

January 2021

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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Financial Reporting Council

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Governance Overview

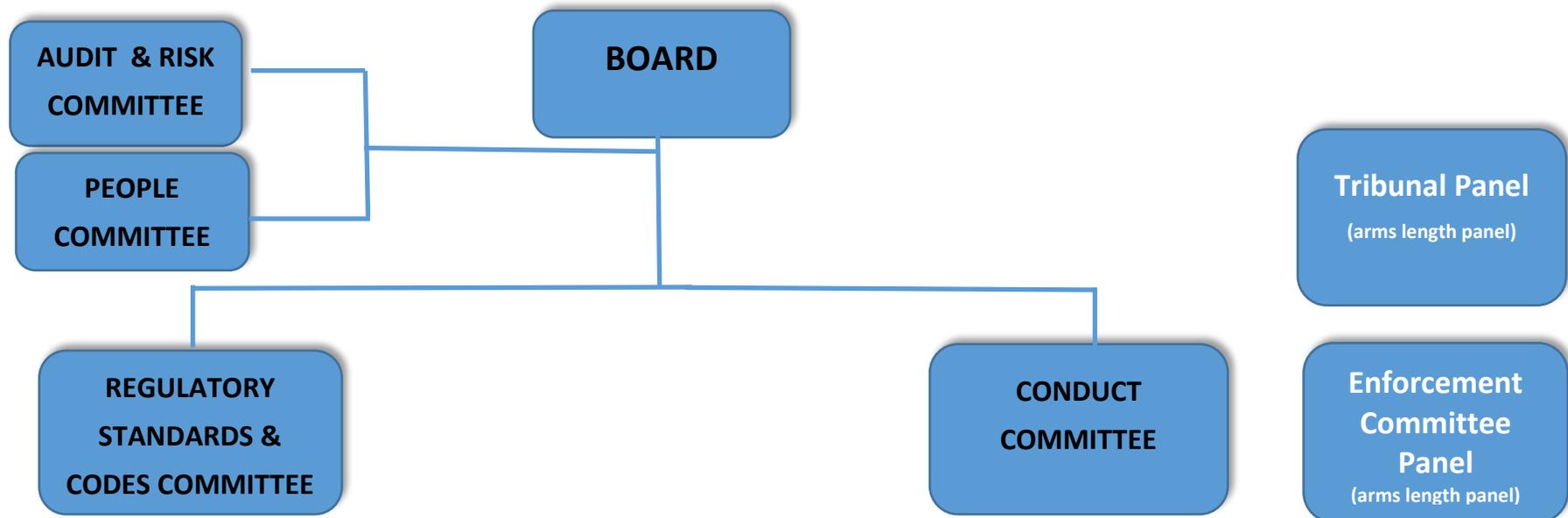
The Board of the Financial Reporting Council (FRC) is made up of Non-executive and Executive Directors and is collectively responsible for the long-term success of the FRC.

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 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 are contained in the terms of reference of its committees. The Schedule of Matters Reserved to the Board indicates the items which 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. Where consideration of any of those matters is delegated to a committee, the final decision will be taken by the full Board following recommendations from that committee.

The Board is supported by two governance committees (Audit & Risk Committee and People Committee) and by two business committees (Regulatory Standards & Codes Committee, and Conduct Committee). 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. The two business committees would be supported by Advisory Panel to provide input on technical matters on project to project basis.

Financial Reporting Council



Advisory Panel

A pool of subject area specialists available to be called on by the Executive / Committees

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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 Codes & Standards 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).

11. MAJOR TRANSACTIONS

- 11.1 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.
- 11.2 Approval of any lease with a term exceeding five years.
- 11.3 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).
- 11.4 Any approvals at 11.1 to 11.3 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.

12. SCHEDULE OF RESERVED MATTERS

- 12.1 *Approval of this schedule of reserved matters.

13. OTHER

- 13.1 Approval of the overall levels of insurance including directors' and officers' liability insurance (Audit & Risk Committee).
- 13.2 Any decision likely to have a material impact on the FRC from any perspective, including, but not limited to, financial, operational, strategic or reputational.

Approved by the Board with effect from 1 January 2021

FRC Board – Audit and Risk Committee

Terms of Reference

1 Purpose

- 1.1 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.
- 1.2 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.
- 1.3 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.

2 Membership

- 2.1 The Audit and Risk Committee is a Committee of, and shall be appointed by, the Board of Directors on the recommendation of the People Committee and in consultation with the Audit and Risk Committee Chair.
- 2.2 Membership of the Committee shall comprise of three members, at least two shall be independent non-executive members of the Board. 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.
- 2.3 To ensure the independence of the Committee the membership of the Committee shall not include the Chairman of the Board, or any executive directors.
- 2.4 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.
- 2.5 Appointments to the Committee shall be initially for three years, with the possibility of reappointment for one further three-year term at the Board's discretion and provided the Director remains independent.

3 Authority

- 3.1 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.

4 Quorum

- 4.1 The quorum for Committee meetings shall be 2 members.
- 4.2 Decisions of the Committee will be taken by the 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.

5 Secretary

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

6 Frequency of Meetings

- 6.1 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.

7 Attendance at Meetings

- 7.1 Only members of the Committee have the right to attend Committee meetings. Other individuals may be invited by the Chair of the Committee to attend all or part of any meeting as and when appropriate.
- 7.2 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.
- 7.3 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.
- 7.4 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.

8 Notice of Meetings

- 8.1 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.
- 8.2 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.

9 Minutes of Meetings

- 9.1 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.

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

10 Responsibilities

10.1 Financial reporting

- (a) The Committee shall:
- (i) receive routine reports on financial performance, including progress against agreed budget and any reforecasting exercises.
 - (ii) 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.
 - (iii) 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.
- (b) The Committee shall 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.
- (c) The Committee shall 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.
- (d) The Committee shall approve unbudgeted capital or operating expenditures in excess of £200,000.

10.2 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.

10.3 Internal audit

The Committee shall:

- (i) consider and challenge the effectiveness of internal and external audit;
- (ii) 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;
- (iii) if the Internal Audit function is in-house, consider and approve the remit of the internal audit function;
- (iv) 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;

- (v) consider promptly all reports from the Internal Auditor;
- (vi) 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;
- (vii) periodically monitor and review the effectiveness of the FRC's Internal Audit function in the context of the FRC's overall risk management system;
- (viii) review annually the independence and effectiveness of the Internal Audit function and ensure that the flow of information is appropriate and timely;
- (ix) 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.
- (x) 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.

