

FINANCIAL REPORTING COUNCIL

**Minutes of a meeting of the Regulatory Standards & Codes Committee (the 'Committee')
held at 10am on 14 October 2021 at FRC, 125 London Wall,
London EC2Y 5AS**

PRESENT:	Hannah Nixon John Coomber	Chair Committee member
OBSERVERS:	Clare Cole Mark Holmes	FCA BEIS
SENIOR ADVISORS:	Rosemary Beaver Paul Cox Richard Lawrence	
IN ATTENDANCE:	Mark Babington Anu Bhartiya Maureen Beresford Jenny Carter Claudia Chapman Phil Fitz-Gerald Alex Kuczynski Stephen Maloney David Styles Thomas Toomse-Smith Laura Warren	Executive Director, Regulatory Standards Committee Secretary Head of Corporate Governance (for Minute 4 only) Director, Accounting and Reporting Policy Head of Stewardship (for Minute 4 only) Director, Financial Reporting Lab (for Minute 7 only) Executive Director, Corporate Services and General Counsel Senior Project Director, Accounting & Reporting Policy (for Minute 6 only) Director, Corporate Governance & Stewardship Head of Innovation and Digital (for Minute 7 only) Head of Competition Policy (from Minute 1 to 3.4 only)
APOLOGIES:	None	

1. WELCOME AND DECLARATION OF INTERESTS

1.1 The Chair welcomed everyone to the meeting and noted that the meeting was quorate. The Chair informed that Julia Unwin and Keith Skeoch had stepped down from the Committee roles on 31 August and 11 October 2021 respectively. The Members thanked and acknowledged their contributions to the Committee.

1.2 There were no conflict of interests declared.

2. MINUTES OF MEETING HELD ON 17 JUNE 2021 AND ROLLING ACTION POINTS

2.1 The minutes of the meeting held on 17 June 2021 were approved for publication.

2.2 The Committee noted the Rolling action log.

3. REPORT OF THE EXECUTIVE DIRECTOR, REGULATORY STANDARDS

3.1 The Executive Director of Regulatory Standards provided an update on the report which included:

- Working closely with colleagues from BEIS, HM Treasury and MHCLG/DLUHC on aspects of the reform proposals set out in the government’s white paper;
 - Fast-developing landscape for FRC’s views on Stewardship, Company Purpose, Climate and wider ESG reporting;
 - Division’s strategy and budget for the next three years;
 - Revisions to the FRC Taxonomy Suite 2022;
 - The work of the Pensions Dashboard Estimated Retirement Income Task Force and the FRC’s plan for consultation on potential changes to AS TM1;
- 3.2 The Committee received an update on the work of the Competition team in relation to Compass Lexecon’s work on developing a baseline to use to measure competition in the FTSE 350 audit market. Through discussion, the Committee noted that ARGA would have clear objective of promoting effective competition in the market for statutory audit work.
- 3.3 The Committee briefly discussed the budget and resources for the Division and felt that the budget for actuarial posts may not be enough to meet the contingency of ARGA overseeing regulation of the actuarial profession. Considering the resources being scarce, it was noted that FRC was working with other regulators and ensuring alignment of work and avoiding any risk of duplication, for example as the JFAR had done on ERI.
- 3.4 Through discussion, the Committee noted the plans of procuring local audit services which would include standard setting work in relation to the Code of Audit Practice and associated guidance as well as additional stakeholder engagement work.

4. CORPORATE GOVERNANCE AND STEWARDSHIP

- 4.1 The Committee received an update on this year’s assessment of corporate governance reporting against the UK Corporate Governance Code, review of private company corporate governance statements including the update of reporting against the Wates Principles and the review of stewardship reporting.

Reporting against the UK Corporate Governance Code

- 4.2 The Committee noted that there was an improvement in some areas of reporting against the Code. The report is expected to be delivered during the final week of November 2021.

Reporting against the Wates Principles

- 4.3 The Committee noted that the University of Essex has undertaken a desktop review of private company corporate governance statements. A problem has arisen in identifying all companies that would fall within the scope of the reporting requirements. The Committee noted the FRC is liaising with BEIS to consider the implications of the difficulties in determining companies within scope of regulations. The Committee agreed that the report should be clear about the scope and any issues found.

