC may also be found liable if it fails to prevent a bribe by an associated person. An associated person would include any external organisations or consultants that perform services for or on behalf of the FRC.

General principles

When considering whether to accept gifts or hospitality staff, and members, common sense should be applied and you should consider the perspective of an objective, reasonable and informed third party. The accumulative effects of gifts and hospitality on individuals or divisions should also be taken into consideration. If acceptance of gifts and hospitality were challenged, it would be necessary to show that acceptance was lawful, appropriate and consistent with our rules and that personal judgment or integrity had not been compromised.

Staff and Members are required to:

1. Take personal responsibility for their adherence to this policy.
2. Make any disclosures as promptly as possible and at least at the end of each quarter. However, in all situations, better a late disclosure than not at all.
3. Accurately disclose any gifts which they have offered, or been offered, with an estimated RRP value of over £50, whether they were accepted or declined.
4. Accurately disclose any hospitality which they have offered or been offered with an estimated value of over £50, whether they were accepted or declined.
5. Accurately disclose any offers for gifts or hospitality which has been made indirectly to their relatives or friends as a consequence of their role at the FRC.
6. Disclose any monetary charitable donations which have been made in lieu of a gift or offer of hospitality. Please note that acceptance of charitable donations may have tax implications.
7. Decline any gifts or hospitality which may be considered lavish or of a value which is excessive in the circumstances.

If you are in any doubt about the application of this policy then you should consult your line manager and / or the Company Secretary.

Receiving or offering Gifts

The presentation of gifts should be discouraged as far as possible. However:

- (a) Small gifts, for example those often handed out at conferences, such as pens and diaries, which usually cost less than £10 and are essentially marketing tools can be accepted and do not need to be recorded in the Register.
- (b) A gift may be accepted where refusal would cause offence or embarrassment, and when the value is modest (with a RRP of less than £50). Such gifts should be recorded on the Register and may be shared with colleagues or donated to charity.
- (c) Complimentary invitations to attend conferences or events which other delegates are required to pay to attend may be accepted provided they meet the general principles above and are recorded in the Register.

Receiving or offering Hospitality

- (a) Hospitality in the form of reasonable refreshments (e.g. tea, coffee, biscuits, light meals) provided during and associated with meetings or working sessions can be accepted and need not be disclosed.
- (b) Hospitality which goes further, e.g. formal lunches or dinners, dinners at conferences, or drink receptions can be accepted provided they meet the general principles above and are recorded in the Register.
- (c) Any offer of entertainment that might be seen as excessive, inappropriate, in bad taste or liable to bring the FRC's name into disrepute should be declined. 'Excessive' would include offers of entertainment that are time-consuming, over-frequent, part of a pattern of invitations to one area from a particular organisation that, taken together, appear inappropriate; or disproportionately lavish. Invitations to expensive or exclusive sporting or cultural events should not be accepted. The refused hospitality should be recorded in the Register.
- (d) Invitations to speak at a conference (whether or not commercially-sponsored) may be accepted when the occasion provides a good opportunity to communicate information to a relevant audience on behalf of the FRC. In these circumstances any offer by the organiser to meet reasonable travel and/or accommodation costs may be accepted provided it meets the general principles above and are recorded in the Register.
- (e) FRC staff hosting meetings, work sessions or events may offer food and drinks as long as the provision can be justified in line with the Value for Money principles. Factors to consider would include the number of attendees, the length of journey travelled by the attendees, the length of the meeting, the time the meeting is held or the formality of the meeting. If in doubt, please consult with your line manager and / or the FRC Company Secretary before offering hospitality.

The Role of the Company Secretary

The FRC Company Secretary:

- will ensure that an adequate system is in place for staff and Members to record gifts and hospitality
- may request more information from staff and Members on the registered gifts and hospitality to ensure compliance with this policy
- will monitor compliance with the Code and report annually to the People Committee
- will ensure that the published Gifts and Hospitality Register is updated on a quarterly basis
- will ensure that this policy is reviewed periodically and remains appropriate and in line with the provisions of UK legislation.

Confidentiality and the Use of Information

All staff are contractually bound not to disclose or to use for their own benefit or for the benefit of any other party, during and after their employment with the FRC, any confidential information acquired by them while working at the FRC.

All information acquired by Members in the exercise of their functions as members during their appointment is confidential to the FRC. Members must not during their appointment or afterwards (unless he or she is authorised by the relevant Chair or is under a legal obligation to do so):

- (a) use for his/her own benefit or the benefit of any other person; or
- (b) disclose to any person; or
- (c) through any failure to exercise all due care and diligence, cause or permit any unauthorised disclosure of:
- (d) any confidential information that he or she obtains by virtue of their position as a member.

