

**Minutes of a meeting of the Corporate Reporting Council
held on 5 September 2017 in the FRC Boardroom, 8th Floor, 125 London Wall,
London EC2Y 5AS**

Present:

Paul Druckman	Chairman
Michael-John Albert	Member
Richard Barker	Member
Michael Gallagher	Member
Roger Marshall	Member
Sian Morgan	Member
Liz Murrall	Member
Veronica Poole	Member (from Minute 4)
Mark Smith	Member

Observers:

Alison Ring (HMRC)	
Vicky Rock (HMT)	(from Minute 6)

In attendance:

Anthony Appleton	Director, Accounting & Reporting Policy
Mei Ashelford	Project Director
Anu Bhartiya	Committee Secretary, Corporate Reporting Council
Jenny Carter	Director of UK Accounting Standards
Debbie Crawshawe	Project Director
Phil Fitz-Gerald	Director of Financial Reporting Lab (for Minute 8)
Paul George	Executive Director, Corporate Governance & Reporting
Carol Page	Director of Corporate Reporting Review (for Minute 10)
Susanne Pust Shah	Project Director
Deepa Raval	Project Director

1. Welcome and apologies for absence

The Chairman welcomed everyone to the meeting. Apologies were noted from Council Member Chris Buckley and Observers Seema Jamil-O'Neil (BEIS), Lee Piller (FCA) and Trevor Rushe (IAASA).

2. Declaration of conflicts of interests

2.1 There were none to be reported.

3. Minutes and rolling actions

Minutes of the Corporate Reporting Council meeting held on 18 July 2017

3.1 The minutes of the Corporate Reporting Council meeting held on 18 July 2017 were approved for publication.

Rolling actions

3.2 The matters arising log was noted.

4. IFRS 17 – Education session

4.1 Susanne Pust Shah presented the IFRS 17 accounting requirements to help Council understand the new standard. The presentation covered issues around the aggregation of insurance contracts. The Council discussed the EU endorsement process and the

positions taken on adoption of IFRS 17 in other jurisdictions outside Europe. The discussion involved the FRC's cooperation with EFRAG in respect of EU endorsement and post- Brexit adoption of IFRS 17 in the UK. It was agreed that a further education session will be arranged at a future meeting which will include the topic of 'Contractual service margin'.

5. Chairman's update

5.1 The Chairman reported that the Codes & Standards Committee and the Board had not met since the last meeting of the Corporate Reporting Council. He provided a high level update on the FRC activities including:

- FRC's new mission statement and the launch of a new website to "promote transparency and integrity in business".
- FRC's work with the British Private Equity and Venture Capital Association, Institute of Directors, Confederation of British Industry and Institute for Family Business in developing a code of conduct for private companies, as part of the government's review of boardroom standards.
- Corporate Governance Reforms- stakeholder reaction and media activity.
- Forthcoming FRC events include the Annual General Meeting, FRC Board Away Day and the FRC Governance event.

6. Director of Accounting and Reporting Report

6.1 Anthony Appleton (AA) introduced his report highlighting the further considerations given to the interpretation of the Non-Financial Reporting Regulations and the additional requirements for the strategic report. The considerations had led to some limited changes to the text of the Exposure Draft of the *Guidance on the Strategic Report*, mainly in the areas relating to:

- (i) The audience of the non-financial information (NFI) statement.
- (ii) Whether NFI is a cohesive part of the strategic report rather than a discrete or separable component of the strategic report.
- (iii) Whether the disclosure of principal risks set out in 414CB(2)(d) is distinct from the requirements in section 414C of the Act.

6.2 The Council noted that BEIS had published *The Government response to the green paper consultation* on 29 August. Whilst the main areas of focus in the Government response are consistent with the direction of travel of the consultation on the amendments to the *Guidance on the Strategic Report*, FRC will be considering in more detail the implications for the Guidance as the Government's agenda evolves.

6.3 The Council considered EFRAG's draft letter to the European Commission regarding endorsement of IFRIC interpretation 23 *Uncertainty over Income Tax Treatments*. The Members shared their views on the benefits for preparers and the conclusion on the costs and benefits of the Interpretation. The Council supported the completed invitation to comment as set out in the paper.

6.4 AA provided a brief update on the post Brexit process for adoption of IFRS and noted that the FRC has submitted its analysis of current thinking on the process to BEIS, which has been well received. The paper will be circulated to the Council for information. He reminded the Council that the focus of the endorsement work should be during the development of the standard, with additional consultation in the UK to identify cross industry specific issues and the process to include cost benefit analysis. A paper on this topic had been considered at the Council meeting held in June 2017.

7. IASB Discussion Paper DP/2017/1 Disclosure Initiative – Principles of Disclosure – final draft response

7.1 Debbie Crawshawe (DC) introduced the topic and briefly summarised the themes identified in the paper that was considered at the Council meeting in June 2017. The

Council considered the FRC's draft response to the Discussion Paper and made various observations and suggestions including:

- The initiative is fragmented with many interdependencies between different elements.
- In considering the provision of information necessary to comply with IFRS outside the financial statements through cross referencing documents, it is important that any such documents relate to the same time period, are similarly protected from subsequent changes and available under the same conditions as the annual report.
- With respect to potential technological change, to incorporate reference to the outcomes of the Financial Reporting Lab work on Digital reporting.
- There are challenges with preparers, regulators and standard setters with fragmented approach and disclosure problem.
- Paragraph 16 of the paper in relation to articulation of the objective of financial statements should be reviewed.
- Support for the view that the principles to underpin the use of APMs should be consistent with those in the ESMA guidelines.
- Supporting the inclusion of guidance to help an entity determine whether an accounting policy is material and guidance on materiality of accounting policies would be helpful.