10.4 *Internal controls, risk management systems and governance*

The Committee shall:

- (i) 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.
- (ii) 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;
- (iii) 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
- (iv) Review and recommend to the Board the disclosures included in the annual report in relation to internal control and risk management.
- (v) 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.
- (vi) Consider whether the FRC's corporate governance arrangements comply with relevant legal requirements, public body requirements and the UK Corporate Governance Code.
- (vii) 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.
- (viii) 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.
- (ix) Annually review and recommend for Board consideration and approval, proposed material changes to the organisation's risk management framework.
- (x) Notify the Board and Accounting Officer promptly of actual or likely material breaches of risk appetite.

- (xi) Challenge whether executive management has a sound understanding of the organisation's principal and emerging risks.
- (xii) 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.
- (xiii) Review the Internal controls framework and hold individuals to account with appropriate support from the risk management team.

10.5 *Whistleblowing and fraud*

The Committee shall:

- (i) 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;
- (ii) 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;
- (iii) review the FRC's procedures for detecting, responding and preventing fraud;
- (iv) review the FRC's systems and controls for the prevention of bribery and receive reports on non-compliance.

10.6 *External Audit*

The Committee shall:

- (i) 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;
- (ii) oversee the selection process for new auditors; and
- (iii) if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (iv) 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;
- (v) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (vi) 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;
- (vii) review, and recommend to the Board, any representation letter(s) requested by the external auditor before they are signed;
- (viii) review the management letter and management's response to the auditor's findings and recommendations;
- (ix) 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;
- (x) ensure that auditor rotation and/or retendering is undertaken in a manner consistent with the FRC's own guidance and applicable standards;
- (xi) 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.

10.7 *Other*

The Committee shall:

- (i) Assess the FRC's procedures for business continuity planning and disaster recovery;
- (ii) Consider other topics, and oversee other activities, as directed by the Board or suggested by the Accounting Officer.

11 Reporting Responsibilities

- 11.1 The Chair of the Committee will provide an update (written or oral) to the Board and Accounting Officer after each meeting.
- 11.2 The Committee shall report on its activities and on the frequency of, and attendance by members at, Committee meetings in the FRC Annual Report taking into account the matters outlined in the FRC's own guidance, in a manner consistent with such guidance.
- 11.3 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.
- 11.4 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.

12 Other

The Committee shall:

- 12.1 Oversee the coordination of the internal and external auditors.
- 12.2 The Committee and the Board shall, at least once a year, review the effectiveness of the Committee through self-assessment or external review.
- 12.3 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.

Approved by the Board with effect from 1 January 2021.

FRC Board – People Committee

Terms of Reference

Purpose

The purpose of the People 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 People 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 People Committee (“the Committee”) is a formal sub-Committee of the Board.
- 1.2. Membership shall comprise a minimum of three independent non-executive directors, appointed by the Board.
- 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. The Board Director designated with responsibility for staff engagement shall serve as a member of the People Committee.
- 1.5. Appointments to the People Committee shall be for a period of up to three years, which may be extended for additional terms in line with the member’s appointment to the Board, provided the director remains independent. Termination of a Board member’s term on the Board will also result in the termination of their membership of the People Committee.
- 1.6. Only members of the Committee have the right to attend Committee meetings. However, other post-holders and external advisors may be invited by the Committee Chair to attend all or part of any meeting, as and when appropriate.
- 1.7. 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. Secretary

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

3. Frequency of meetings

- 3.1. 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.

4. Quorum

- 4.1. 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.

5. Notice period

- 5.1. Meetings of the Committee shall be convened by the Secretary at the request of any of its members.
- 5.2. 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.

6. Authority

- 6.1. 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.

7. Minutes

- 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. Responsibilities

8.1 *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.
- 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 Conduct and Regulatory Standards & Codes 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 three 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 Procedure 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.

8.2 *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.
- 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. Receive regular high-level updates from the Executive regarding staff matters¹.

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

8.3 *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.

8.4 *Conflict management*

- a. Review the disclosed interests of members of the FRC Board and its committees every four months, 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.

8.5 *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.
- 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.

9. Reporting

The People Committee shall:

- 9.1. 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.
- 9.2. Provide a report on the activities and decisions taken by the Committee during the reporting period within the FRC's Annual Report.
- 9.3. 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.
- 9.4. 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.
- 9.5. 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.

10 Other

- 10.1 The Committee and the Board shall, at least once a year, review the effectiveness of the People Committee.

Approved by the Board with effect from 1 January 2021.

FRC Board – Regulatory Standards & Codes Committee

Terms of Reference

1. 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, SORPs, Practice Notes and Codes for corporate governance, stewardship, audit and assurance, actuarial, and corporate reporting work.

2. Membership

2.1 The Committee is a formal business Committee of the Board.

2.2 Members of the Committee shall be appointed by the FRC Board of Directors. Membership shall comprise:

- The Chair of the Committee
- Other non-executive Directors of the FRC

2.2 The Committee shall have a majority of members who are not practising accountants, auditors and/or actuaries and no member shall be:

- a) a member of the Conduct Committee;
- b) a practising auditor or an individual who has during the previous 3 years
 - 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.
- d) an officer of any of the accountancy or actuarial professional bodies.

3. Quorum

3.1 A meeting shall be quorate when at least 60% of the total membership of the Committee are in attendance. Attendance is considered to be the ability able to hear, speak and vote at the same time as other members.

3.2 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.

4. Secretary

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

5. Frequency of Meetings

The Committee shall meet as required to fulfil its remit and at least four times a year 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.

6. Attendance at Meetings

Only members of the Committee shall have the right to attend Committee meetings. However, the relevant executive director and policy director will normally be invited to attend all Committee meetings and other individuals including Senior Advisors or members of Advisory Panel and external advisers may be invited to attend all or part of any meeting as and when appropriate. Observers may be invited to meetings.

7. Notice of Meetings

Meetings of the Committee shall be convened by the Secretary at the request of any of its members. 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 and any other person required to attend, no later than 5 working days before the date of the meeting.

8. Minutes of Meetings

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 to the Board and, following approval, published on the FRC website.

9. Responsibilities

The 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) Advising the FRC Board on the FRC’s oversight of the UK Endorsement Board;
- i) Identifying the current, emerging and potential risks, assessing risks and recommending the adequacy of actions to mitigate those risks;
- j) Providing input to the development of FRC Annual Plan and Budget and FRC strategy including the implementation of the workplan 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.

10. Reporting Responsibilities

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.

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.

11. Other

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

Approved by the FRC Board with effect from 1 January 2021.