Confidential information means all information which is not in published and which the FRC regards as confidential whether by virtue of the information itself or by virtue of the way in which it was obtained and whether or not the FRC is bound by any statutory provisions in relation to that information. Where appropriate, the FRC Board or one of its regulatory committees or Chief Executive (or a member of the Executive Committee acting on his behalf) may decide to publish information and a member may disclose information in accordance with any instructions consequent to those decisions.

Staff and Members must comply with all FRC information policies in effect from time to time.

Staff and Members must comply with the statutory provisions against market abuse under the Market Abuse Regulation 2016 (MAR) insider dealing under the Criminal Justice Act 1993 and the Financial Services and Markets Act 2000. You should avoid making any statements that might risk a breach of these requirements without prior clearance from the Chair or Company Secretary.

Personal liability of Members

Legal proceedings by a third party against individual members of regulators are rare and Members are likely to have the benefit of a statutory exemption and/or the indemnity set out in the FRC's Articles of Association.

The Companies (Audit, Investigations etc) Act 2004 provides that the FRC, its members, officers and/or members of staff are exempt from liability in damages for anything done or omitted to be done for the purposes of or in connection with the carrying out of the activities listed in the Act unless the act or omission is shown to have been in bad faith or where the claim is for damages for a breach of the European Convention of Human Rights. The FRC's Articles provide for individual members to be indemnified by the FRC against damages and costs (including the costs of defending an action) incurred in connection with the execution of their duties as a member provided that they have acted honestly and in good faith.

It may be necessary to rely on the indemnity set out in the Articles because either the statutory exemption does not apply or there is a dispute as to whether the exemption applies. In any event, the indemnity will not cover any liability incurred where the member has acted, or failed to act, in bad faith or where his or her acts or omissions are outside or inconsistent with the scope of their responsibilities. Members may also be personally liable if, for example, he or she makes a fraudulent statement which results in a loss to a third party or commits a breach of confidence under common law or a criminal offence under insider dealing legislation.

The FRC indemnity is conditional upon the following requirements and failure to comply may invalidate the indemnity:

Members should inform General Counsel immediately they become aware of the possibility of a claim against them or the FRC. They should avoid any discussion of the matter with the potential claimant and under no circumstances admit liability on their own or the FRC's behalf or try to settle or compromise the potential claim. External legal advice should not be sought without the authority of General Counsel. Members should give the FRC all reasonable cooperation and assistance in the handling of the claim or potential claim.

This Code of Conduct is adopted by the FRC Board with effect from 1 April 2022.

Appendix 1

Seven Principles of Public Life

Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

Appendix 2

Exemptions

There may be instances where a conflict has been declared and an exception is given for the individual to work on a project.

The following action should be taken:

1. Assess the need. The individual and line manager should discuss whether it is necessary for the individual to be involved in such work. Consideration should be given to the following:
 - Where the organisation does not have an equally skilled or qualified person to undertake the role to achieve the organisations objectives.
 - The area of conflict is a subset of a wider project being undertaken by a team and the conflict could be effectively managed.
 - Short term illness of others on the project, and the work cannot be delayed.
 - Oversight of a larger team.
2. When considering Exceptions, the following should be considered:
 - Level of Risk: What is the risk to the outcome of the project and the reputation of the organisation.
 - Where the risk is perceived to be low, and the conflict insignificant a formal exemption should be sought from a member of ExCo. The Governance Team should be involved in the decision making so that they can offer any assistance drawn from their experience. In such circumstances the individual could be allowed to participate.
 - Where the risk is higher agreement should be sought as set out above, but the individual might only be allowed to participate with restrictions, additional oversight or a review of their work in relation to a project. Such a restriction should be agreed by the General Counsel.
 - The individual may be allowed to undertake some work in a restricted role as above but would be precluded from the final decision making.
 - Where the risk is considered significant the work should be reassigned to others.
3. Any decisions to give an exemption to the policy should be disclosed with full reasons set out on the file and the details of the approval from the Executive Director and if appropriate General Counsel.
4. The Executive Committee should be updated at their next meeting of any exceptions agreed. Should they disagree with the approach the exception should be removed. This should again be disclosed by recording on XCD.
5. The Governance Team should report quarterly to the Executive Committee on the number of exemptions given, with a brief outline of reasons. A final year figure or rolling total should also be kept.
6. The Executive Committee should consider the number of exemptions and if necessary, re-allocate resources in order to minimise the number of exemptions to the policy

Appendix 3

The Financial Reporting Council

Register of Interests Declaration Form

Section A

The following information is published on the FRC website in relation to members of the Board, the Conduct Committee, the Supervision Committee and the Regulatory Standards and Codes Committee.

