

January 2019

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# Governance Bible

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

### Governance Bible

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## **Governance Overview**

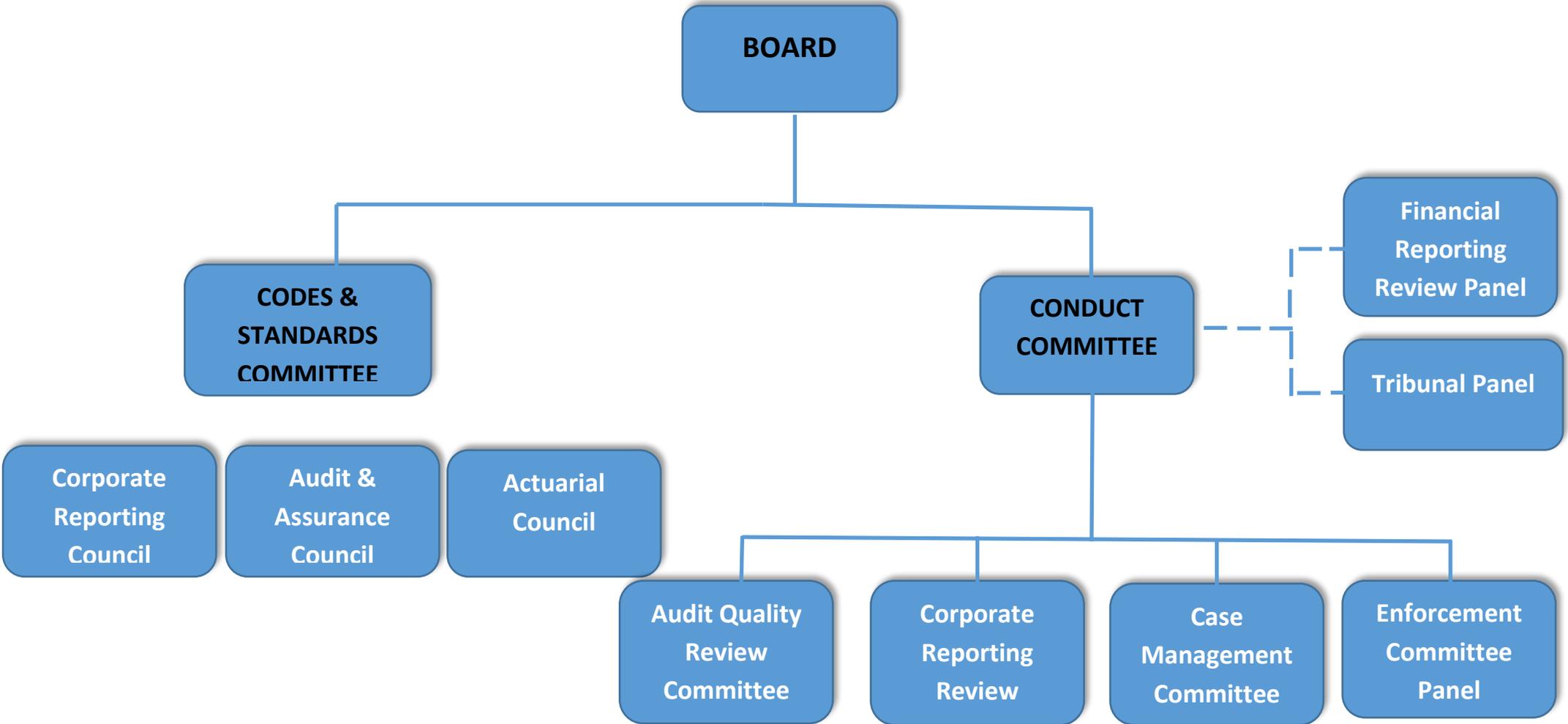
The Board of the Financial Reporting Council (FRC) is made up of Non-executive and Executive Directors and is collectively responsible for the long-term success of the FRC.

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 three governance committees (Audit Committee, Nominations Committee and Remuneration Committee) and by two business committees (Codes & Standards Committee and Conduct Committee). In addition there are three Councils who advise the Executive on Corporate Reporting, Audit & Assurance and Actuarial matters. The CRR Committee, AQR Committee, Enforcement Committee and the Case Management Committee support the work of the Conduct Committee and have specific responsibilities as set out in the FRC's monitoring, review, enforcement and disciplinary procedures. The Financial Reporting Review Panel and the disciplinary Tribunal Panel are maintained pursuant to the Conduct Committee Operating procedures and the FRC's disciplinary and enforcement procedures.

# Financial Reporting Council



## **The Financial Reporting Council Limited**

### **Schedule of Matters Reserved to the Board**

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

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

#### **1. REGULATORY 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 recognition of SORP-making bodies and approval of certain FRC statements on SORPs.
- 1.3 \*The exercise of the functions of the Secretary of State under Part 42 of the Companies Act 2006.
- 1.4 \*The exercise of the functions of the competent authority under the Statutory Audit and Third Country Audit Regulations 2016.
- 1.5 With due regard to the Secretary of State Direction dated 17 June 2016:
  - 1.5.1 \*The delegation and removal of tasks to/from the Recognised Supervisory Bodies;
  - 1.5.2 \*The determination of any matters to be retained by the FRC.
- 1.6 \*The exercise of the functions of the Independent Supervisor appointed under Chapter 3 of Part 42 of the Companies Act 2006.

#### **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 Approval and regular review of the FRC's regulatory approach and Annual/Three Year Plan and Budget.
- 2.4 \*Determination of the nature and extent of the significant risks to the FRC's strategic objectives
- 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 ensuring:
  - 2.5.1 competent and prudent management
  - 2.5.2 sound planning
  - 2.5.3 maintenance of sound management and internal control systems
  - 2.5.4 adequate accounting and other records; and
  - 2.5.5 compliance with statutory and regulatory obligations.
- 2.6 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.
- 2.7 \*Extension of the FRC's activities into new regulatory or geographic areas.
- 2.8 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 these processes; and
  - 4.1.5 Approving an appropriate 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 \*Changes to the structure, size and composition of the Board (Nominations Committee).
- 6.2 \*Appointment and removal of the Directors of the FRC (not including the Chair and Deputy Chair) (Nominations Committee).
- 6.3 \*Approval of the membership of Board committees (Nominations Committee).
- 6.4 Appointment, continuation in office and removal of the co-opted members of the Conduct Committee and Codes & Standards Committee.
- 6.5 Appointment, continuation in office and removal of the members of the Corporate Reporting, Actuarial and Audit & Assurance Councils.
- 6.6 Appointment, continuation in office and removal of the Chairs of the Audit Quality Review Committee, Case Management Committee and Enforcement Committee.
- 6.6 \*Selection and appointment of the Chief Executive (Nominations Committee).
- 6.7 \*Ensuring adequate succession planning for the Board, its committees and senior management (Nominations Committee).
- 6.8 \*Appointment and removal of the Company Secretary (Nominations Committee).
- 6.9 \*Appointment, reappointment or removal of the external auditor to be put to members for approval (Audit Committee).
- 6.10 Approval of the remuneration of the auditors and terms of engagement.

## **7. REMUNERATION**

- 7.1 \*Determination of the remuneration and terms of appointment for the Non-Executive Directors (including the FRC Deputy Chair) (Remuneration Committee).
- 7.2 Determination of the remuneration and terms of appointment for the Executive Directors and the FRC Chair.
- 7.3 Determination of the remuneration for Board committee, sub-committee and council members and for senior executives.
- 7.4 Determination and review of the remuneration policy for the FRC Executive.
- 7.5 Establishing employee and other incentive schemes and any material changes to them.
- 7.6 Major changes to the FRC's pension arrangements, or changes to the fund management arrangements.