FRC Board – Conduct Committee

Terms of Reference

Purpose

The Conduct Committee (the 'Committee') shall be responsible for oversight 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.

The Committee will also provide strategic input and constructive challenge to the FRC's supervision and monitoring activities, identifying key areas of risk and monitoring the progress of operating plans.

1. Membership

- 1.1. The Committee is a formal business Committee of the Board.
- 1.2. Membership shall comprise of up to ten members, which shall include:
 - a. Chair of the Conduct Committee who shall be a non-executive member of the Board.
 - b. Other non-executive Directors of the FRC Board.
 - c. Other Committee members appointed by the People Committee with the use of an independent assessor.
- 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 Conduct Committee shall be for a period of up to three years. Termination of a non-executive Board member's term on the Board will also result in the termination of their membership of the Conduct Committee.
- 1.5. The Committee shall have a majority of members who are not practising accountants, auditors and/or actuaries and no member shall be:
 - a. a member of the Regulatory Standards & Codes Committee;
 - b. practising auditor or an individual who has during the previous 3 years has:
 - 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; or
 - c. an officer of any of the accountancy or actuarial professional bodies.
- 1.6. 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.
- 1.7. 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.

2. Secretary

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

3. Frequency of Meetings

- 3.1. The Committee shall meet as required to fulfil its remit and will meet no less than 8 times within each calendar year.
- 3.2. The Committee may consider and decide urgent matters through correspondence.

4. Quorum

- 4.1. A meeting shall be quorate when at least 60% of the total membership of the Committee are in attendance. Attendance is considered to be the ability able to hear, speak and vote at the same time as other members.
- 4.2. Only members of the Committee shall have the right to vote.
- 4.3. 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.

5. Notice of Meetings

- 5.1. Meetings of the Committee shall be convened by the Secretary at the request of any of its members.
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue/electronic platform, time and date, together with an agenda of items to be discussed and supporting papers, 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.

6. Minutes of Meetings

- 6.1. 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.
- 6.2. Written resolutions of the Committee shall be recorded by the Secretary.
- 6.3. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

7. Responsibilities

7.1 Matters reserved to the Committee

The Committee shall

- a. Exercise the 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.
- b. Maintain the Conduct Committee operating procedures for reviewing corporate reporting.

7.2 Matters delegated to the Committee by the FRC Board

The Committee shall:

- a. Oversee the FRC's supervisory, monitoring and enforcement work in line with FRC's mission to promote transparency and integrity in business.
- b. Oversee the executive's monitoring of compliance with the conditions of the delegation arrangements with each recognised supervisory body (RSB) under SATCAR16.
- c. Oversee the executive's monitoring of compliance with the requirements of the Companies Act 2006 by each (RSB) and recognised qualifying body (RQB).
- d. Advise the FRC Board on its exercise of the functions of the competent authority under SATCAR16 including on the delegation of tasks to the RSBs or their removal or retention.
- e. 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 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
 - v. the maintenance and exercise of the arrangements necessary to supervise the Auditors General.
- f. Advise the FRC Board on the approach to be taken to non-statutory oversight of the actuarial and accountancy professions.
- g. Exercise those functions delegated to the Conduct Committee in accordance with the Accountancy and Actuarial Schemes, the Auditor Regulatory Sanctions Procedure, Crown Dependency Auditor Regulatory Sanctions Procedure and the Audit Enforcement Procedure.
- h. Exercise those functions delegated to the Conduct 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.
- i. Advise the FRC Board on the publication of annual public reports of the FRC's conduct and supervisory activities.
- j. Consider and respond to requests for advice from the Regulatory Codes & Standards Committee.
- k. Appoint members of the Enforcement Committee.
- l. Approve operating plans governing the FRC's supervisory, monitoring and enforcement activities and oversee the quality of work and delivery of the plan.
- m. Set strategic goals for the FRC's supervisory, monitoring and enforcement work, including by identifying the main areas of risk that need to be addressed.
- n. Approve audit monitoring public reports on individual firms.

- o. Oversee investigation progression against milestones.
- p. Review requests from firms to reconsider AQR gradings and decide on the final grading assessment.
- q. Approve any plans for thematic studies and the publication of any findings from such work.
- r. Perform such other functions as shall be determined by the Board from time to time.

8. Reporting Responsibilities

- 8.1. The Committee shall report to the Secretary of State on the exercise of the 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.
- 8.2. The Committee Chair shall report to the Board:
 - a. on the Committee's proceedings including any enforcement decisions at each Board meeting;
 - b. on the Committee's oversight of enforcement matters including its oversight of the progress of current investigations on a quarterly basis;
 - c. on the FRC's monitoring work at least two times a year; and
 - d. on the other matters reserved to and delegated to the Committee at least two times a year.
- 8.3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit.
- 8.4. 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.

9. Other

- 9.1. 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 January 2021.

Financial Reporting Council - Code of Conduct

Introduction

This document sets out a code of conduct for members of the Board of the Financial Reporting Council Limited, all members of the Board committees, Senior Advisors, members of Advisory Panel and members of the Enforcement Committee Panel and Tribunal Panel (collectively known as 'Members'). 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).

The Code applies to Members in the conduct and context of their appointment to or by the FRC (**appointment**).

General principles

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;
- Be accountable to the FRC's stakeholders, to the public and where appropriate, Parliament for the activities of the FRC;
- 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;
- 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 individual members

Individual members should be aware of their wider responsibilities as members.

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 to declare to the chair of their Committee or the Governance Team or the FRC Chair as appropriate and the Company Secretary 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; and
- Ensure that they comply with the Confidentiality requirements set out below.

Conflicts of Interest

General Principles

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

1. By maintaining and enforcing this policy we aim to ensure that you understand and declare conflicts of interest so that the FRC can identify and manage conflicts of interest. This will reduce the risk to ensure that actual and perceived conflicts do not affect or appear to affect decisions made by the FRC. In doing so we will protect the integrity of our regulatory decisions, assure the public in general and our regulated constituency that we regulate fairly and impartially. This policy therefore explains: What a conflict of interest is, and the three main examples of how they can arise (financial interests, personal relationships and previous employment);
2. The cooling off period for previous employments
3. Exceptions to the policy; and
4. What actions you need to take as a member of staff or non-executive member and as a manager or Board / relevant Secretary.

The policy is supported by procedures and additional guidance as set out in Appendix 2.

We all have individual responsibility to recognise, declare and manage conflicts of interests in order to protect fair and impartial decision making.