Name	
FRC appointments / offices held	
Current other appointments, offices and directorships (including to public and not for profit organisations)	
Other consultancy or advisory roles	
Appointments, offices and directorships held over the past ten years (including end date)	
Membership of Professional Bodies & Trade Unions	
Membership of an audit firm pensions scheme	
Relevant declarations in respect of family and close personal relationships¹	

¹ Members should register the following interests of themselves, family (i.e. any spouse or partner, any co-habiting children or other dependent family members, close friends or business associates) and any anyone with whom they have a close personal or business relationship: relevant appointments, directorships or offices held and audit firm pension scheme memberships.

Section B

The following information is not published on the FRC website.

	Company/Organisation	Type (<i>holding type, investment vehicle type, pension type</i>)
Financial Interests²		
Relevant declarations in respect of family and close personal relationships		
Other (such as service agreements with firms within the FRC’s regulatory remit)		

Signed..... Dated.....

² Relevant direct financial interests' means shares, stocks, debentures or bonds (including interests, options or rights in or over any such securities) in the UK or overseas, where the member is directly able to influence where the interest is invested or held. Direct financial interests of a value less than £5,000 need not be declared.



Company No. 02486368

A Private Company Limited by Guarantee

Articles of Association of The Financial Reporting Council Limited

(Adopted by Written Resolution with effect from 1 April 2022)

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Part One – Interpretation and Limitation of Liability

1. Defined terms

1.1. In these Articles, unless the context requires otherwise:

“**Articles**” means the Company’s Articles of Association for the time being in force;

“**Board**” means the Board of directors of the Company from time to time (and references to decisions of, or approvals by, the Board shall be to a decision of the directors made in accordance with Articles 7 and 8) and references in these Articles to “the directors” shall be deemed to be references to the Board);

“**Board meeting**” means a duly convened meeting of the Board;

“**Chair**” or “**Chair of the Board**” means any director of the Company appointed Chair pursuant to Article 5.1;

“**Chief Executive**” means the person appointed by the Secretary of State for the time being to be chief executive of the Company and a director of the Company;

“**Regulatory Standards and Codes Committee**” has the meaning given to it in Article 16;

“**Companies Acts**” means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the Company;

“**Conduct Committee**” has the meaning given to it in Article 17;

“**director**” means a director of the Company, and includes any person occupying the position of director, by whatever name called;

“**document**” includes, unless otherwise specified, any document sent or supplied in electronic form;

“**electronic form**” has the meaning given in section 1168 of the Companies Act 2006;

“**electronic means**” has the meaning given in section 1168 of the Companies Act 2006;

“**executive director**” means any director of the Company who performs a management, operational or organisational role within the Company;

“**member**” has the meaning given in section 112 of the Companies Act 2006;

“**non-executive director**” means any director of the Company who does not have a management, operational or organisational role within the Company;

“ordinary resolution” has the meaning given in section 282 of the Companies Act 2006;

“participate”, in relation to a directors’ meeting, has the meaning given in Article 10;

“Secretary of State” means the Secretary of State for Business, Energy and Industrial Strategy;

“special resolution” has the meaning given in section 283 of the Companies Act 2006;

“Supervision Committee” has the meaning given to it in Article 18;

“United Kingdom” means Great Britain and Northern Ireland; and

“writing” means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

- 1.2. Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the Companies Act 2006 as in force on the date when these Articles become binding on the Company, words importing the singular number include the plural number and vice versa, words importing one gender include the other genders and words importing persons include corporations.
- 1.3. No regulations or Articles set out in any statute, or in any statutory instrument or other subordinate legislation made under any statute, concerning companies (including the model Articles for private companies limited by guarantee as set out at Schedule 2 of The Companies (Model Articles) Regulations 2008 (SI 2008/3229)) shall apply as the Articles of the Company.
- 1.4. Subject to Article 1.2, references to any provision of any enactment or of any subordinate legislation (as defined by section 21(1) of the Interpretation Act 1978) include any modification or re-enactment of that provision for the time being in force.
- 1.5. Headings are inserted for convenience only and do not affect the construction of these Articles.

2. Liability of members

- 2.1. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of its being wound up while he is a member or within one year after he ceases to be a member, for:
 - a) payment of the Company’s debts and liabilities contracted before he ceases to be a member;
 - b) payment of the costs, charges and expenses of winding up; and adjustment of the rights of the contributories among themselves.