## **8. DELEGATION**

- 8.1 \*Approval of the terms of reference of Board committees, sub-committees and councils.
- 8.2 Approval of the scope and extent of any delegations to Directors, Board committees, sub-committees and councils.
- 8.3 \* Receiving reports from the Board Committees on their activities.

## **9. CORPORATE GOVERNANCE MATTERS**

- 9.1 \*Undertaking a formal and rigorous evaluation of its own performance and that of its committees and individual Directors.
- 9.2 \*Determination of the independence of non-executive Directors in the light of their character, judgement and relationships.
- 9.3 \*Review of the FRC's overall corporate governance arrangements, ensuring compliance with the UK Corporate Governance Code where appropriate to the FRC.
- 9.4 \*Authorising conflicts of interest where permitted by the FRC's Articles of Association (Nominations Committee).

## **10. POLICIES**

- 10.1 Approval of policies including:
  - Code of Conduct;
  - Health and safety policy;
  - Human resources policy;
  - Communications policy;
  - Corporate Social Responsibility policy;
  - Bribery prevention policy;
  - Whistleblowing policy.

## **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).

## **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.

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 July 2018.**

## **FRC Board – Audit Committee**

### **Terms of Reference**

#### **1. Membership**

- 1.1 The Audit Committee is a Committee of, and shall be appointed by, the Board of Directors on the recommendation of the Nominations Committee and in consultation with the Audit Committee Chair.
- 1.2 Membership of the Committee shall comprise at least three members, all of whom shall be independent non-executive members of the Board. At least one member of the Committee shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.3 The Audit Committee as a whole shall have competence relevant to corporate governance and reporting and its regulation.
- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the Director remains independent.

#### **2. Authority**

- 2.1 The Committee is authorised:
  - (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 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 perform its duties.

#### **3. Quorum**

- 3.1 The quorum for Committee meetings shall be 2 members.

#### **4. Secretary**

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

#### **5. Frequency of Meetings**

- 5.1 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle, and otherwise as required.

#### **6. Attendance at Meetings**

- 6.1 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.
- 6.2 The external audit lead partner, the Finance Director 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.

6.3 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. Notice of Meetings**

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

7.2 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 and any other person required to attend, no later than 5 working days before the date of the meeting.

## **8. Minutes of Meetings**

8.1 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.

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

## **9. Annual General Meeting**

9.1 The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.

## **10. Responsibilities**

### *10.1 Financial reporting*

(a) The Committee shall monitor the integrity of the financial statements of the FRC, including its annual report and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgments which they contain having regard to the matters communicated to it by the auditor. In addition, the Committee will review key matters on their own initiative.

(b) The Committee shall review and challenge where necessary:

- (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the FRC;
- (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
- (iii) whether the FRC has adopted appropriate accounting policies and made appropriate estimates and judgments, taking into account the views of the external auditor;
- (iv) the clarity of disclosures in the FRC's financial reports and the context in which statements are made;
- (v) the appropriateness of the going concern basis of accounting and the disclosure of any related uncertainties; and

- (vi) all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management).
- (c) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the FRC, it shall report its views to the Board.

#### 10.2 *Narrative reporting*

- (a) The Committee shall review the content of the annual report and accounts including the viability statement 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 controls and risk management systems*

- (a) The Committee shall:
  - (i) 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;
  - (ii) 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
  - (iii) review and recommend to the Board the disclosures included in the annual report in relation to internal control, risk management and the viability statement.

#### 10.4 *Whistleblowing and fraud*

- (a) 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 annual reports on any concerns 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 fraud;
  - (iv) review the FRC's systems and controls for the prevention of bribery and receive reports on non-compliance.

#### 10.5 *Internal audit*

- (a) The Committee shall:
  - (i) consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the annual report;
  - (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) consider and approve the remit or terms of reference of the internal audit function;

- (iv) annually approve the internal audit programme and consider the major findings of internal audit reviews and management's response;
- (v) periodically monitor and review the effectiveness of the FRC's internal audit function in the context of the FRC's overall risk management system;
- (vi) review annually the reporting systems of the Internal Audit function and ensure that the flow of information is appropriate and timely.

#### 10.6 External Audit

- (a) 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 their 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, the level of fees paid by the FRC compared to the overall fee income of the firm, office and partner and other related requirements;
    - 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, if applicable;
  - (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 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; and
  - (x) ensure that auditor rotation and/or retendering is undertaken in a manner consistent with the FRC's own guidance and applicable standards.

## **11. Reporting Responsibilities**

- 11.1 The Chair of the Committee shall report on its activities to the Board. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 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 the Committee in the FRC Annual Report.

## **12. Other**

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

**Approved by the FRC Board with effect from 17 June 2016**

## **FRC Board – Nominations Committee**

### **Terms of Reference**

#### **1. Membership**

- 1.1 The Nominations Committee shall be appointed by the Board and shall comprise the FRC Chair and Deputy Chair and the Chairs of the Conduct Committee, the Codes & Standards Committee, the Audit Committee and the Remuneration Committee.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive will be invited to attend all meetings and other individuals may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the Director remains independent.
- 1.4 The Committee will be chaired by the FRC Chair or the Deputy Chair if the Chair is conflicted.

#### **2. Quorum**

- 2.1 The quorum for Committee meetings shall be 3 members, a majority of whom should not be Secretary of State appointees.

#### **3. Authority**

- 3.1 The Committee is authorised by the Board to investigate any activity within its terms of reference.
- 3.2 The Committee at the FRC's expense is authorised to appoint, employ or retain outside legal or other professional advisors, as the Committee within its terms of reference may consider appropriate. Any such appointment shall be made through the Secretary to the Committee, who shall be responsible for the contractual arrangements and payment of fees by the FRC on behalf of the Committee.

#### **4. Secretary**

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

#### **5. Frequency of Meetings**

- 5.1 The Committee shall meet as required at the call of the Chair but not less than twice a year.

#### **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be convened by the Secretary at the request of the Chair.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be

forwarded to each member of the Committee and any other person required to attend, no later than 5 working days before the date of the meeting.

## **7. Minutes of Meetings**

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

## **8. Annual General Meeting**

- 8.1 The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.