- **All staff must complete and keep updated the online conflicts of interest declaration** through the system maintained by HR².
- **Non-executives must complete a declaration of interest form.** Each member is responsible for keeping their declaration of interest up to date. Any changes should be notified to the Governance Team³.

1. What is a conflict of interest?

A conflict of interest may arise when your work could be affected by your personal financial matters or a close personal relationship, by a personal interest of you or your close family or any other close personal relationship with an individual or organisation including previous employment.

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.

Principles:

- Be open and act with honesty and integrity
- Be transparent about interests and relationships which could influence judgement
- Be objective in all decision-making, personal interests should never influence decisions at work.
- 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 **Identify, Monitor and Manage** any actual or potential conflicts of interest

² Currently the XCD system for staff members. A register of Non-Executive Member interests is separately held by the Governance Team.

³ thegovernanceteam@frc.org.uk

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

- a direct or indirect 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 the information or issue in question
- an expectation of a future interest (for example, future employment, or future financial benefit)
- a relevant interest of an immediate family member
- a previous association or employment with an entity affected by the information or issue in question.
- an interest arising from a common interest grouping, such as a membership of a professional [accountancy] body, trade association or other public or private society.
- An external appointment, which includes directorships whether remunerated or not

This list is not exhaustive, nor will all of the examples necessarily give rise to significant 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.

You should, therefore, have regard to the additional guidance and, where in any doubt, consult with your line manager or Board/Committee Chair or the Governance Team in the first instance.

Financial Interests:

Employees and non-executives are asked to disclose their financial interests, 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 an employee or non-executive stands 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.

For further information on what may be considered to be a direct or indirect financial interest please refer to the Additional Guidance.

Personal Relationships:

Conflicts of interest can arise from many different personal relationships. The most obvious ones are spouse or partner, any cohabiting children or other dependent family member, close friends or business associate. 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 with your line manager or Board/Committee Chair or the Governance Team as a matter of urgency.

You should not work on matters or regulatory decisions where members of your family or other personal relationships could reasonably give rise to an actual or perceived conflict of interests in relation to: – a specific decision in which you are involved – your work more generally, given your role and that of the individual and their organisation in question.

You should declare any personal relationships with individuals in organisations subject to Regulatory oversight by the FRC as soon as you become aware of this.

Previous Employment/roles:

The FRC is able to take action against audit firms, auditors, accountants, listed companies and Public Interest Entities. 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. Employees and Non-Executives who are working on regulatory issues/decisions should not work on a project/be party to a decision relating to a previous employer until they have completed a 5 year 'cooling off period'.

2. Cooling Off Periods

Other than Enforcement Committee Members (see below) if you have worked for or had a role in an audit firm or a legacy firm you are subject to a minimum 'cooling off' period of 5 years. If you, your managers or Board/Committee Chair 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 limited.

*Members of the FRC Tribunal Panel and Enforcement Committee are independently appointed to determine sanctions under our enforcement procedures. Therefore, and in order to safeguard fair and due process they may not participate in any decisions regarding a person or entity giving rise to a potential conflict (therefore the cooling off period does not apply to these members regardless of the length of time of or since the employments or appointment giving rise to the conflict).

Enforcement Committee members are not able to benefit from the 'cooling off' period. They may not have any involvement in a decision relating to a previous employer, regardless of the length of time of their employment or appointment at the FRC.

Any deviation from this cooling off period should be handled carefully and, in the case of employees only undertaken in conjunction with agreement from line managers and agreed by a member of the Executive Committee. For non-executives' agreement should be from the Committee/Board Chair.

In such circumstances XCD, project files and files held by the Governance Team should be noted appropriately.

3. 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 disclosed and the Executive Committee informed.

For Additional Information on Exemptions please refer to the Additional Guidance.

Breaches of this Policy:

The policy must be followed by all staff and non-executives. Any concerns or breaches must be identified and reported as soon as the breach or risk becomes apparent to your manager, or the Governance Team in the first instance.

Reporting of any breaches or possible breaches is the responsibility of both individuals and collectively. By notifying your manager quickly the breach may be dealt with effectively and action taken to minimise the impact to reduce the effect on both the organisation and individuals.

Breaches of this policy could pose a serious risk to the reputation of the individual involved and the FRC and your terms of employment/appointment require you to comply with the policy and failure to do so resulting in such action as the FRC considers appropriate in the circumstances, this may result in disciplinary action, dismissal or termination of appointment.

4. What you should do: Identify, Monitor and Manage

IDENTIFY

Employees:

- On appointment all employees must disclose any conflicts or potential conflicts on the XCD Database.
- As soon as any new potential conflict becomes apparent act swiftly, tell your manager and update the database. (for example, if a family member begins working at an audit firm)
- If you think you may be conflicted as the project progresses remove yourself immediately and discuss with your manager.
- If you have concerns about other employees being conflicted discuss with your manager in confidence.
- If you are unsure whether you may be conflicted discuss with your manager or with the Governance Team/ethics officer

Managers⁴:

- On appointment of new members of the team discuss conflicts of interest and highlight the requirement for everyone to be responsible for disclosing and updating information.
- Ensure team members understand the policy and how it affects them on a daily basis.
- Note employee disclosures on the database.
- Ask HR to run reports as required to consider the make-up of the team.

Non-executives:

- As part of the recruitment process non-executives will be asked to declare any conflicts, or potential conflicts on a two-part Register of Interests Declaration Form as set out in Appendix 3.

MONITOR

Employees:

- Confirm annually that you have read the policy and that the information held regarding conflicts is true and accurate.
- Complete a compliance statement which asserts that each individual has complied with the policy for the year.
- During the year update your details as necessary should your circumstances change, and new conflicts or potential conflicts are identified.
- Ensure that you consider any changes in your personal circumstances in relation to your role. For example, dependent children's employment or investments, or a change or role of a family member.
- Consider 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.

Manager:

- Ensure all team members annually reaffirm their conflicts of information and declare no new issues have been identified.
- Assess the make-up of your team to ensure that there is a broad spread of backgrounds to compensate for individuals that are conflicted or subject to the 5 year 'cooling off' period.
- Be aware when team members reach the end of the 'cooling off period' and discuss whether they are content and whether it is appropriate to work on projects where they would otherwise have been conflicted.
- Monitor changes to individual circumstances and make sure they are input into XCD in a timely manner.

Non-executives:

- Each Non-Executive 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.

⁴ Or the Governance Team in the case of Non-Executive Member conflicts

- You are under a duty to consider and declare your interests should a potential conflict of interest come to light following the circulation of meeting agendas or papers or during a discussion at a meeting.
- Review and confirm your declaration form annually.