3. Company’s objects

3.1. The Company's objects are:

- a) to promote and maintain investor, market and public confidence in the integrity, competence and transparency of corporate governance and corporate reporting systems and in the auditing, accounting and actuarial professions in the United Kingdom;
- b) to perform and discharge any and all functions and powers delegated to or conferred upon the Company or any part of the Company from time to time pursuant to any statutory provision or any modification or re-enactment thereof;
- c) without prejudice to the generality of paragraphs (a) and (b) above to carry on, oversee or direct any activity concerned with the following:

Competent Authority

- i. the exercise of the functions of competent authority under The Statutory Auditors and Third Country Auditors Regulations 2016¹² and Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities;
- ii. delegation of those functions in accordance with The Statutory Auditors and Third Country Auditors Regulations 2016¹³ and Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014;

Oversight and Supervision

- iii. the exercise of the functions of the Secretary of State under Part 42 of the Companies Act 2006;
- iv. the exercise of the functions of the Independent Supervisor appointed under Chapter 3 of Part 42 of the Companies Act 2006;
- v. the independent oversight of the regulation of the accounting profession and of the actuarial profession;

Codes and Standards

- vi. the issuing and maintenance of codes and/or standards for corporate governance, stewardship, corporate reporting, accounting, auditing, assurance services and actuarial work;
- vii. the promulgation of such codes and/or standards;

Corporate Reporting Quality

- viii. the exercise of the functions of the Secretary of State under section 457 Companies Act 2006 and section 14(2) of the Companies (Audit, Investigations and Community Enterprise) Act 2004;

Audit Quality

- ix. the establishment and exercise of arrangements within paragraph 1 of Schedule 12 to the Companies Act 2006;

¹² as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019

¹³ as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019

- x. the independent monitoring of the performance of statutory audit functions by means of inspections pursuant to any other statutory provision or voluntary arrangement;

Enforcement

- xi. the establishment and exercise of arrangements within paragraph 2 of Schedule 12 to the Companies Act 2006;
 - xii. the adoption, amendment and operation of disciplinary schemes providing for:
 - xiii. the investigation of, and the bringing of disciplinary proceedings against, accountancy members and member firms and actuarial members; and
 - xiv. the charging of costs, levying of fines and imposition of any other sanctions in accordance with such proceedings.
- d) to perform any other function incidental to the objects referred to in this Article 3 which in the opinion of the directors of the Company can be conveniently performed in conjunction with and without prejudice to the proper performance or discharge of any of the said objects.

Part 2 - Directors

4. Board composition

4.1. The Board shall comprise:

- a) the Chair;
- b) the Chief Executive;
- c) the chair of the Regulatory Standards and Codes Committee;
- d) the chair of the Conduct Committee;
- e) the chair of the Supervision Committee
- f) and other non-executive directors appointed in accordance with Article 5.

5. Appointment of directors

Appointment to the Board

5.1. The Secretary of State or his or her duly authorised representative may at any time:

- a) appoint or reappoint any person to the office of director either to fill a casual vacancy or as an addition to the existing Board; and
- b) appoint or re-appoint any director as the Chair, or Chief Executive whether or not for a specified period and
- c) remove any person so appointed.

5.2. The Secretary of State shall when making any appointment pursuant to Article 5.1 above have regard to the desirability of such person in the interests of the Company and his or her powers shall be limited so that:

- a) the majority of directors so appointed may not be individuals who in the five years prior to such appointment have:
 - i. been practising accountants or actuaries; or
 - ii. held voting rights in an accountancy or actuarial firm; or

- iii. been employees of an accountancy or actuarial firm, members of the administrative or management body of an accountancy or actuarial firm
 - b) no director so appointed may be an individual who in the three years prior to such appointment has:
 - i. been a practising auditor; or
 - ii. held voting rights in an audit firm; or
 - iii. been an employee of, partner of or otherwise contracted by an audit firm, a member of the administrative, management or supervisory body of an audit firm or an officer holder of an audit body;
 - c) no director so appointed may be an office holder of an accountancy or actuarial body; and
 - d) it shall not appoint any person to the office of Chair, such appointments being made pursuant to Article 5.3 below.
- 5.3. Any appointment, re-appointment or removal made under Article 5.1 shall be notified in writing to the Company at its registered office and shall be signed by the duly authorised representative of the Secretary of State.
- 5.4. Each such notice shall specify the date from which it is to take effect and, in the case of an appointment or re-appointment, shall be accompanied by the appointee's written consent to act.
- 5.5. The remuneration of directors appointed under Article 5.1 including any director appointed to hold employment or executive office as the Chief Executive shall be fixed by the Secretary of State from time to time.

Executive appointments

- 5.6. Subject to the provisions of the Companies Acts and to any the appointment by the Secretary of State under Article 5.1, the Board may agree the terms of employment of the Chief Executive with the Company.
- 5.7. A director appointed as Chief Executive shall automatically cease to hold that office if he ceases to be a director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.

6. Retirement, vacation and removal of directors

- 6.1. A director of the Company shall retire from office upon the expiry of the period specified in the most recent notice of his or her appointment or reappointment received by the Company pursuant to Article 5.1 above or, if no period is specified therein, upon the third anniversary of such appointment or reappointment.
- 6.2. The office of director shall be vacated if the director:
 - a) is removed from office pursuant to the provisions of Articles 5.1 above;
 - b) resigns his or her office by notice in writing received at the registered office of the Company;
 - c) ceases to be a member of the Company;

- d) ceases to be a director by virtue of any provision of the Companies Acts or otherwise becomes prohibited by law from being a director; or
- e) in the case of the Chief Executive, ceases to hold that position.