## **9. Responsibilities**

- 9.1 The Committee shall:

- a) Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and its Conduct and Codes & Standards Committees and make recommendations to the Board. The Committee's review will include consideration of the number of former partners of audit firms which undertake Public Interest Entity audits to ensure that no more than 20% of the Board or Committees is comprised of such individuals;
- b) Give full consideration to succession planning for the Board and its Committees and other senior executives in the course of its work, taking into account the challenges and opportunities facing the FRC, and the skills and expertise required;
- c) Appoint an independent assessor, who will not be a practising or former statutory auditor, to lead the process for identifying to the Board the appointments of Directors of the FRC (except for the Chair and Deputy Chair who are appointed by the Secretary of State), and to make the nomination of Directors to the Board. Members of the Committee will be involved in the short listing and interviewing process but the nomination to the Board will be made by the independent assessor who will also report on whether the members of the Committee participating in the process support the nomination;
- d) Appoint an independent assessor to assist with the selection of candidates for appointment to the Conduct and Codes & Standards Committee. (In the event that the Committee agrees that, in all the circumstances, it would be appropriate to select candidates for appointment without appointing an independent assessor it may do so but should make a note of its reasons). No candidate nominated in accordance with the paragraph may serve on both the Conduct Committee and the Codes & Standards Committee;
- e) Be responsible for identifying and nominating to the Board the reappointments of Directors of the FRC (except for the Chair and Deputy Chair who are appointed by the Secretary of State) and the appointment and reappointment of co-opted members of the Conduct and Codes & Standards Committees with the involvement of an independent assessor;
- f) Before commencing the process for selection for an appointment to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of that evaluation, prepare a description of the role, the selection

criteria and capabilities required for a particular appointment including an assessment of the time commitment expected. Any candidate nominated for appointment to the Board by the independent assessor should be knowledgeable in the areas relevant to statutory audit and should be required to disclose any other interests that may result in a conflict of interest and be required to report any future interests that could result in a conflict of interest;

- g) Use open advertising and/or the services of external advisers to facilitate the identification of suitable candidates from a wide range of backgrounds;
- h) Consider candidates from a wide range of backgrounds on merit against objective criteria and with due regard for the benefits of diversity on the board, including gender, taking care that appointees have enough time available to devote to the appointment;
- i) Receive notifications of proposed other appointments being considered by Board members and members of the Conduct and Codes & Standards Committee and consider and comment upon whether acceptance of the proposed appointment gives rise to any conflict of interest and/or risk of reputational damage to the FRC;
- j) Approve the selection process for members of the Case Management, Enforcement, AQR and CRR Committees and Corporate Reporting, Audit & Assurance and Actuarial Councils including oversight of the job specification and anticipated time commitment, the search and selection process;
- k) Oversee the selection process of the FRC's General Counsel & Company Secretary, Executive Counsel, the Convener to the FRC's Accountancy and Actuarial Schemes, the Auditor Regulatory Sanctions Procedure and the Audit Enforcement Procedure;
- l) Receive notifications from the Chief Executive of proposed appointments to any committee of senior Executives convened by him to assist with his responsibilities delegated by the Board;
- m) Appoint the appointments committee under the Actuarial and Accountancy Disciplinary Schemes, the Auditor Regulatory Sanctions Procedure and the Audit Enforcement Procedure;
- n) Ensure that on appointment all Board, Committee and Council members receive a formal letter of appointment setting out what is expected of them in terms of time commitment;
- o) Keep up to date and fully informed about regulatory strategic issues affecting the FRC and the environment in which it operates;
- p) Keep under review the leadership and technical requirements of the FRC with a view to ensuring the continued ability to regulate effectively;
- q) Review the results of the performance evaluation process that relate to the composition of the Board and findings identified pertaining the Committee's performance, remit and effectiveness;
- r) Review annually the time required by the non-executive directors to assess if they continue to have the time commitment to fulfill their duties;
- s) Consider the continued appointment of any Board or Committee member following referral of a matter to the Committee by the Chairman or otherwise and where there

is a potential conflict of interests or a potential impact on the reputation of the FRC;

- t) Work and liaise with other Committees as necessary;
- u) Ensure that a Register of the Interests is maintained as set out in the provisions of the Code of Conduct which may apply from time to time and review the totality of declarations included in the Register of Interests every four months.

9.2 The Committee shall also make recommendations to the Board concerning:

- a) Formulating plans for succession for both executive and non-executive directors in particular for the key roles of chairman and chief executive;
- b) Membership of the Audit and Remuneration Committees, and any Board committees as appropriate, in consultation with the chair of that committee;
- c) The re-appointment of any non-executive director at the conclusion of their specified term of office having due regard to their performance and ability to continue to contribute to the board in the light of their knowledge, skills and experience required;
- d) The appointment of any director to executive or other office;
- e) Any matter relating to continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the FRC subject to the provisions of the law and their service contract;
- f) The appointment of any executive director to external offices and keep under review the number of external appointments.

## **10. Reporting Responsibilities**

10.1 The Committee Chairman shall report on its activities to the Board at each Board meeting which follows a Committee meeting.

10.2 The Committee shall report on its activities, on the frequency of, and attendance by members at, Committee meetings in the FRC's Annual Report and the process used to make appointments and explain if external advice or open advertising has not been used. Where an external search agency has been used, it shall be identified in the annual report and a statement made as to whether it has any connection with the FRC. The Committee's report should include a statement of the Board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy and progress on achieving those objectives.

## **11. Other**

11.1 The Committee and the Board shall, at least once a year, review the effectiveness of the Nominations Committee.

**Approved by the Board with effect from 1 July 2018.**

## **FRC Board – Remuneration Committee**

### **Terms of Reference**

#### **1. Membership**

- 1.1 The Remuneration Committee is a Committee of, and shall be appointed by, the Board on the recommendation of the Nominations Committee and in consultation with the Remuneration Committee Chair.
- 1.2 Membership of the Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The Chair of the Board may serve on the Committee if he or she was considered independent on appointment as the Chair but shall not be the Chair of the Committee.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the Director remains independent.

#### **2. Authority**

- 2.1 The Committee is authorised:
- a) to investigate any matter within its terms of reference;
  - b) to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary;
  - c) to obtain any other outside independent professional advice, including legal advice, on any matter within its terms of reference;
  - d) to seek any information it requires from any employee of the FRC in order to perform its duties.

#### **3. Quorum**

- 3.1 The quorum for Committee meetings shall be 2 members.

#### **4. Secretary**

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

#### **5. Frequency of Meetings**

- 5.1 The Committee shall meet at least twice a year at appropriate times in the annual cycle, and otherwise as required.

#### **6. Attendance at Meetings**

- 6.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the head of Human Resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

#### **7. Notice of Meetings**

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

## **8. Minutes of Meetings**

- 8.1 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.

## **9. Annual General Meeting**

- 9.1 The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.

## **10. Responsibilities**

- 10.1 The Committee shall:

### *FRC Directors and senior executives*

- a) determine and agree with the Board the framework or broad policy for the remuneration of the FRC Chair, Chief Executive, the Executive Directors, the General Counsel & Company Secretary and the Executive Counsel and such other members of the FRC executive management as it is designated to consider;
- b) in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to ensure that members of the executive management of the FRC are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the FRC;
- c) in determining the remuneration policy for the Chief Executive and Executive Directors, review and have regard to the remuneration trends across the FRC;
- d) review the ongoing appropriateness and relevance of the remuneration policy;
- e) within the terms of the agreed policy and in consultation with the FRC Chair and/or Chief Executive as appropriate, recommend to the Board the total individual remuneration package (including any bonuses) of the Chief Executive, the Executive Directors and other members of the Executive Committee. No member of the Executive Committee shall be involved in any decisions as to their own remuneration and/or present when the Board determines executive remuneration;
- f) review and make recommendations to the Board on the remuneration of the Chair and non-executive Directors. The determination of the remuneration of non-executive directors is a matter reserved to the Board. The Board also determines the remuneration of the Chair. No Director or senior executive shall be involved in any decisions as to their own remuneration;
- g) determine the policy for, and scope of, pension arrangements for the Chief Executive, the Executive Directors and other designated senior executives;
- h) ensure that contractual terms on termination, and any payments made, are fair to the individual and the FRC, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- i) agree the policy for authorising claims for expenses from the Directors;

### *Committee, sub-committee and Council members*

- j) determine and keep under review the annual fees paid to the co-opted members of the Conduct and Codes & Standards Committees and the members of the Corporate

Reporting, Audit & Assurance and Actuarial Councils and the AQR, CRR and Case Management and Enforcement Committees;

*FRC Staff*

- k) determine annually the framework or broad policy for the remuneration of the FRC staff and approve the total cost of the remuneration review;
- l) oversee any major changes in employee benefits structures throughout the FRC;
- m) approve the design of, and determine targets for, any performance related pay schemes operated by the FRC and approve the total annual payments made under such schemes;

*Other*

- n) obtain reliable, up-to-date information about remuneration in other companies and organisations to inform the exercise of the responsibilities detailed above;
- o) establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the committee.