MANAGE

Employees:

- When working on cases that will lead to potential enforcement action declare prior to taking on the role that you are not conflicted.
- Be aware of your surroundings – do not openly discuss cases when conflicted team members or others are within ear shot.
- Consider the information you have access to within your role. Such information should not be used for your benefit. For example, informing investment decisions.

Managers:

- 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. (for example, remove team members from meetings when they are conflicted).
- If you wish to propose someone for a project where a conflict has been identified, consider the reasons why and consult and seek agreement from your manager.
- Note when your team members reach the 5-year cooling off period.
- Ensure that you have signed copies of any declaration forms attached to specific projects prior to individuals beginning work on the project.
- The Governance Team should ensure that agenda items papers for meetings are not circulated to non-execs with a declared conflict on specific matters.

Non-Executives:

- Non-Executives should remove themselves from discussions and decision making where they have a conflict of interest or perceived conflict of interest. This should normally take the form of not being in the room for specific agenda items, at Panel or Committee or Board level.
- If you receive a paper in relation to a matter you consider to have an interest in you should not review the paper, disregard any contents and immediately notify the Board/relevant Secretary so that arrangements can be made to remove you from circulation lists that relate to the matter.

Hospitality and gifts

General principles

Members are likely to be offered, and may need to give, gifts and hospitality in their capacity as a member. It is important for members to know and understand the work and issues facing the FRC's stakeholders, so the FRC encourages networking which contributes to improving this knowledge and understanding as well as the relationships with stakeholders.

However, special care must be exercised before accepting gifts or hospitality that could give grounds for suggestions of undue influence. If in any doubt, you should consult with your Chair and/or the FRC Company Secretary before accepting any gift or hospitality or decline the gift or hospitality.

Current UK legislation on bribery applies to the FRC, its staff and members. A bribe is 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 member to offer, promise or give a bribe to another person, or to request or agree to receive or accept a bribe from another person. In addition, 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.

Members must not

- bribe another person, which includes offering, promising or giving financial or other advantage; or

- accept a bribe, which includes requesting, agreeing to receive or accepting financial or other advantage; or
- facilitate or condone an act of bribery.

Disclosure of Gifts and Hospitality

You are responsible for ensuring that you accurately record any gifts or hospitality you receive, give or decline in your capacity as a Member of the FRC. If you forget to register a gift or hospitality please do so as soon as possible. Better a late entry than not at all. Gifts and hospitality disclosures will be published on a quarterly basis.

The FRC Company Secretary

- will ensure that an adequate system is in place for recording gifts and hospitality;
- may request more information from members on the registered gifts and hospitality to ensure compliance with the policy;
- will monitor compliance with the Code and report annually to the Audit & Risk Committee; and
- will ensure that the published Gifts and Hospitality Register is updated on a quarterly basis.

Gifts

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

- (a) Where refusal would cause offence or embarrassment, and when the value is modest (with a RRP of less than £30), a gift may be accepted and should be recorded in the Register. Any such gifts may be shared with colleagues or donated to charity.
- (b) Smaller gifts, for example those often handed out at conferences, such as pens and diaries, which usually cost less than £5 and are essentially marketing tools, may be accepted and need not be recorded in the Register.
- (c) High value gifts and cash or retail vouchers must never be accepted and the refused gift should be recorded in the Register.

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 organised by a stakeholder, can be accepted provided it meets the general principles above. Such hospitality should be included in the Register regardless of the value.
- (c) Any offer of entertainment that might be seen as excessive, as putting the recipient under an obligation, as offered to influence a procurement or regulatory decision, is in doubtful taste or is 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. Any gifts and/or hospitality should be dealt with in accordance with the provisions above.

Confidentiality and the Use of Information

All information acquired by members in the exercise of their functions as members during their appointment is confidential to the FRC. Members must comply with all FRC information policies in effect from time to time. 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.

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 January 2021.

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

Conflicts of Interest – Additional Guidance

Disclosure Requirements:

Employees with a direct financial interest 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.

Financial Interests

Employees are asked to disclose their financial interests and those of individuals they have close personal relationships within any organisation that could be subject to work of the regulator. Where a member of staff or their family or friends stand to benefit in some way from the information that they gain as part of their employment they should not take part.

Financial interests which are likely to lead to a conflict are:

- A direct holding of securities or related investments in an organisation such as a listed company. A direct holding 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.
- Financial arrangements such as pensions and insurance policies if the provider of the investment could be subject to FRC enforcement action including membership of an audit firm pension scheme.
- Other Indirect financial interests need not be declared unless the provider of the indirect investment is subject to FRC enforcement action. Examples of indirect investments include:
 - units or interests in collective investment schemes or holdings in investment trusts or managed funds, bonds, where investments are made and managed by professional managers in a significant number of enterprises without the member's involvement in investment decisions;
 - securities held under arrangements where the investment decisions are made by a professional investment manager, such as a stockbroker or bank, who has absolute discretion as to the purchase, sale and management of the investments and where the member has no involvement in such decisions. The following financial interests need not 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.
- Any other financial relationship if it could reasonably be considered a potential conflict of interests. This includes deferred remuneration 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.

Non-executive members

Non-executive members are asked to declare their own financial interests, and those of individuals with which they have a close personal relationship, within Part B of their Declarations of Interest Form, except from any membership of an audit firm pension scheme which should be declared within Part A and will be published on the Register of Interests.

Financial interests which members are asked to declare include:

a. Direct securities

All direct shares, stocks, debentures or bonds over the value of £5,000 either in the UK or overseas.

You are not required to declare the value of these securities.

Please indicate the type of holding.

- e.g. Tesla Inc – Shares
 Bellway plc – Shares
 Boots UK Ltd - Shares
 Lloyds Banking Group plc – Employee share scheme
 Intu properties plc – Debenture stock

b. Investment vehicles holding indirect securities

Any investment vehicles/funds which manage securities over the value of £5,000 on your behalf. This includes ISAs, SIPPs, VCTs, trackers and other funds and trusts.

You are not required to declare the value of these investments.

You are not required to provide a list of the investments managed by the investment vehicle.

- e.g. Embark Group SIPP
 Octopus Titan VCT
 Murray International Investment Trust
 Royal Bank of Scotland ISA

c. Pensions

Any company pension schemes you are part of as a current or former employee.

Please indicate the type of pension.

Please note that if you are part of an audit firm pension scheme this *should be disclosed within Section A* and will be included on the published register.