7. Directors to take decisions collectively

7.1. Subject to Article 7.3 below, the general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with Article 8.

7.2. If:

- a) the Company only has one director; and
- b) no provision of these Articles requires it to have more than one director,

the general rule does not apply, and the director may take decisions without regard to any of the provisions of these Articles relating to directors' decision-making.

7.3. Unless a decision is taken in accordance with Article 8, any decisions which are required to be made by the directors in relation to the setting of codes and standards and/or in relation to any statutory delegated powers exercised by the Company from time to time, shall require not less than two thirds of the total number of eligible directors holding office at that relevant time to vote in favour of the resolution at a meeting.

8. Common decisions

8.1. A decision of the directors is taken in accordance with this Article when not less than two thirds of the total number of eligible directors holding office at that relevant time indicate to each other by any means where each such indication is capable of being readily reproduced in hard copy form that they share a common view on a matter.

8.2. Such a decision may take the form of a resolution in writing, copies of which have been signed by not less than two thirds of the total number of eligible directors holding office at that relevant time or to which not less than two thirds of the total number of eligible directors holding office at that relevant time has otherwise indicated agreement in writing.

8.3. References in this Article and Article 7 to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting but excluding any director whose vote is not to be counted in respect of the particular matter.

8.4. A decision may not be taken in accordance with this Article if the eligible directors making such decision would not have formed a quorum at such a meeting.

9. Calling a directors' meeting

9.1. Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.

9.2. Meetings of the Board shall take place not less than six times per annum.

9.3. Notice of any directors' meeting must indicate:

- a) its proposed date and time;
- b) where it is to take place; and
- c) if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

9.4. Notice of a directors' meeting must be given to each director, but need not be in writing.

9.5. Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company at any time before the meeting or up to 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

10. Participation in directors' meetings

10.1. Subject to these Articles, directors participate in a directors' meeting, or part of a directors' meeting, when:

- a) the meeting has been called and takes place in accordance with these Articles,
and
- b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

10.2. Any director who is not able to be present in person may participate in a directors' meeting by means of a conference telephone, video conferencing facility or similar communications equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at such meeting and shall be entitled to vote and be counted in the quorum. Such a directors' meeting shall be deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the Chair is located.

11. Quorum for directors' meetings

11.1. At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

11.2. The quorum for directors' meetings shall be two thirds of the total number of directors holding office at that time including where the matters to be discussed by the directors relate to the setting of codes and standards and/or any statutory delegated powers exercised by the Company from time to time.

12. Chairing of directors' meetings

12.1. The Chair shall preside at every meeting of the Board at which he or she is present. If the Chair is not present at any meeting 15 minutes after the time appointed for the meeting or is not willing to preside, the Senior Independent Director shall preside or, if he or she is not present 15 minutes after the time appointed for the meeting or is not willing to preside or none has been so appointed, the directors present may appoint one of their number to be Acting Chair of the meeting.

12.2. The person so appointed for the time being is known as the Acting Chair.

13. Directors' general authority and reporting requirements

- 13.1. Subject to these Articles, the directors are responsible for the management of the Company's business, for which purpose they may perform any function and exercise any power of the Company which is required by law to be performed or exercised by them.
- 13.2. For the avoidance of doubt, the functions which may be performed and the powers which may be exercised by the directors in accordance with Article 13.1 shall not include any statutory functions or powers which are conferred directly on a committee of the Board from time to time.
- 13.3. The directors shall be responsible for preparing and publishing an annual directors' report in accordance with sections 415 to 419 of the Companies Act 2006 which shall be available to the public and which shall:
- a) assess and review whether the Company has met its objectives over the past year; and
 - b) include such other information and commentary as the directors may decide from time to time.
- 13.4. The directors shall report to the Secretary of State on the discharge of the Company's statutory duties in such manner and with such frequency as shall be agreed with the Secretary of State from time to time.

14. Directors may delegate

- 14.1. Subject to these Articles, save as prohibited by law, the directors may delegate any such powers or functions of the Company:
- to such person (including any director holding any executive office) or committee;
 - by such means (including by power of attorney);
 - to such an extent;
 - in relation to such matters or territories; and
 - on such terms and conditions;
 - as they think fit.
- 14.2. Without prejudice to Article 14.1, the Chief Executive appointed in accordance with Article 5, shall:
- a) recommend strategic direction to the Board;
 - b) provide day to day oversight of the work of the FRC, its operational policies and the protection of the Company's reputation;
 - c) advise the Board on the budget, business plan, Board agenda and management of the organisation; and
 - d) perform such other functions as shall be determined by the Board from time to time.
- 14.3. The Chief Executive may convene a Committee of senior Executives to advise and support him in the fulfilment of his responsibilities.
- 14.4. If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.