10.2 In exercising its responsibilities, the Committee shall give due regard to any laws, regulations and any published guidelines or recommendations regarding the remuneration of directors.

**11. Reporting Responsibilities**

11.1 The Chair of the Committee shall report on its activities to the Board.

11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.3 The Committee shall report on its activities and on the frequency of, and attendance by members at, Committee meetings in the FRC's Annual Report. In addition the Committee shall consider and recommend to the Board as appropriate disclosures in the Annual Report and Accounts in relation to the: directors' remuneration report, directors' remuneration policy and other disclosure of matters that fall within its remit. If the Committee has appointed remuneration consultants, the annual report of the FRC's remuneration policy should identify such consultants and state whether they have any other connection with the FRC.

**12. Other**

12.1 The Committee and the Board shall, at least once a year, review the effectiveness of the Remuneration Committee.

**Approved by the Board with effect from 2 February 2017.**

## **Codes & Standards Committee**

### **Terms of Reference**

#### **1. Membership**

1.1 The Codes & Standards Committee is a Committee of, and shall be appointed by the Board of Directors.

1.2 Membership of the Committee shall comprise:

- Chair of the Codes & Standards Committee
- Chair of the Corporate Reporting Council
- Chair of the Audit & Assurance Council
- Chair of the Actuarial Council
- Other non-executive Directors of the FRC
- Other Committee members

1.3 No member of the Committee shall be:

- a) a member of the Conduct Committee, or
- 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.

#### **2. Quorum**

The quorum for Council meetings shall be sixty percent of the members.

#### **3. Secretary**

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

#### **4. Frequency of Meetings**

The Committee usually meet four times a year with other meetings called as necessary dependent on the work plan.

#### **5. Attendance at Meetings**

Only members of the Committee shall have the right to attend Committee meetings. However, the relevant executive director will normally be invited to attend all Committee meetings and other individuals may be invited to attend all or part of any meeting as and when appropriate.

#### **6. Notice of Meetings**

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.

#### **7. 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. Any decision of the Committee to issue guidance will be published, together with the reasons for that decision on the FRC website.

## **8. Responsibilities**

The Committee shall:

- a) Advise the FRC Board on corporate governance matters, including proposed changes to the UK Corporate Governance Code and the Stewardship Code;
- b) Identify the current, emerging and potential risks to the quality of corporate governance and stewardship in the UK;
- c) Assess the risks to the quality of corporate governance and stewardship in the UK and approve the adequacy of actions to mitigate those risks;
- d) Approve the issue and maintenance of FRC taxonomies, including for consultation;
- e) Provide input to the FRC Annual Plan and Budget and FRC strategy - particularly on issues of corporate governance and stewardship;
- f) Appoint members to the Corporate Reporting, Audit & Assurance and Actuarial Councils;
- g) Oversee the appointment of any groups by the Councils; and
- h) Perform such other functions as shall be determined by the Board from time to time.

## **9. 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.

## **10. 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 July 2018.**

## **Corporate Reporting Council**

### **Terms of Reference**

#### **1. Role**

- 1.1 The role of the Council is advisory to the FRC Executive on the development and maintenance of high quality, effective and proportionate Standards, Guidance, SORPS and Practice Notes for accounting and narrative reporting work. In so doing the Council will:
- Provide perspective on the broader landscape affecting the quality of accounting and narrative reporting;
  - Advise on the identification of current, emerging and potential risks to the quality of accounting and narrative reporting and to the FRC's responsibilities and strategic objectives in connection with accounting and narrative reporting matters.
  - Identify opportunities to promote the quality of accounting and narrative reporting through Standards, Guidance and Statements of Recommended Practice for accounting and narrative reporting; and
  - Provide advice on accounting and narrative reporting matters.
- 1.2 Advice will be sought by and provided to the FRC Executive. The Board or its Committees may also seek input or advice from the Council on other matters as they see fit.
- 1.3 The Chair will report directly to the Board any material difference of view between the Council and the FRC Executive of which, in his/her judgement, the Board is not fully aware and, at his / her discretion, report any material concerns in relation to the performance, terms of reference or effectiveness of the Council which, in his/her judgement, have not been resolved through the annual wider Board effectiveness review process.

#### **2. Membership**

The Board shall appoint the Council Chair. The Codes & Standards Committee shall appoint up to 14 other Council members.

No more than half of the members of the Council shall be practising members of the accounting profession.

#### **3. Quorum**

The quorum for Council meetings shall be sixty percent of the members.

#### **4. Secretary**

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

#### **5. Frequency of Meetings**

The Council shall usually meet four times a year with other meetings called as necessary dependent on the work plan. Ad hoc meetings of sub-groups of the Council may be convened as necessary.

#### **6. Attendance at Meetings**

Only members of the Council shall have the right to attend Council meetings. However the relevant executive director and policy director will normally be invited to attend all

Council meetings and other individuals may be invited to attend all or part of any meeting as and when appropriate.

## **7. Notice of Meetings**

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 made available to each member of the Council 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 of all meetings of the Council, including recording the names of those present and in attendance. Minutes of Council meetings shall be circulated to all members of the Council and, following approval, published on the FRC website.

## **9. Responsibilities**

The Council shall advise the FRC Executive on:

- a) The development of the FRC Strategy and Annual Plan in so far as it is relevant to the role of the Council.
- b) The development of the FRC Executive's plan for Standards, Guidance and Statements of Practice for accounting and narrative reporting work including in relation to its contribution to the FRC Strategy and Annual Plan and on the implementation of the work plan as endorsed by the Board.
- c) The development and maintenance of Standards, Guidance and SORPS for accounting and narrative reporting.
- d) Proposed developments to international equivalents.
- e) The key messages to be included in FRC reports on its activities in relation to accounting and narrative reporting matters in so far as they are relevant to the role of the Council.
- f) The recognition of SORP making bodies and the approval of certain FRC statements on SORPs;
- g) Matters concerning the general effectiveness of the Council in performing its above responsibilities;
- h) Any other matters as requested by the Executive or the Board or its Committees.

## **10. Other**

10.1 Each year, the FRC Executive shall report to the Board on its plan for Standards, Guidance and Statements of Practice for accounting and narrative reporting and seek the Board's endorsement of those plans. The Executive's report shall include the advice of the Council.

10.2 Council performance and its terms of reference shall be reviewed annually, including through consultation with the Council, as part of the wider Board effectiveness review process.

10.3 The FRC Executive may appoint ad hoc groups to advise on specific issues. The members of those groups may include members of the Council. The Executive shall annually review the continuing need for any such appointed groups.