7.2 DC agreed to take the Council's discussion and suggestions into consideration while finalising the FRC's response to the Discussion Paper.

8. Financial Reporting Lab update

8.1 Phil Fitz-Gerald (PFG) provided a brief update on his paper.

Digital Future project

8.2 The framework for digital reporting published in May 2017 sets out the characteristics governing the production, distribution and consumption of such reporting that would be most valued. Since publishing the report a series of roundtables have been held with technology providers to discuss the extent to which their technologies meet these characteristics. A first deep-dive report will shortly be published on XBRL. The Council discussed the concerns relating to various technologies including XBRL, Artificial Intelligence and Blockchain and the challenge of identifying the right technology that would meet the characteristics of good future digital reporting.

Risk and Viability project

8.3 The Lab has found that the introduction of the viability statement in the 2014 update to the UK Corporate Governance Code has led to an increased focus at Board level on risk management. As a result there has been improved risk reporting and more informed discussion with management on risk.

Dividend disclosure implementation

8.4 The implementation study has been completed which shows further development in the disclosure of dividend policy. There has been increased number of FTSE 100 companies that now disclose distributable reserves.

Future Lab projects

8.5 The next planned project is on alternative performance measures, which has been supported by the Lab's Steering group.

9. FRED 67: Triennial Review – Incremental improvements and clarifications – detailed analysis of responses and proposed amendments

9.1 Mei Ashelford (MA) introduced the paper and noted the intention of finalising the amendments in December 2017, giving stakeholders at least one calendar year before they are effective.

Intangible assets acquired in a business combination

- 9.2 The Council discussed the key issues raised by the respondents as set out in paragraph 2.3 of the paper. Following the Council's previous advice to retain the proposed approach of requiring intangible assets to be separated from goodwill when they are separable and arise from legal or contractual rights, with entities permitted to separate more, the Council also supported the proposal of inserting an additional paragraph of guidance as set out in paragraph 2.12 of the paper, highlighting the types of intangible assets that would typically meet and not meet the minimum separation criteria.

Disaggregation of revenue

- 9.3 Considering the negative feedback received on the proposal, the Council supported the view of not incorporating any change in disaggregating revenue.

Directors' remuneration / key management personnel compensation

- 9.4 Jenny Carter (JC) provided a brief update on FRED 67 which proposed introducing an exemption from the requirement to disclose key management personnel (KMP) compensation in total, if KMP and directors are the same. The intention was to reduce the disclosure burden on companies that are also required to disclose directors' remuneration under company law. However, it was noted that the KMP compensation and directors' remuneration are calculated on different bases.
- 9.5 The Council discussed the points raised in response to FRED 67 and the suggestions made by the respondents. The Council advised that the KMP compensation disclosure requirement should remain as there are KMP that are not directors. Due consideration was given to the idea of a reconciliation when KMP compensation is required in addition to directors' remuneration and whether further disclosure would benefit in streamlining the disclosure. The Council advised that no further disclosure or reconciliation should be required.

Fair value measurement guidance

- 9.6 The Council supported the proposal of moving paragraphs 11.27 to 11.32 into a new Appendix to Section 2 *Concepts and Pervasive Principles* in order to improve the usability of FRS 102.

Gift Aid

- 9.7 The Council noted that the earlier proposal of regarding gift aid as a funding commitment, which might be accrued at the reporting date, was tested with UK GAAP TAG members and most of those responding did not agree with the proposal. There were a number of unintended consequences identified.
- 9.8 The Council gave due consideration to the new proposal of an exemption from paragraph 29.14 to allow the tax effects of the gift aid payment to be taken into account in the year to which it relates, despite the payment itself not having been made at the reporting date. The Council felt that this was the most pragmatic solution to address the issue and advised obtaining UK GAAP TAG's view on the proposal before FRED 68 is issued.

10. The work of the Corporate Reporting Review Team

- 10.1 Carol Page (CP) introduced a presentation on the monitoring work of the Corporate Reporting Review (CRR) Team which included a brief background of the Conduct Committee's regulatory framework; the objectives of CRR and the work undertaken to meet those objectives. She also provided a high level summary of the thematic reviews undertaken during the year and the elements of CRR's routine review process.
- 10.2 The Council discussed if there would be any merit in discussing the CRR analysis of its findings. AA explained that the CRR Annual Report is now incorporated into the FRC's

Annual Review of Corporate Reporting. AA agreed to circulate a draft of the Annual Review 2016-17 to Council for information.

11. Any other business

11.1 The Chairman highlighted that the World Standard Setters meeting will be held in London on 25-26 September 2017.

11.2 The Council noted that a conference call in mid-November will be organised to discuss the comments on the consultation on the amendments to the Guidance on the Strategic Report. The Secretary agreed to seek members' availability and arrange a meeting.

12. Date of next meeting

3 October 2017 at 9am.