Stewardship Code

- 4.4 The Committee noted that the publication of the first list of signatories to the Stewardship Code went very well, with extensive positive press coverage in favour of FRC taking a stringent approach to assessment. The Team will be publishing a Review of the Spring 2021 applications in November 2021.
- 4.5 The Committee discussed the proposed approach for differentiating Stewardship Code applications in 2022 (tiering). It was noted that the Team is now in a position to distinguish the features of effective reporting, however any tiering will need to be fair to all applicant and consider reporting in all asset classes. The Team confirmed it would engage with asset owners, asset managers and service providers to before confirming the approach and when this will take effect.

- 4.6 It was reported that the FRC's work in relation to monitoring reporting against the UK Corporate Governance Code and the Stewardship Code was subject to internal audit which would review the effectiveness of FRC's monitoring and assessment arrangements in place to maintain and improve the quality of corporate governance, and stewardship reporting and practice.

5. IAASB SEPTEMBER MEETING HIGHLIGHTS

- 5.1 The Committee received an update on the decisions of the IAASB meeting held in September 2021 which included a discussion on the:
- Group audits standard (ISA 600) that reflects changes based on IAASB's feedback at the June 2021 meeting and respondents' comments related to the Exposure Draft of Proposed ISA 600 (Revised);
 - Final recommendations of the Auditor Reporting Implementation Working Group for the significant themes identified from the information-gathering and research activities arising from the Post-Implementation Review;
 - Analysis of respondents' comments related to the IAASB's Survey Consultation on the proposed Work Plan for 2022-2023 (the amplified emphasis on ESG and Climate was noted); and
 - Updates in respect of the Fraud Project (ISA 240), Audit Evidence and Technology.
- 5.2 The Committee noted that Josephine Jackson is a member of the IAASB and in her role she maintains the FRC's strong relationship with the IAASB and reflects the needs of the UK user community in the development of high-quality international auditing and assurance standards.
- 5.3 In response to a query relating to the interaction of the revisions to ISA 600 and the UK proposals in respect to managed shared audits, it was noted that Josephine is working closely with the FRC's Competition Team to ensure that the revisions to ISA 600 will not be inconsistent with the objectives in respect of managed shared audits.

6. UPDATE ON PERIODIC REVIEW 2022

- 6.1 The Committee received an update on the approach and timetable for the Periodic Review 2022 and noted that a number of successful outreach activities to encourage stakeholder views had been undertaken. The Committee noted that key management project activities had been established and deliberations on a number of key technical areas had commenced. It was reported that the FRC would continue to engage with IASB to monitor and influence their relevant activities as part of the Review.

7. UPDATE ON THE LAB'S PLANNED AND POTENTIAL PROJECTS

- 7.1 The Committee received an update on the Lab activities undertaken since the last Committee meeting, which included the publication of Reporting on stakeholders and Section 172 statements, Reporting on risks, uncertainties, opportunities and scenarios, a snapshot of UK companies' adoption of the SASB framework, and a survey relating to the application of electronic reporting in the UK. The report and snapshot on TCFD current practice would be released in October 2021 and the Lab would commence its project on cyber, digital and data risk and on ESG Data protection. It was suggested that it would be worth contacting the PRA to discuss cyber risk in the CAT testing for insurance companies and Clare Cole would provide a contact at the FCA to help with the cyber, digital and data risk project.
- 7.2 Through discussion, it was reported that the Lab would be celebrating its 10th anniversary in November 2021 and would be issuing an anniversary newsletter including a series of articles and reflections on the Lab's work and impact.

8. REGULATORY STANDARDS & CODES COMMITTEE'S FORWARD PLANNER

8.1 The Committee noted the forward planner.

9. ANY OTHER BUSINESS

9.1 There was none.

10. REVIEW OF THE MEETING

10.1 The Committee members, observers and senior advisors shared their views on the conduct of the meeting and a number of points were made, including:

- Hybrid meetings worked well. However, when joining via video conference, it is difficult to know who is presenting because the user's screen is used for viewing meeting papers. It was agreed that the agenda would include the name of the presenters;
- Sometimes it is felt unsure when to comment; i.e to raise when the point is made or wait until presenter has completed the update;
- Considering the changes that the FRC is going through, it would be helpful to have clarity on the boundaries and scope as to which areas the FRC will be managing.

11. DATE OF NEXT MEETING

The Committee noted that the next meeting would be held on 17 November 2021. It was reported that an Away Day is booked on 9 February depending upon the appointment of new non-executive directors on the Committee.

Chair

Date