**Approved by the FRC Board with effect from 1 July 2018.**

## **Actuarial Council**

### **Terms of Reference**

#### **1. Role**

- 1.1 The role of the Council is advisory to the FRC Executive on the development and maintenance of high quality, effective and proportionate Standards, Guidance and Statements of Practice for technical actuarial work. In so doing the Council will:
- Provide perspective on the broader landscape affecting the quality of actuarial work;
  - Advise on the identification of current, emerging and potential risks to the quality of actuarial work and to the FRC's responsibilities and strategic objectives in connection with actuarial work.
  - Identify opportunities to promote the quality of actuarial work through Standards, Guidance and Statements of Practice for technical actuarial work; and
  - Provide advice on technical actuarial matters.
- 1.2 Advice will be sought by and provided to the FRC Executive. The Board or its Committees may also seek input or advice from the Council on other matters as they see fit.
- 1.3 The Chair will report directly to the Board any material difference of view between the Council and the FRC Executive of which, in his/her judgement, the Board is not fully aware and, at his / her discretion, report any material concerns in relation to the performance, terms of reference or effectiveness of the Council which, in his/her judgement, have not been resolved through the annual wider Board effectiveness review process.

#### **2. Membership**

The Board shall appoint the Council Chair. The Codes & Standards Committee shall appoint up to 14 other Council members.

No more than half of the members of the Council shall be practising members of the actuarial profession.

#### **3. Quorum**

The quorum for Council meetings shall be sixty percent of the members.

#### **4. Secretary**

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

#### **5. Frequency of Meetings**

The Council shall usually meet four times a year with other meetings called as necessary dependent on the work plan. Ad hoc meetings of sub-groups of the Council may be convened as necessary.

#### **6. Attendance at Meetings**

Only members of the Council shall have the right to attend Council meetings. However, the relevant executive director and policy director will normally be invited to attend all Council meetings and other individuals may be invited to attend all or part of any meeting as and when appropriate.

## **7. Notice of Meetings**

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 made available to each member of the Council 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 of all meetings of the Council, including recording the names of those present and in attendance. Minutes of Council meetings shall be circulated to all members of the Council and, following approval, published on the FRC website.

## **9. Responsibilities**

The Council shall advise the FRC Executive on:

- a) The development of the FRC Strategy and Annual Plan in so far as it is relevant to the role of the Council.
- b) The development of the FRC Executive's plan for Standards, Guidance and Statements of Practice for technical actuarial work including in relation to its contribution to the FRC Strategy and Annual Plan and on the implementation of the work plan as endorsed by the Board.
- c) The development and maintenance of Standards, Guidance and Statements of Practice for technical actuarial work.
- d) Proposed developments to international equivalents.
- e) The key messages to be included in FRC reports on its activities in relation to actuarial matters in so far as they are relevant to the role of the Council.
- f) The recognition of SOP making bodies and the approval of certain FRC statements on SOPs.
- g) Matters concerning the general effectiveness of the Council in performing its above responsibilities.
- h) Any other matters as requested by the Executive or the Board or its Committees.

## **10. Other**

- 10.1 Each year, the FRC Executive shall report to the Board on its plan for Standards, Guidance and Statements of Practice for technical actuarial work and seek the Board's endorsement of those plans. The Executive's report shall include the advice of the Council.
- 10.2 Council performance and its terms of reference] shall be reviewed annually, including through consultation with the Council, as part of the wider Board effectiveness review process.
- 10.3 The FRC Executive may appoint ad hoc groups to advise on specific issues. The members of those groups may include members of the Council. The Executive shall annually review the continuing need for any such appointed groups.

**Approved by the FRC Board with effect from 1 July 2018.**

## **Audit & Assurance Council**

### **Terms of Reference**

#### **1. Role**

- 1.1 The role of the Council is advisory to the FRC Executive on the development and maintenance of high quality, effective and proportionate Standards, Guidance, SORPS and Practice Notes for audit and assurance work. In so doing the Council will:
- Provide perspective on the broader landscape affecting the quality of audit and assurance work;
  - Advise on the identification of current, emerging and potential risks to the quality of audit and assurance work and to the FRC's responsibilities and strategic objectives in connection with audit and assurance matters.
  - Identify opportunities to promote the quality of audit and assurance work through Standards, Guidance, Practice Notes and Statements of Recommended Practice for audit and assurance work; and
  - Provide advice on audit and assurance matters.
- 1.2 Advice will be sought by and provided to the FRC Executive. The Board or its Committees may also seek input or advice from the Council on other matters as they see fit.
- 1.3 The Chair will report directly to the Board any material difference of view between the Council and the FRC Executive of which, in his/her judgement, the Board is not fully aware and, at his / her discretion, report any material concerns in relation to the performance, terms of reference or effectiveness of the Council which, in his/her judgement, have not been resolved through the annual wider Board effectiveness review process.

#### **2. Membership**

The Board shall appoint the Council Chair. The Codes & Standards Committee shall appoint up to 14 other Council members.

No more than half of the members of the Council shall be practising members of the audit profession.

#### **3. Quorum**

The quorum for Council meetings shall be sixty percent of the members.

#### **4. Secretary**

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

#### **5. Frequency of Meetings**

The Council shall usually meet four times a year with other meetings called as necessary dependent on the work plan. Ad hoc meetings of sub-groups of the Council may be convened as necessary.

## **6. Attendance at Meetings**

Only members of the Council shall have the right to attend Council meetings. However, the relevant executive director and policy director will normally be invited to attend all Council meetings and other individuals may be invited to attend all or part of any meeting as and when appropriate.

## **7. Notice of Meetings**

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 made available to each member of the Council 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 of all meetings of the Council, including recording the names of those present and in attendance. Minutes of Council meetings shall be circulated to all members of the Council and, following approval, published on the FRC website.

## **9. Responsibilities**

The Council shall advise the FRC Executive on:

- a) The development of the FRC Strategy and Annual Plan in so far as it is relevant to the role of the Council.
- b) The development of the FRC Executive's plan for Standards, Guidance and Statements of Practice for audit and assurance work including in relation to its contribution to the FRC Strategy and Annual Plan and on the implementation of the work plan as endorsed by the Board.
- c) The development and maintenance of Standards, Guidance, SORPS and Practice Notes for audit and assurance work.
- d) Proposed developments to international equivalents.
- e) The key messages to be included in FRC reports on its activities in relation to audit and assurance matters in so far as they are relevant to the role of the Council.
- f) The recognition of SORP making bodies and the approval of certain FRC statements on SORPs;
- g) Matters concerning the general effectiveness of the Council in performing its above responsibilities;
- h) Any other matters as requested by the Executive or the Board or its Committees.

## **10. Other**

- 10.1 Each year, the FRC Executive shall report to the Board on its plan for Standards, Guidance and Statements of Practice for audit and assurance work and seek the Board's endorsement of those plans. The Executive's report shall include the advice of the Council.
- 10.2 Council performance and its terms of reference shall be reviewed annually, including through consultation with the Council, as part of the wider Board effectiveness review process.
- 10.3 The FRC Executive may appoint ad hoc groups to advise on specific issues. The members of those groups may include members of the Council. The Executive shall annually review the continuing need for any such appointed groups.

**Approved by the FRC Board with effect from 1 July 2018.**

## **Conduct Committee**

### **Terms of Reference**

#### **1. Membership**

The Conduct Committee is a Committee of and shall be appointed by the FRC Board of Directors. Membership of the Committee shall comprise

- Chair of the Conduct Committee
- Other non-executive Directors of the FRC
- Chair of the CRR Committee
- Chair of the AQR Committee
- Chair of the Case Management Committee
- Other Committee members.

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

- a. a member of the Codes & Standards 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; or
- c. an officer of any of the accountancy or actuarial professional bodies.

#### **2. Quorum**

The quorum for Committee meetings shall be 60 percent of the members.