14.5. The directors may revoke any delegation in whole or part, or alter its terms and conditions.

15. Committees

15.1. Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of these Articles which govern the taking of decisions by directors.

15.2. The composition and membership of any committee shall be determined by the Board from time to time and the Board may co-opt onto any such committee persons other than directors, who may enjoy voting rights in the committee, subject in the case of the Regulatory Standards and Codes Committee to article 16.1, in the case of the Conduct Committee to article 17.1 and in the case of the Supervision Committee to article 18.1.

15.3. The directors may make rules of procedure or terms of reference for all or any committees from time to time, which prevail over rules derived from these Articles if they are not consistent with them. The rules of procedure or terms of reference agreed by the Board from time to time of any committee may include the right to constitute sub-committees and to co-opt onto any such sub-committee persons other than directors who may enjoy voting rights in the sub-committee providing that no such person may be a person whose appointment to a committee is prevented by article 15.2.

15.4. At the adoption of these Articles, the three principal committees of the Board shall be the Regulatory Standards and Codes Committee, the Supervision Committee and the Conduct Committee.

16. Regulatory Standards and Codes Committee

16.1. The composition and members of the Regulatory Standards and Codes Committee shall be determined in accordance with article 15.2, provided that no person co-opted onto the Regulatory Standards and Codes Committee may be an individual who:

a) in the three years prior to such appointment has:

- i. been a practising auditor; or
- ii. held voting rights in an audit firm; or
- iii. been an employee of, partner of or otherwise contracted by an audit firm, a member of the administrative, management or supervisory body of an audit firm or an officer holder of an audit body;

b) is an officer of any of the accountancy or actuarial professional bodies.

16.2. The Regulatory Standards and Codes Committee is established for the purpose of:

- a) the development and maintenance of regulatory standards and codes
- b) approving policies for the development of regulatory standards and codes
- c) approving the issue of consultation documents and reviewing and recommending final standards and codes to the Board for approval
- d) advising the FRC Board on recognition of SORP-making bodies and amendments to Charities SORP statement

- e) approving the issue and maintenance of FRC taxonomies, including for consultation
- f) setting goals, aligned with the Company's strategy, for the Company's work relating to regulatory and governance standards and codes, and overseeing the Executive's identification and management of key risks in this area

and shall perform such other functions as shall be prescribed to it by law or by the Board from time to time.

17. Conduct Committee

17.1. The composition and members of the Conduct Committee shall be determined in accordance with article 15.2, provided that no person co-opted onto the Conduct Committee may be an individual who:

a) in the three years prior to such appointment has:

- i. been a practising auditor; or
- ii. held voting rights in an audit firm; or
- iii. been an employee of, partner of or otherwise contracted by an audit firm, a member of the administrative, management or supervisory body of an audit firm or an officer holder of an audit body;

b) is an officer of any of the accountancy or actuarial professional bodies.

17.2. The Conduct Committee is established and maintained for the purpose of:

- a) taking the decisions required of the FRC within the disciplinary and enforcement procedures, on behalf of the Board
- b) maintaining the FRC's published disciplinary procedures and supporting documents, including the criteria to be applied in disciplinary or enforcement decisions
- c) monitoring the progress of disciplinary and enforcement activities
- d) setting goals aligned with the Company's strategy for the Company's enforcement and disciplinary work and overseeing the Executive's identification and management of key risks in this area.

and shall perform such other functions as shall be prescribed to it by law or by the Board from time to time.

18. Supervision Committee

18.1. The composition and members of the Supervision Committee shall be determined in accordance with article 15.2, provided that no person co-opted onto the Supervision Committee may be an individual who:

a) in the three years prior to such appointment has:

- i. been a practising auditor; or
- ii. held voting rights in an audit firm; or

iii. been an employee of, partner of or otherwise contracted by an audit firm, a member of the administrative, management or supervisory body of an audit firm or an officer holder of an audit body;

b) is an officer of any of the accountancy or actuarial professional bodies.

18.2. The Supervision Committee is established and maintained for the purpose of:

a) exercising of the FRC's delegated functions of the Secretary of State under section 457 Companies Act 2006 and section 14(2) of the Companies (Audit, Investigations and Community Enterprise) Act 2004 on behalf of the Board

b) overseeing the discharge of the FRC's functions as the designated Competent Authority for Audit under The Statutory Audit and Third Country Auditor Regulations 2016 (SATCAR 16);

c) overseeing the discharge of the FRC's delegated functions under Part 42 of the Companies Act 2006;

d) setting goals aligned with the Company's strategy for the Company's oversight, monitoring and supervision work and overseeing the Executive's identification and management of key risks in this area.

and shall perform such other functions as shall be prescribed to it by law or by the Board from time to time.