- e.g. Morgan Stanley - defined benefit pension scheme
 Dyson Ltd – defined contribution pension scheme
 Deloitte - defined benefit pension scheme (*this would be a Part A disclosure*)

We would expect those directly acting in a supervision or enforcement case handling activity or decision-making role take a closer interest in scheme investments than individuals not subject to such decision making.

Declarations should be made to the extent that:

- You are or should reasonably be aware of the entity receiving the investment; and
- A person, internally or externally, might reasonably believe there is a risk of your case handling activity or decision making, being inappropriately influenced.

Personal Relationships

Conflicts of interest can arise from many different personal relationships. These may include spouse or partner, any cohabiting children or other dependent family member, close friends or business associate (including directors from other boards on which the staff members or non-executive also serve) who is employed by, or is otherwise connected with, an entity which is subject to the work of the regulator.

Matters to consider when forming a view on a individual case include:

- The nature of the matter and a staff member/non-executives proposed involvement, whether it is in a potentially contentious area such as monitoring or enforcement
- The precise role and seniority of the member's family member, close friend or business associate
- The potential impact on the member's work on their family member, close friend or business associate
- The likelihood that the member will learn confidential information which may impact on their family member, close friend or business associate (e.g. that the entity is about to make redundancies, or is in financial difficulties)

Previous Employment

The following approach should be followed for past employment.

Audit Firm: If you have worked at an audit firm you must consider your position carefully when working on matters that could lead to regulatory action. Previous employment at a firm and a legacy firm must be declared. Previous employment at a UK Audit firm overseas should be declared and discussed with your line manager to determine an appropriate cooling off period. Individuals working in AQR, AFMAS, and Enforcement should not engage in projects where they have been employed by an audit firm at least 5 years after leaving employment.

Company: If you have worked for a company that is or could be subject to a review or investigation you should not work on the project or remove yourself immediately and inform your manager of the conflict. You should disclose any previous employment in UK listed companies, AIM companies and those designated as Public Interest Entities, or any other entity within the scope of the FRC's regulatory remit.

Membership of a professional body: You should disclose current and previous membership along with any employment with a professional body and depending on your role within the organisation you may be subject to restrictions on the projects you can undertake. For example – oversight of accountancy bodies.

Other Regulators: if you have worked at another regulator eg PRA, FCA, HMRC, SFO or similar you may have been party to information that could influence your work or that of colleagues. You must disclose – where possible and subject to any earlier confidentiality agreements, any prior regulatory knowledge of a firm or company that the FCA regulates with your line manager to discuss your role in any projects.

External Interests

Employees must disclose any external appointment of themselves or of those that they have close personal relationships with this could also include directorships whether remunerated or not.

Other disclosures include:

- membership of a professional body or trade union;
- membership of public bodies (hospital trusts, governing bodies of universities, colleges and schools, and local authorities),
- trusteeships (of museums, galleries and similar bodies),
- acting as an office holder or trustee for pressure groups, trade unions and voluntary or not-for-profit organisations;
- consultancy or advisory roles where they involve advisory or other services relevant to the responsibilities of the Regulator

Such appointments themselves will not automatically remove individuals from working on projects but should be disclosed to ensure full transparency.

Management Oversight

Managers should be subject to the same cooling off period as team members. When overseeing work of the team, managers and directors need to determine whether they could be considered conflicted and take appropriate action. There may be occasions when oversight of the team's work leads to managers considering issues associated to with a legacy firm. In such cases additional oversight from the Executive Director or another member of the Executive Committee may be appropriate. In such cases both the project file and XCD should be noted and signed off by a senior manager.

Exceptions

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.

Confidentiality

Non-public information obtained as part of your role should not be discussed externally. Exceptions may be agreed for parent and partner organisations for example BEIS, FCA INSS, or when information is being exchanged as part of an agreed legal gateway. Any other exceptions should be agreed on a case by case basis.

Before disclosing non-public material obtained through work to others within the FRC, staff should consult with their line manager. Senior managers prior approval may be required before disclosing the material more widely.

Record Keeping

All conflicts of interest information for employees should be disclosed on XCD system.

Individual information should be updated as and when new conflicts arise either for themselves or as a result of personal relationships.

Individuals must confirm annually that the information held is correct, [and confirm that the work they undertook was in line with policy for the previous year].

Information on XCD will be compliant with GDPR rules.

Managers may ask HR to run reports on conflicts information held within a team to help them allocate projects and plan recruitment.

Teams may decide to add additional information to project files/information to confirm the conflicts of interest information for those individuals working on the project. This approach may be beneficial for AQR, CRR and Enforcement work.

For example

Non-Executives are asked to declare their conflicts and potential conflicts on a two part Register of Interests Declaration form. Part A of the form includes all external appointments, membership

of any audit firm pension schemes, membership of professional bodies and any declarations in respect of close personal relationships. Part A is published on the FRC website.

Part B of the form covers direct and indirect financial interests. This is not published on the FRC website.

Future Employment

If an employee applies for a role in a company, they should consider the impact of the application and how this could be perceived. For example, an informal chat about a prospective role is unlikely to lead to a perceived conflict of interest, however reaching the final stages in a recruitment process could lead to third parties questioning whether an individual may have a conflict. In such cases individuals should discuss in confidence with their manager or the Governance Team.

If an employee is successful in securing a role in a company this may be perceived as a conflict of interest. In such circumstances the individual declares the conflict and inform their manager immediately and appropriate action taken to manage any conflicts. This could range from having work reviewed to being removed from a project or the team to undertake different duties

In some circumstances, the FRC's reputation could be damaged by a non-executive/member of staff joining an entity it regulates after leaving the FRC. There may be a perception, for example, that a soft line has been taken whilst in office to benefit that entity. This is particularly sensitive in relation to entities that are directly regulated by the FRC. Appointments to positions in audit firms or the professional bodies should therefore be notified and considered by the Committee Chair or the staff member's manager for six months after that individual has left the FRC.

External Appointments

It is important that the staff and non-executives uphold the FRC's principles in relation to corporate governance and corporate behaviour. Therefore, organisations that staff and non-executives are associated with should also be seen to uphold those principles. The FRC expects staff and members to give careful thought when considering accepting any other appointments/directorships/consultancy roles, including any potential reputational risk to the FRC.

It is particularly important that members consider the risks to the FRC if they or the company whose governance structure they are a member of, or are to join, depart from the UK Corporate Governance Code (where applicable). In the event of shortcomings that are not being addressed, the People Committee will consider carefully whether a non-executive should remain on the FRC Board/Committee or Panel.

