

Minutes of a meeting of the Corporate Reporting Council held on 11 September 2018 in the FRC Boardroom, 8th Floor, 125 London Wall, London EC2Y 5AS

Present:

Paul Druckman	Chairman
Michael-John Albert	Member
Michael Gallagher	Member (via teleconference)
Liz Murrall	Member
Veronica Poole	Member (from Minute 1 to 8.3)
Mark Smith	Member

Observers:

Lee Piller (FCA)
Mark Young (HMRC)
Trevor Rushe (IAASA)

In attendance:

Anthony Appleton	Director, Accounting & Reporting Policy
Mei Ashelford	Project Director
Anu Bhartiya	Committee Secretary, Corporate Reporting Council
Jenny Carter	Director of UK Accounting Standards
Debbie Crawshawe	Project Director
Annette Davis	Project Director
Paul George	Executive Director, Corporate Governance & Reporting
Andrew Lennard	Director of Research
Deepa Raval	Director of Narrative Reporting
Susan Pust Shah	Project Director

1. Welcome and apologies for absence

The Chairman welcomed everyone to the meeting and in particular Mark Young who was deputising for Alison Ring (HMRC). Apologies were noted from Council Members Richard Barker, Chris Buckley, Roger Marshall and Sian Morgan and Council Observer Ian Bulmer (HM Treasury) and Seema Jamil-O'Neil (BEIS).

2. Declaration of conflicts of interests

- 2.1 Liz Murrall, Director of Stewardship and Reporting of the Investment Association, declared an interest in the item 'SORP Policy' as the Investment Association is a SORP-making body.
- 2.2 Veronica Poole declared an interest in the appointment of Robert Carroll as a member of UK GAAP TAG. Robert works in the team led by Veronica.

3. Minutes of the last meeting

Minutes of the Corporate Reporting Council meeting held on 27 June 2018 and 5 July 2018

- 3.1 The minutes of the Corporate Reporting Council meetings held on 27 June 2018 and 5 July 2018 were approved for publication.

Rolling actions

- 3.2 The matters arising log was noted.

4. Update from the Chairman

- 4.1 The Chairman reported that there had been no meetings of the FRC Board since the last meeting of the Corporate Reporting Council. He provided an update on other wider matters relating to the FRC which included:

- The FRC's submission to the call for evidence in respect of Sir John Kingman's independent review of the FRC;
 - The resignation of Melanie Hind, Executive Director of Audit and Actuarial Regulation;
 - The upcoming FRC board meeting on 19 September 2018 and the FRC AGM on 17 October 2018;
 - Public body status of the FRC;
 - The upcoming FRC projects - 'Future of Audit' and 'Future of Corporate Reporting';
 - Review of the Stewardship Code;
 - Culture of Social Impact Investing in the UK.
- 4.2 The Council received an update on Government's thinking in relation to the IFRS endorsement process post-Brexit and the creation of a UK IFRS Endorsement Board that would sit within the FRC. The update included an insight into a number of operational matters such as resourcing and appointments process which would require careful consideration.
- 4.3 The Council noted that the consultation on the Wates principles and guidance for governance of large private companies closed on 7 September 2018 and the responses were being analysed.

5. Corporate Reporting Council – Updated Terms of Reference

- 5.1 The paper was taken as read. The Chairman highlighted the key changes to the governance arrangement which included the role of Codes & Standards Committee narrowed to Corporate Governance Code and the Stewardship Code and the Council's advice being provided to the Executive, rather than the FRC Board, on the development of standards and guidance. The Council noted that the changes were aimed to enhance the FRC's agility and speed of process in decision making by reducing the levels of governance review, advice or approval of material.
- 5.2 In response to a query relating to any measures in place in relation to possible anomalies in the Council's advice to the FRC's Executive and the Executive presenting the proposals to the Board, it was clarified that in such circumstances, the Council Chair will report material differences and concerns to the Board.
- 5.3 A Council Member welcomed the reformed model of removing the additional layer of approval of matters by Codes & Standards Committee which made the Council more empowered and closer to the FRC Board in the decision-making process.
- 5.4 In response to a query relating to the Codes & Standards Committee retaining the responsibility of appointing Council members, it was noted that this would be revisited once the work of the Stewardship Code and Sir John Kingman's independent review of the FRC are completed.
- 5.5 Following a query in respect of the definition of 'practising members of the accounting profession' as set out in the terms of reference, it was clarified that it included members practicing in an accountancy firm as opposed to financial director or a lecturer in a university.

6. Director of Accounting and Reporting

- 6.1 Mr Appleton introduced his report which provided an update on developments relating to financial reporting, wider corporate reporting and other FRC matters not covered elsewhere on the agenda. The updates included:
- The FRC's application to the Accounting Standard Advisory Forum (ASAF) for membership, which has been made in light of Brexit. The Council noted that once the IFRS Endorsement Board is set up, the Chair of the Board or the most senior member of its secretariat will be the member of the ASAF.

- An overview of a number of issues relating to IFRS 17 *Insurance Contracts* that the EFRAG Board has presented to the IASB.
- 6.2 The Council considered and supported the FRC's response to the Invitation to comment on EFRAG's assessments on *Amendments to references to the Conceptual Framework in IFRS Standards* which supports the adoption of the amendments.