19. Continuity of operations

19.1. The validity of anything done by the Company (acting by itself or through an operating board or a committee of the Company) or by a subsidiary of the Company immediately prior to the adoption of these Articles or immediately prior to the adoption of the previous articles of association of the Company on 8 March 2012 (including without limitation any standards, guidance, rules, practice statements, strategy documents, policy documents and anything analogous to such documents which has been adopted by any such body or any action or decision taken or pending) shall not be affected by the adoption of these Articles and shall remain valid and subsisting notwithstanding that the function of that operating board, committee or subsidiary is now carried out as successor by the Board or by a new committee of the Board.

20. Authorisation for conflicts of interest

20.1. The Board shall have power and shall be enabled, subject to and in accordance with this Article 20.1, to authorise (an "Authorisation") any matter which would or might constitute or give rise to any breach of the duty of a director under section 175 of the Companies Act 2006. Authorisation is used to avoid a situation in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

20.2. An Authorisation may be proposed by any director or member, and may be resolved upon by the Board in such manner as the Board deems in its absolute discretion to be appropriate (subject to the provisions of these Articles and the Companies Acts).

- 20.3. An Authorisation may be given subject to such terms and conditions as the Board may determine in its absolute discretion, and the relevant director shall comply with all such terms and conditions.
- 20.4. The Board may revoke or vary an Authorisation at any time, but this shall not affect anything previously done or omitted to be done by the relevant director in accordance with the terms of the Authorisation.
- 20.5. A director shall not be in breach of the general duties they owe to the Company under the Companies Acts by virtue of the fact that pursuant to the terms of an Authorisation they:
- a) absent themselves from Board meetings or other proceedings of the Board at which matters relating to the conflict of interest or possible conflict of interest will or may be discussed; or
 - b) makes arrangements not to receive, or refrains from considering, any documents relating to the conflict of interest or possible conflict of interest, or makes arrangements for a professional adviser to receive any such documents on their behalf,
- for so long as they reasonably believe the matter to which the Authorisation relates subsists.
- 20.6. The Company may by ordinary resolution suspend or relax the provisions of this Article 20 to any extent. Subject to the Companies Acts, the Company may by ordinary resolution ratify any transaction or arrangement not properly authorised by reason of a contravention of this Article 20.

21. Matters not requiring an Authorisation

- 21.1. Subject to the provisions of the Companies Acts and the terms of reference adopted in respect of any committees of the Company from time to time, and provided that they have disclosed (by notice in writing to the Company or at a Board meeting) the nature and extent of any material interest of theirs, a director notwithstanding their office:
- a) may act by themselves or through a firm or other business entity in a professional capacity to the Company (except that of auditor) and they or such firm or other entity shall be entitled to remuneration for professional services as if they were not a director;
 - b) may act as a director of a company or body from which the Company derives funding in the form of a levy or other financial contribution

and save as may be specifically provided by any contrary resolution of the Board or the Company, that director shall not be required to seek or obtain an Authorisation in respect of a matter or situation to the extent that such matter or situation is permitted by this paragraph.

22. Participation in decision-making

- 22.1. If a director has an interest in a proposed decision of the Board which is required to be declared to the other directors pursuant to section 177(1) of the Companies Act 2006, that director shall (provided that such interest has been declared in accordance with, and the director has otherwise complied with, section 177 of the Companies Act 2006) be entitled notwithstanding such interest to participate fully in the decision-making process for quorum and voting purposes. However, any terms or conditions with respect to participation in decision-making given in connection with an Authorisation shall prevail over and to the exclusion of this paragraph where applicable.

23. No obligation to account

- 23.1. A director shall not (save as may otherwise be agreed by him or may be determined by the Board in connection with an Authorisation) be liable to account to the Company for any remuneration, profit or other benefit resulting from any interest to which an Authorisation relates or which is otherwise permitted under this Article 23.1, or in respect of which the director has complied with the requirements of sections 177 or 182 of the Companies Act 2006, and no contract shall be liable to be avoided on the grounds of any such profit or benefit, nor shall the receipt of any such remuneration, profit or other benefit constitute a breach of section 176 of the Companies Act 2006.

24. General

- 24.1. For the purposes of Articles 20 to 23 (inclusive), references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.
- 24.2. Subject to Article 24.3, if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the relevant Chair whose ruling in relation to any director other than the Chair is to be final and conclusive.
- 24.3. If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the Chair, the question is to be decided by a decision of the directors at that meeting, for which purpose the Chair is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

25. Records of decisions to be kept

- 25.1. The directors shall cause minutes to be made in records provided for the purpose:
- a) of all appointments and termination of appointments of officers
 - b) of the names of the persons present at each meeting of the directors and of any committee
 - c) of all resolutions and proceedings at all meetings of the Company, and of the directors, and of committees.
- 25.2. In respect of any committees the directors shall cause minutes to be made in records provided for the purpose of all appointments and termination of appointments of the committee members.