#### **3. Secretary**

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

#### **4. Frequency of Meetings**

The Committee shall meet not less than 8 times a year or as required at the call of the Chair.

#### **5. Attendance at Meetings**

Only members of the Committee shall have the right to attend Committee meetings. However the relevant executive director will normally be invited to attend all Committee meetings and other individuals may be invited to attend all or part of any meeting as and when appropriate.

**6. Notice of Meetings**

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.

**7. 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.

**8. Responsibilities**

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; and
- c) Appoint members of the Financial Reporting Review Panel.

Matters delegated to the Committee by the FRC Board

The Committee shall:

- a) Oversee the FRC's supervisory, monitoring and enforcement work with the objective of promoting mission is to promoting trust 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 activities;
  - j) Consider and respond to requests for advice from the Codes & Standards Committee, having taken the advice of one or more of the AQR, CRR or Case Management Committees if appropriate;
  - k) Appoint members of the AQR, CRR, Case Management and Enforcement Committees;
  - 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) Approve any plans for thematic studies and the publication of any findings from such work;
  - p) Perform such other functions as shall be determined by the Board from time to time.

## **9. Reporting Responsibilities**

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.

The Committee Chair shall report to the Board

- on the Committee's proceedings and the activities and proceedings of the Case Management Committee, the AQR Committee and the CRR Committee at each Board meeting; and
- on the FRC's monitoring work at least two times a year.

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.

**10. Other**

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

**Approved by the FRC Board with effect from 1 July 2018.**

## **Audit Quality Review (AQR) Committee**

### **Terms of Reference**

#### **1. Membership**

The Board shall appoint a member of the Conduct Committee to be the Chair of the AQR Committee. The Conduct Committee shall appoint up to 5 other members to the AQR Committee, including but not limited to other members of the Conduct Committee.

No member of the AQR Committee shall be a practising auditor or an officer of any of the accountancy professional bodies.

#### **2. Quorum**

The quorum for AQR Committee meetings shall be 3 members.

#### **3. Secretary**

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

#### **4. Frequency of Meetings**

The AQR Committee shall meet at least 4 times a year.

#### **5. Attendance at Meetings**

Only members of the AQR Committee shall have the right to attend AQR Committee meetings. The AQR Director or his nominated representative shall ordinarily attend meetings and other individuals may be invited to attend all or part of any meeting as and when appropriate.

#### **6. Notice of Meetings**

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.

#### **7. Minutes of Meetings**

The Secretary shall minute the proceedings and resolutions of all meetings of the AQR Committee, including recording the names of those present and in attendance. Minutes of AQR Committee meetings shall be circulated to all members of the Committee and the Conduct Committee.

#### **8. Responsibilities**

The AQR Committee shall:

- a) input annually on the audit engagement monitoring strategy and risk to audit quality to the Executive and monitor progress against annual plans prepared by the Executive;

- b) oversee the AQR inspection process to ensure that a fair process is followed and that quality categories have been determined consistently by:
  - i) reviewing reports from the AQR that provide a rationale for inspection findings and quality categories and that draw comparisons with similar audits inspected;
  - ii) providing advice to the Executive in respect of inspection findings and quality categories where a request for re-consideration has been made and where the Executive seeks it;
  - iii) providing input on the inspection process and quality category guidelines.
- c) provide input to AQR audit monitoring public reports on individual firms;
- d) take all steps delegated to the AQR Committee under the Auditor Regulatory Sanctions Procedure (“ARSP”) and the Crown Dependencies Recognised Auditor Regulatory Sanctions Procedure (“CD RARSP”) including considering whether there is an indication that a Registered Auditor/Recognised Auditor has failed to comply with the Regulatory Framework for Auditing and the criteria in paragraph 4.1 of the ARSP or CD RARSP, as applicable, may be satisfied;
- e) perform any other function as shall be determined by the Conduct Committee from time to time.

**9. Reporting Responsibilities**

The AQR Committee Chair shall report to the Conduct Committee on its activities and proceedings at Conduct Committee meetings no less than twice a year.

**10. Other**

The AQR Committee shall have access to sufficient resources and is authorised to seek information from the FRC executive in order to carry out its responsibilities.

**Approved by the FRC Board with effect from 1 July 2018.**

## **Corporate Reporting Review (CRR) Committee**

### **Terms of Reference**

#### **1. Membership**

The CRR Committee shall comprise the Chairman and Deputy Chairmen of the Financial Reporting Review Panel appointed by the Conduct Committee.

#### **2. Quorum**

The quorum for CRR Committee meetings shall be 2 members.

#### **3. Secretary**

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

#### **4. Frequency of Meetings**

The CRR Committee shall meet as required.

#### **5. Attendance at Meetings**

Only members of the CRR Committee shall have the right to attend CRR Committee meetings. However other individuals may be invited to attend all or part of any meeting as and when appropriate.

#### **6. Notice of Meetings**

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 CRR Committee and any other person required to attend, no later than 5 working days before the date of the meeting.

#### **7. Minutes of Meetings**

The proceedings of the CRR Committee will be recorded in accordance with the Conduct Committee Operating Procedure and/or as appropriate having regard to all the circumstances.

#### **8. Responsibilities**

The CRR Committee shall:

- a) Take all steps delegated to the CRR Committee under the Conduct Committee Operating Procedures including:
  - i) Opening an Inquiry
  - ii) Appointing a Review Group;
- b) If appropriate, refer any matter to the Conduct Committee or the Case Examiner, as applicable, to consider action under one of the FRC's disciplinary schemes or enforcement procedures; and

- c) Perform any other function as shall be determined by the Conduct Committee from time to time.

**9. Reporting Responsibilities**

The CRR Committee Chair shall report

- a. to the Conduct Committee on its activities and proceedings at Conduct Committee meetings no less than four times a year; and
- b. on the quality of corporate reporting, emerging themes and risks at Codes & Standards Committee meetings on a regular basis.

**10. Other**

The CRR Committee shall have access to sufficient resources and is authorised to seek information from the FRC executive in order to carry out its responsibilities.

**Approved by the FRC Board with effect from 17 June 2016**

## **Case Management Committee**

### **Terms of Reference**

#### **1. Membership**

The Board shall appoint a member of the Conduct Committee to be the Chair of the Case Management Committee. The Conduct Committee shall appoint up to 20 other members to the Case Management Committee, including but not limited to other members of the Conduct Committee.

The persons appointed to the Case Management Committee shall include, but not be limited to, persons having legal, accounting or actuarial expertise and experience.

No member of the Case Management Committee shall be:

- (a) an officer of any of the accountancy or actuarial professional bodies;
- (b) a current employee, member, director or officer of the FRC, or subsidiary company of the FRC; or
- (c) 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;
  - (iv) been a partner, employee, or otherwise contracted by an audit firm;
  - (v) been an employee, member, director or officer of the FRC, or subsidiary company of the FRC.

Members of the Case Management Committee will be appointed for terms of up to 3 years and may be reappointed for two further three year periods.

#### **2. Case Management Committee Groups**

The Chair of the Case Management Committee, having regard to the matters to be considered by the group/Committee and the availability, experience and expertise of Committee members, may appoint groups of the Case Management Committee:

*Under the Audit Enforcement Procedure:*

- To constitute a Case Management Committee Group comprising 3 members, who may undertake functions under Rules 4, 5, or 6 of the Audit Enforcement Procedure where these have been delegated to it by the Conduct Committee, in relation to particular information considered by the Case Examiner to amount to an Allegation.