If a non-executive (or member of staff) has a role in an organisation that is through the have breached legislation, regulations or codes or standards in other areas, such as corporate reporting, and there are reasonable grounds to suspect that the individual was to some degree responsible, the individual may be asked to stand down.

A non-executive will be asked to resign if he/she is under formal investigation by the regulator or another regulatory body in relation to corporate governance and/or reporting matters. Investigations into other matters will be considered on a case by case basis.

Recruitment

When recruiting all managers should work closely with HR to minimise recruiting individuals who will have a conflict that cannot be managed within the team. This may include rejecting applicants on this basis or restricting applicants from some organisations.

Training

All staff should attend an appropriate training course either web based or 'in house' and attest that this has been undertaken within 3 months of taking up employment.

Roles and Responsibilities:

Governance Team – Role

- Responsible for setting standards and expectations in relation to conflicts of interest and maintaining and keeping policies and processes under review.
- Provides appropriate support for the organisation including organizing or leading training materials.
- Is available to support employees at all times but particularly at the point of attestation and when changes are notified by individuals
- Work closely with HR who are responsible for the XCD system and requesting organisation wide reports as necessary.
- Works alongside Managers to agree any exemptions to the policy.
- Provides quarterly reports to ExCo on numbers of conflicted employees, how they are conflicted, eg financial conflict, past employment or other. Updates on any exemptions given.

Managers

The Executive Committee should support the policy and set the tone from the top, ensuring that managers have the time to ensure that all employees understand and follow the conflicts of interest policy.

Managers should be the first point of contact for employees to raise issues and concerns.

HR Role

HR will host the disclosures and at the request of managers, the Exco run required reports.

Such reports can be at team level, division level or organisation level.

HR will not be responsible for chasing annual confirmation statements.

Enforcement

Management information will help enforce the policy. Individuals are responsible for disclosing information and managers responsible for encouraging them to do so, including any nil returns.

Individuals who refuse to participate should be subject to appropriate action.

Individuals who do not offer full disclosure in a timely manner will be considered to be in breach of the policy.

Training will be compulsory for all staff. If modules are online appropriate certificates should be printed off to demonstrate completion to a satisfactory standard.

Training should be updated every 3 years.

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 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		

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 January 2021).

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– 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;

“**chairman**” has the meaning given in Article 12.2;

“**chairman of the meeting**” has the meaning given in Article 32.2;

“**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 **Regulatory Standards and Codes Committee**” has the meaning given to it in Article 16.1;

“**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 17.1;

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

“**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;

“**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 0, 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.

8.5 Headings are inserted for convenience only and do not affect the construction of these Articles.

2. Liability of members

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:

payment of the Company’s debts and liabilities contracted before he ceases to be a member;

payment of the costs, charges and expenses of winding up; and adjustment of the rights of the contributories among themselves.

3. Company’s objects

The Company’s objects are:

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;

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;

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 2016⁵ 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 2016⁶ 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;
- (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:
 - i. the investigation of, and the bringing of disciplinary proceedings against, accountancy members and member firms and actuarial members; and
 - ii. the charging of costs, levying of fines and imposition of any other sanctions in accordance with such proceedings.

⁵ as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019

⁶ as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019

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.

- Directors

Directors' Powers and Responsibilities

4. Board composition

4.1 The Board shall comprise:

the Chair;

the Deputy Chair;

the Chief Executive;

the chair of the Regulatory Standards and Codes Committee;

the chair of the Conduct Committee,

and other non-executive directors appointed in accordance with Article 5.

5. Appointment of directors

Appointment by the Board

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

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

appoint or re-appoint any director as the Chairman, Deputy Chairman or Chief Executive whether or not for a specified period and

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:

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

no director so appointed may be an individual who in the three years prior to such appointment has:

(iv) been a practising auditor; or

(v) held voting rights in an audit firm; or

(vi) 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;

no director so appointed may be an office holder of an accountancy or actuarial body; and

it shall not appoint any person to the office of Chair or Deputy 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:

is removed from office pursuant to the provisions of Articles 5.1 above;

resigns his or her office by notice in writing received at the registered office of the Company;

ceases to be a member of the Company;

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

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:

the Company only has one director; and

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:

its proposed date and time;

where it is to take place; and

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:

the meeting has been called and takes place in accordance with these Articles, and

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 chairman 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 may be fixed from time to time by a decision of the directors, but unless otherwise fixed it is seven save 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, in which event the quorum shall be two thirds of the total number of directors holding office at that time.

11.3 If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision to invite the Secretary of State to consider the appointment of further directors.

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 Deputy Chair 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, the directors present may appoint one of their number to be chairman of the meeting.

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

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:

- assess and review whether the Company has met its objectives over the past year; and
- 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, where any function or power of the Company is not required by law to be performed or exercised by the directors, 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;

- recommend strategic direction to the Board;
- provide day to day oversight of the work of the FRC, its operational policies and the protection of the Company's reputation;
- advise the Board on the budget, business plan, Board agenda and management of the organisation; and
- perform such other functions as shall be determined by the Board from time to time.
- The Chief Executive may convene a Committee of senior Executives to advise and support him in the fulfillment of his responsibilities.

14.3 If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.

14.4 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.

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 two principal committees of the Board shall to be the Regulatory Standards and Codes 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 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.

16.2 The Regulatory Standards and Codes Committee is established for the purpose of approving and overseeing on behalf of the Board high quality, effective and proportionate regulatory standards and codes for corporate governance, stewardship, audit and assurance, actuarial and corporate reporting work, including:

- development and maintenance of regulatory standards and codes;
- approving policies for the development of regulatory standards and codes;
- approving the issue of consultation documents and reviewing and recommending final standards and codes to the Board for approval;
- advising the FRC Board on recognition of SORP-making bodies and amendments to Charities SORP statement;
- advising the FRC Board on the FRC's oversight of the UK Endorsement Board;
- Identifying and assessing the current, emerging and potential risks to the quality of corporate governance and stewardship in the UK and the adequacy of actions to mitigate those risks
- approving the issue and maintenance of FRC taxonomies, including for consultation;
- 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:

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; or
- (iv) is an officer of any of the accountancy or actuarial professional bodies.

17.2 The Conduct Committee is established for the purpose of:

- 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;
- overseeing the Company's conduct work promoting high quality corporate governance and reporting;
- approving operating plans governing the Company's conduct activities and overseeing the quality of work and delivery of the plan;
- setting strategic goals for the Company's supervisory, monitoring and disciplinary work, including by identifying the main areas of risk that need to be addressed;
- setting standards for the quality of supervisory work and the criteria to be applied in regulatory decisions;
- monitoring the progress of disciplinary activities;
- and shall perform such other functions as shall be prescribed to it by law or by the Board from time to time.