26. Directors' discretion to make further rules

- 26.1. Subject to these Articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

27. Directors' remuneration

- 27.1. Directors are entitled to such remuneration as the Secretary of State determines for their services to the Company as directors.
- 27.2. Subject to these Articles, a director's remuneration may take any form and include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.
- 27.3. Unless the directors decide otherwise, directors' remuneration accrues from day to day.

28. Directors' expenses

- 28.1. The Company may pay any reasonable expenses which the directors or any secretary properly incur in connection with their attendance at:
- a) meetings of directors or committees of directors;
 - b) or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

Part 3 – Members

29. Members of the Company

- 29.1. The members of the Company shall be any person who is appointed a director of the Company from time to time in accordance with these Articles.
- 29.2. No other person may become a member of the Company.
- 29.3. Membership of the Company shall not be transferable or transmissible.
- 29.4. Membership of the Company shall cease:
- a) upon a member ceasing (for whatever reason) to be a director of the Company; or
 - b) upon a member delivering to the Company's registered office written notice of the termination of his membership.

30. Written Resolutions

- 30.1. For the purposes of section 297(1)(a) of the Companies Act 2006, a proposed written resolution of the Company's members shall lapse if it is not passed before the end of the period of 28 days beginning with the circulation date.

Part 4 – Administrative Arrangements

31. Means of communication to be used

- 31.1. Subject to these Articles, anything sent or supplied by or to the Company under these Articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the Company.
- 31.2. Subject to these Articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.
- 31.3. A director may agree with the Company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours. Each director agrees for the purposes of this Article that any notice of a directors' meeting (or any adjournment thereof) given to that director by electronic means is deemed to have been received by him one hour after it was sent.

32. Notices to members

- 32.1. A notice may be given by the Company to any member either personally or by sending it by post to him or her or to his or her registered address, or (if he or she has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by him or her to the Company for this purpose or by sending it by electronic communication to such address, if any, supplied by him or her to the Company for this purpose.

Notice by post

- 32.2. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of twenty-four hours after the letter containing the same is posted, and in any other case at the time at which the letter would be delivered in the ordinary course of post.

Notice by electronic communication

- 32.3. If notice is sent in electronic form by the Company, service of the notice shall be deemed to be effected provided that in sending the electronic communication containing the notice the Company complied with all applicable legal requirements;
 - a) the person entitled to receive such notice must have agreed that the notice can be sent to him in that way and not revoked that agreement;
 - b) the notice must have been issued in accordance with guidance issued by the Chartered Governance Institute UK and Ireland current at the date of adoption of these Articles, or, if the directors so resolve, any subsequent guidance so issued; and the notice must be sent to the address specified by the person entitled to receive such notice)

c) on the day following that on which it was sent notwithstanding that the Company becomes aware that the member has failed to receive the relevant notice for any reason and notwithstanding that the Company subsequently sends a copy of such notice by post to the member.

32.4. The directors may from time to time issue, endorse or adopt terms and conditions relating to the use of electronic communications for the sending of notices and other documents by the Company to members.

33. Secretary

33.1. The directors shall appoint as secretary (including as an assistant or joint secretary) any person who is willing to act, and shall be entitled to determine the term of such appointment, the remuneration (if any) to be paid and any other conditions as the directors may think fit, and may from time to time remove any such person.

34. No right to inspect accounts and other records

34.1. Except as provided by law or authorised by the directors or an ordinary resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or documents merely by virtue of being a member.

35. Provision for employees on cessation of business

35.1. The directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company.

36. Indemnity and Insurance

36.1. In this Article:

"relevant person" means every director, secretary, member of any of the committees, councils, tribunals or panels or other officer of the Company appointed by the Company and every former director, former secretary, former member of any of the committees, councils, tribunals or panels or other former officer of the Company; and

"relevant loss" means any loss or liability which has been or may be incurred by a relevant person in connection with that director's duties or powers in relation to the Company.

36.2. Subject to Article 36.3, every relevant person shall be indemnified out of the Company's assets against:

- a) any liability incurred by that person in connection with any negligence, default, breach of duty or breach of trust in relation to the Company;
- b) any liability incurred by that person in connection with the activities of the Company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006); and/or
- c) any other liability incurred by that person as an officer of the Company.

- 36.3. Article 36.2 does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.
- 36.4. The directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant person in respect of any relevant loss.



Financial Reporting Council

8th Floor
125 London Wall
London
EC2Y 5AS

+44 (0)20 7492 2300

www.frc.org.uk