*Under the Accountancy and Actuarial Schemes:*

- To constitute a Case Management Committee Group to act in accordance with the FRC Accountancy and/or Actuarial Schemes in relation to a particular matter.
- A Case Management Committee Group appointed by the Chairman in accordance with paragraph 7(5) of either Scheme shall comprise at least three members of the Committee to perform the functions set out in paragraph 4(3)(i) and (ii) in relation to the investigation.

The Conduct Committee, having regard to the matters to be considered by the group and the availability, experience and expertise of Committee members, may appoint a group of the Case Management Committee:

*Under the Auditor General Disciplinary Rules*

- To constitute an Investigating Committee to act in accordance with the Auditor General Disciplinary Procedure Rules in relation to a particular matter.

References to a group of the Case Management Committee include each of the groups mentioned above.

**3. Quorum**

The quorum for Case Management Committee meetings shall be 6 members.

The quorum for a Case Management Committee Group, when undertaking functions under the Audit Enforcement Procedure as delegated by the Conduct Committee, shall be 3 members.

The quorum for meetings of any other Case Management Committee Group shall be in accordance with the provisions of the relevant Procedure or Scheme or the Auditor General Disciplinary Rules.

**4. Secretary**

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

**5. Frequency of Meetings**

The Case Management Committee shall meet at least once a year or as required at the call of the Chair.

A Case Management Committee Group shall meet as required.

**6. Attendance at Meetings**

Only members of the Case Management Committee shall have the right to attend Case Management Committee meetings and only members of a Case Management Committee Group shall have the right to attend meetings of that Committee Group. However other individuals may be invited to attend all or part of any Case Management Committee or Case Management Group meeting as and when appropriate.

**7. Notice of Meetings**

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 Case Management Committee or each member of the Case Management Committee Group as applicable, and any other person required to attend, no later than 5 working days before the date of the meeting.

**8. Minutes of Meetings and Confidentiality**

The Secretary shall minute the proceedings and resolutions of all meetings of the Case Management Committee, including recording the names of those present and in attendance. Minutes of Case Management Committee meetings shall be circulated to all members of the Case Management Committee and Conduct Committee. Decisions of Case Management Committee Groups will be recorded in accordance with the provisions of the Scheme under which the Group was appointed.

All matters considered by a Case Management Committee Group shall remain confidential to that Committee Group subject to the reporting responsibilities at paragraph 11 and any applicable publication requirements and associated Publication Policy.

## **9. Voting**

Matters considered by the Case Management Committee or a Case Management Committee Group when undertaking functions under the Audit Enforcement Procedure, will be decided by majority vote and no member may abstain from a vote. The Chair of the Committee does not have the casting vote.

## **10. Responsibilities**

The Case Management Committee shall perform any function as shall be determined by the Conduct Committee from time to time. Case Management Committee Groups shall exercise

- a) those functions delegated to a Case Management Committee Group appointed in accordance with paragraph 6(5) of the Accountancy Scheme including:
  - monitoring the progress of the investigation and/or any disciplinary proceedings;
  - providing input and challenge to the Executive Counsel's consideration of the adequacy of the evidence of a case;
  - where Executive Counsel determines that there is evidence to proceed, providing input on whether it is in the public interest to proceed to a tribunal hearing;
- b) those functions delegated to an Investigating Committee appointed in accordance with paragraph 5 of the Auditor General Disciplinary Procedure Rules including deciding whether there is a case to answer and if appropriate, referring the case to a Disciplinary Committee.
- c) those functions under the Audit Enforcement Procedure delegated to a Case Management Committee Group by the Conduct Committee including:
  - considering all documentation and representations placed before it by the Case Examiner;
  - referring the Allegation for investigation where it considers there is good reason to investigate an alleged failure to comply with the relevant requirement;
  - directing whether an investigation shall be delegated to a Recognised Supervisory Body;
  - indicating whether an investigation must be overseen by a Case Management Committee Group; and
  - overseeing any case where the Conduct Committee or a Case Management Committee Group determines that it should do so.

In undertaking its responsibilities, any Case Management Committee Group will have regard to the guidance issued by the Conduct Committee.

## **11. Reporting Responsibilities**

The Case Management Committee Chair shall report to the Conduct Committee on the activities and proceedings of Case Management Committee at Conduct Committee meetings no less than 4 times a year. The Case Management Committee Chair shall provide an annual report to the Conduct Committee which will include trends, patterns and learning points observed from the cases considered by the Case Management Committee Groups and shall make whatever recommendations to the Conduct Committee it deems appropriate on any area within its remit.

**12. Other**

The Case Management Committee shall have access to sufficient resources and is authorised to seek information from the FRC executive in order to carry out its responsibilities.

**Approved by the FRC Board with effect from 17 June 2016.**

## **Enforcement Committee**

### **Terms of Reference**

#### **1. Membership**

The Board shall appoint the Chair of the Enforcement Committee Panel who shall be legally qualified. The Conduct Committee shall appoint up to 9 other members of the Enforcement Committee Panel ("the Panel").

The persons who may be appointed to the Panel shall include, but not be limited to, persons having legal and auditing expertise and experience.

No member of the Panel shall be:

- (a) a member of the Conduct Committee, the Case Management Committee or the Tribunal and Appeal Panel appointed under the FRC's Audit Enforcement Procedure;
- (b) a serving officer of any of the Recognised Supervisory Bodies;
- (c) a current employee, member, director or officer of the FRC or subsidiary company of the FRC; or
- (d) 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;
  - (iv) been a partner, employee, or otherwise contracted by an audit firm;
  - (v) been an employee, member, director or officer of the FRC, any subsidiary company of the FRC or any Recognised Supervisory Body.

Members appointed to the Panel will be appointed for terms of up to 3 years and may be reappointed for two further three year periods.

#### **2. Appointment of Enforcement Committee from the Panel**

The Chair of the Enforcement Committee Panel, having regard to the matters to be considered and the availability, experience and expertise of Panel members, may appoint an Enforcement Committee from the Panel.

An Enforcement Committee shall comprise 3 members of the Panel including a legally qualified Chair to undertake functions under Parts 4 and 6 of the Audit Enforcement Procedure in relation to a particular allegation or to undertake functions under Part 3 of the Auditor Regulatory Sanctions Procedure or Part 3 of the Crown Dependencies Recognised Auditor Regulatory Sanctions Procedure in relation to an alleged failure to comply with the Regulatory Framework.

An Enforcement Committee must comprise, in addition to the Chair:

- (a) a person who is neither a lawyer nor an individual with audit experience;
- (b) an individual with audit experience.

No member appointed to an Enforcement Committee to consider an interim order under Part 6 of the Audit Enforcement Procedure can be appointed to an Enforcement Committee considering the allegation under Part 4.

All matters considered by the Enforcement Committee shall remain confidential to that Committee subject to the reporting responsibilities and to applicable publication provisions and Publication Policies.

**3. Quorum**

The quorum for an Enforcement Committee shall be 3 Committee members.

**4. Meetings**

The Enforcement Committee meets in private and may not hear oral evidence but may, in accordance with Rule 22(c) Enforcement Procedure, invite Executive Counsel and the Respondent to attend to make oral submissions.

Only members of the Enforcement Committee appointed by the Chair shall have the right to attend meetings of that Committee. However, other individuals may be invited to attend all or part of any Enforcement Committee meeting as and when appropriate.

**5. Voting**

Matters are decided by majority vote and no member of the Committee may abstain from a vote. The Chair does not have the casting vote.