FRC Future of Corporate Reporting project

- 6.3 Mr Appleton provided an update on the Executive's initial thoughts on the themes that the project would explore which included the purpose of the annual report, information needs of investors and other stakeholders, non-financial / sustainability reporting and role of technology. It is intended that the project would also examine the need for assurance over any new forms of reporting. It was noted that the project plan would be presented to the Council for discussion at the October 2018 meeting. The Council was invited to share their initial views on the proposed themes of the project. Through discussion, a range of views and suggestions were made including:
- It would be useful to segregate the project into mini-projects with timescales so that it is achievable.
 - The project outcome could set out series of recommendations for statutory changes. However, the intention is to identify the areas of corporate reporting that could be changed. Care would be taken to ensure that the deliverables are pragmatic and achievable.
 - One of the aims of the project is to publish a thought leadership paper in 2019 to further stimulate debate on subjects and themes. However, the Council suggested that there are already some thought leadership publications in the market in relation to corporate reporting. It would be useful to review those publications to avoid duplication of studies.
 - Preliminary Announcements are important to stakeholders and the project would include such studies.
 - Consideration should be given to the developments in capital markets of the rest of the world to ensure that the outcomes of the project are not detrimental to the UK capital market.
 - The project would be supported by an advisory group, comprising of members that can provide different perspectives on wider corporate reporting. Stephen Haddrill would be chairing the group.
- 6.4 The Council Members present agreed to appoint Robert Carroll as a member of UK GAAP TAG. Veronica Poole did not vote. (Secretary's after meeting note: The terms of reference of the Council require 60% of membership as quorum for meetings. Since only five members present at the meeting agreed to this proposal, further support was obtained via email from other Council members to validate the vote).
- 6.5 The Council agreed with the FRC's response to the IFRS Foundation on Exposure Draft amending the terms of appointment for the IFRS Foundation trustee chair and vice-chairs.
- 7. Director of Research Report**
- 7.1 The report was taken as read.
- 7.2 Mr Lennard informed that the agenda for the Academic Panel meeting on 6 November 2018 is not yet finalised. The Council noted that the agenda might include topics in relation to Intangibles and The Future of Corporate Reporting project. All Council members were invited to attend the meeting.
- 7.3 In response to a query in relation to the reaction on the FRC's presentation on *Intangibles* at the IFASS meeting in April 2018, it was reported that, although some participants were muted in their response as their remit did not extend outside the financial statements, the presentation was well received.

8. Charities SORP

- 8.1 Mrs Ashelford provided an update on the key issues raised from the Charity SORP-making body's consultation on the proposed draft Update Bulletin 2 updating the Charities SORP for amendments to FRS 102 Triennial Review 2017.
- 8.2 The Council noted that the Executive is satisfied that the Update Bulletin amends the SORP appropriately for the Triennial Review 2017 Amendments and that due process has been correctly followed. On that basis, the Council agreed to provide its advice on the Update Bulletin.
- 8.3 The Council noted that the Updated Bulletin would be presented to the Board for approval at its meeting on 19 September 2018.

9. SORP Policy

- 9.1 Mrs Carter reported that the draft revised SORP Policy was shared with the SORP-making bodies and discussed at the annual SORP-making bodies meeting on 10 September 2018. The Council noted the improvements made to the Policy which included:
- the clarity of the requirements around engagement with stakeholders;
 - the clarity of FRC observer status when the SORP-making body has a two-tier structure;
 - requirements for retention of consultation responses in line with GDPR policies;
 - updating the section on FRC Governance underpinning the recent governance changes.
- 9.2 The Council noted the feedback from the SORP-making bodies relating to SORP-making body governance and the requirement to aim to publish responses to formal consultations as soon as possible and within 10 working days of receipt. A Council Member queried the drafting relating to FRC observer status and Mrs Carter agreed to review the terminology for clarity.
- 9.3 The Council supported the changes presented in the updated SORP Policy.

10. Financial Instruments with Characteristics of Equity: Educational session

- 10.1 Mr Lennard gave a presentation on this topic which summarised the concepts relevant to the distinction between debt and equity and relate them to the IASB's Discussion Paper *Financial Instruments with Characteristics of Equity*. The Council noted that the Discussion Paper rejects a fundamental review of the underlying concepts of distinguishing between liabilities and equity and instead sets out proposals for a 'narrow scope review' of IAS 32.
- 10.2 Through discussion, the Council Members made a number of comments and suggestions that the FRC response should:
- question the scope of the project as suggested in the Discussion Paper; and set out why a fundamental review might be preferable;
 - consider alternative approaches, such as that of FRS 4; and
 - address specific questions both in the context of the approach advocated in the Discussion Paper and under alternative approaches.
- 10.3 It was noted that the Council will discuss the FRC's response to the Discussion Paper at various stages through to the end of 2018. It was noted that future papers will illustrate the impacts of the proposals on a sample of various kinds of instruments
- 10.4 The Chairman thanked Mr Lennard for the presentation, which was found very helpful.

11. Any other business

Given that Council would be meeting less frequently and in anticipation of volume of topics and papers to be considered at meetings, a Council Member suggested circulating papers more than a week in advance.

12. Date of next meeting

The Council noted that the next meeting will take place on 4 October 2018.