18 Continuity of operations

18.1 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.

Conflicts of interest

19 Authorisation

19.1 The Board shall have power and shall be enabled, subject to and in accordance with this Article 19.1, 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 to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

19.2 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).

19.3 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.

19.4 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.

19.5 A director shall not be in breach of the general duties he owes to the Company under the Companies Acts by virtue of the fact that pursuant to the terms of an Authorisation he:

absents himself 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

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 his behalf,

for so long as he reasonably believes the matter to which the Authorisation relates subsists.

19.6 The Company may by ordinary resolution suspend or relax the provisions of this Article 19 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 19.

20 Matters not requiring an Authorisation

20.1 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 he has disclosed (by notice in writing to the Company or at a Board meeting) the nature and extent of any material interest of his, a director notwithstanding his office:

may act by himself or through a firm or other business entity in a professional capacity to the Company (except that of auditor) and he or such firm or other entity shall be entitled to remuneration for professional services as if he were not a director;

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.

21 Participation in decision-making

21.1 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.

22 No obligation to account

22.1 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 22.1 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.

23 General

23.1 For the purposes of Articles 19 to 22 (inclusive), references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.

23.2 Subject to Article 23.3, 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 chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.

23.3 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

24 Records of decisions to be kept

24.1 The directors shall cause minutes to be made in books provided for the purpose:

of all appointments and termination of appointments of officers;

of the names of the persons present at each meeting of the directors and of any committee;
and

of all resolutions and proceedings at all meetings of the Company, and of the directors, and of committees.

24.2 In respect of any committees the directors shall cause minutes to be made in books provided for the purpose of all appointments and termination of appointments of the committee members.

25 Directors' discretion to make further rules

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.

26 Directors' remuneration

26.1 Directors are entitled to such remuneration as the Secretary of State determines

for their services to the Company as directors.

26.2 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.

26.3 Unless the directors decide otherwise, directors' remuneration accrues from day to day.

27 Directors' expenses

The Company may pay any reasonable expenses which the directors or any secretary properly incur in connection with their attendance at:

meetings of directors or committees of directors; or

general meetings,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

- Members

28 Members of the Company

28.1 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.

28.2 No other person may become a member of the Company.

28.3 Membership of the Company shall not be transferable or transmissible.

28.4 Membership of the Company shall cease:

upon a member ceasing (for whatever reason) to be a director of the Company; or

upon a member delivering to the Company's registered office written notice of the termination of his membership.

29 Annual General Meeting

29.1 The Company shall hold in each calendar year a general meeting as its annual general meeting in addition to any other general meetings in that year, and shall specify the meeting as such in any notices calling it. The business of the annual general meeting shall include the laying of the statutory accounts before the members and appointing the auditors of the Company.

29.2 An annual general meeting must be called by at least 14 clear days' notice, and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next.

Organisation of General Meetings

30 Attendance and speaking at general meetings

30.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

30.2 A person is able to exercise the right to vote at a general meeting when:

that person is able to vote, during the meeting, on resolutions put to the vote at the meeting;
and

that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

30.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

30.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

30.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

31 Quorum for general meetings

31.1 No business is to be transacted at a general meeting if the persons attending it at the time when the meeting proceeds to business do not constitute a quorum.

31.2 Five members present in person or by proxy shall be a quorum.

32 Chairing general meetings

32.1 The Chair shall preside as chair at every general meeting of the Company, or if he or she is not present within 15 minutes after the time appointed for the holding of the meeting or is unwilling to act, the directors present shall elect one of their number to be chair of the meeting.

32.2 The person chairing a meeting in accordance with this Article is referred to as "the chairman of the meeting".

33 Attendance and speaking by directors and non-members

33.1 Directors may attend and speak at general meetings, whether or not they are members.

33.2 The chairman of the meeting may permit other persons who are not members of the Company to attend and speak at a general meeting.

34 Adjournment

34.1 If the persons attending a general meeting within 15 minutes of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the meeting shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and at such other time and place as the directors may determine, and if at the adjourned meeting a quorum is not present within 15 minutes from the time appointed for the meeting the member or members present shall be a quorum..

34.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if:

the meeting consents to an adjournment; or

it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

34.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

34.4 When adjourning a general meeting, the chairman of the meeting must:

either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors; and

have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

34.5 If the continuation of an adjourned meeting is to take place 30 days or more after it was adjourned, notice of the adjourned meeting shall be given as in the case of an original meeting.

34.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

Postponement of General Meetings

34.7 If the directors in their absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the meeting, they may change the place of or postpone the general meeting or do both of these things by giving notice of such postponement not less than three clear days before the date previously specified for that meeting. The provisions of this Article shall also apply in respect of any re-arranged meeting.

Voting at General Meetings

35 Voting: general

35.1 A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with these Articles.

35.2 Unless a poll is so demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried or carried unanimously or by a particular majority or lost or not carried and an entry to that effect in the book containing the minutes of proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

36 Errors and disputes

36.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

36.2 Any such objection must be referred to the chairman of the meeting whose decision is final.

37 Amendments to resolutions

37.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:

notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine); and

the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.

37.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:

the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and

the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

37.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

Written Resolutions

37.4 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.

– Administrative Arrangements

38 Means of communication to be used

38.1 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.

38.2 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.

38.3 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.

39 Notices to members

39.1 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

39.2 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

39.3 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;

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;

the notice must have been issued in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators 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)

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.

39.4 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.

Recipients

39.5 Notice of every general meeting shall be given in any manner hereinbefore authorised to every, member, except those members who (having no registered address within the United Kingdom) have not supplied to the Company an address within the United Kingdom for the giving of notices to them, and to the auditor for the time being of the Company. No other person shall be entitled to receive notices of general meetings.

39.6 For the purposes of this Article 39 no account shall be taken of any part of a day that is not a working day.

40 Secretary

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.

41 No right to inspect accounts and other records

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.

42 Provision for employees on cessation of business

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.

43 Indemnity and Insurance

43.1 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.

43.2 Subject to Article 43.3, every relevant person shall be indemnified out of the Company's assets against:

any liability incurred by that person in connection with any negligence, default, breach of duty or breach of trust in relation to the Company;

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

any other liability incurred by that person as an officer of the Company.

43.3 Article 43.2 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.

43.4 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.



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