**6. Responsibilities of the Enforcement Committee**

The Enforcement Committee shall exercise its functions in accordance with Parts 4 and 6 of the Audit Enforcement Procedure including:

- considering all the documentation and representations placed before it by Executive Counsel and the Respondent;
- specifying time limits and grant extension to the parties;
- adjourning for further enquiries of the parties to be conducted as considered necessary;
- inviting the Executive Counsel and the Respondent to attend to make oral submissions;
- deciding whether a Respondent is liable for Enforcement Action and issuing a notice of cancellation pursuant to Rule 75 or a Decision Notice as applicable;
- when issuing a Decision Notice, providing reasons for its findings and proposed Sanction (see guidance in respect of Decision Making and Giving Reasons);
- through the Chair, when the Respondent has rejected all or part of the Decision Notice or has failed to respond within the specified time, determining whether to refer the matter to the Tribunal or to issue a Final Decision Notice;
- in interim orders cases, considering submissions from the Parties and deciding whether to impose an Interim Order.

The Enforcement Committee shall exercise its functions in accordance with Part 3 of the Auditor Regulatory Sanctions Procedure or Part 3 of the Crown Dependencies Recognised Auditor Regulatory Sanctions Procedure including:

- considering all the documentation and representations placed before it by Audit Quality Review team (AQR) and the Registered or Recognised Auditor;
- deciding whether the Registered or Recognised Auditor is liable to a sanction under the Procedure and if so, proposing a sanction for agreement;
- when issuing a notice of proposed sanction, providing reasons for its findings and proposed sanction;

- considering representations in response to a notice of proposed sanction and determining whether to take no further action, confirm or vary the proposed sanction or accept written undertakings from the Registered Auditor;
- directing the Recognised Supervisory Body of which the Registered or Recognised Auditor is a member to take the necessary steps to impose the sanction;
- publishing details of the sanction;
- sending notice to the Registered or Recognised Auditor that the matter is referred to the Independent Sanctions Tribunal.

In undertaking its responsibilities, any Enforcement Committee will have regard to the guidance issued by the Conduct Committee.

#### **7. Reporting Responsibilities**

The Enforcement Committee Panel Chair shall provide an annual report to the Conduct Committee which will include trends, patterns and learning points observed from the cases considered.

#### **8. Other**

The Enforcement Committee Panel shall have access to sufficient resources and is authorised to seek information from the FRC executive in order to carry out its responsibilities.

**Approved by the FRC Board with effect from 17 June 2016.**

## **Financial Reporting Council**

### **Code of Conduct for Board, Committee and Council Members**

#### **Introduction**

This document sets out a code of conduct for “members” i.e. all non-executive and executive members of the Board of the Financial Reporting Council Limited, all members of the Codes & Standards Committee and its advisory Councils, the Conduct Committee and its AQR, CRR and Case Management Committees and its Enforcement Committee Panel. The Code has been prepared with reference to the “Seven Principles of Public Life” set out by the Committee on Standards in Public Life (Appendix 1).

The Code applies to members in the conduct of their work as a member and the application of the Code will depend on the particular remit of the Board and/or Committee etc of which they are a member.

#### **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 Board, Committee and/or Council operates within the limits of its authority, whether statutory, delegated or derived by agreement with any stakeholder;
- Ensure that the obligations of the relevant Board, Committee and/or Council 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 Council 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***

The FRC must be, and be seen to be, impartial. This is an essential ingredient of public confidence in the FRC as a regulator. The outside interests of members may threaten that impartiality where they create the possibility of bias, of apparent bias, or of insufficient independence in the FRC and its decision-making.

Members must declare their interests and take steps to ensure that any conflict of interest which they may be subject to does not affect a decision taken by the FRC.

Members must be alert to the risk of conflicts arising at all times and review the position regularly and in relation to particular matters arising. It is your responsibility to bring potential or actual conflicts to the attention of their chairman and the Company Secretary as soon as you become aware of them.

### ***What is a conflict of interest?***

A conflict of interest may arise where a member has a financial or other interest arising from their outside activities which influences, or might reasonably be perceived to influence, their impartiality or independence in performing their duties.

Conflicts of interest may arise in various ways. For example, as the result of:

- (a) a direct or indirect financial interest held by you or by a commercial undertaking with which you have connections.
- (b) a personal association or relationship with those affected, or likely to be affected, by the information or issue in question.
- (c) an expectation of a future interest (for example, a future appointment or employment)
- (d) in some cases, a previous association with the information or issue in question.
- (e) a relevant interest of a family member (i.e. any spouse or partner, any cohabiting children or other dependent family member) in the types of circumstances set out above.
- (f) an interest arising from a common interest grouping, such as a trade association or other public or private society.

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 any personal interest and the member's role. Members should therefore have regard to any detailed guidance issued to them and, where in any doubt, consult with their chairman and/or the FRC Company Secretary.

Further guidance is set out below:

### ***Financial interests***

Financial interests, such as shares and similar securities, may create a self-interest threat. Members who are members of a committee considering matters connected with an entity in

which they have a financial interest should disclose their investment prior to participating in any consideration by that committee. Depending upon factors such as:

- The nature of the matter and the member's proposed involvement; whether it is in a potentially contentious area such as monitoring or enforcement;
- The nature or value of the investment;

it may not be appropriate for the member to participate in the consideration by the committee. Similar considerations apply to financial interests held by the member's family member (as described above), close friend or business associate.

Members should also have regard to market abuse and insider dealing legislation (see below).

#### *Other financial arrangements*

Financial arrangements such as pensions, insurance policies, loans and current or savings accounts may also create a self-interest threat. Similar considerations apply to those noted above under financial interests and should be registered. However, membership of an audit firm pension scheme will create a self-interest threat in any matters involving that audit firm.

#### *Family and close personal relationships*

A conflict of interest may arise where a member's spouse or partner, any cohabiting children or other dependent family member, close friend or business associate is employed by, or is otherwise connected with, an entity which the FRC regulates. Depending upon the precise circumstances it may be inappropriate for the member to be involved in matters pertaining to that entity. There will be other circumstances where the risk of a conflict is low. Matters to consider when forming a view on individual cases may include:

- The nature of the matter and the member's 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 of 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).

#### *Former employment*

Similar considerations to those set out above in relation to family and close personal relationships apply in such cases. As a general principle, members should not be involved with monitoring or enforcement considerations in relation to a former employer where less than 5 years has elapsed since the employment ended.

#### ***Disclosure of Interests***

On the commencement of your appointment as a member you must complete a Register of Interests Declaration Form. Members should register any personal or business interests of themselves and their families (i.e. any spouse or partners, any co-habiting children or any co-habiting dependant family members) and any anyone with whom they have a close

personal or business relationship which might influence their judgment or which could be perceived (by a reasonable member of the public) to do so including:

- (a) current relevant direct financial interests;
- (b) other appointments, offices and directorships whether remunerated or not;
- (c) membership of an audit firm pension scheme;
- (d) membership of a professional body or trade union; and
- (e) membership of public bodies (hospital trusts, governing bodies of universities, colleges and schools, and local authorities), trusteeships (of museums, galleries and similar bodies), and acting as an office holder or trustee for pressure groups, trade unions and voluntary or not-for-profit organisations; and
- (f) consultancy or advisory roles where they involve advisory or other services relevant to the responsibilities of the FRC.

Registration of (b) to (f) must cover both current and recent (at least the last ten years') interests.

'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. 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, policies or similar vehicles (including pension schemes, plans and policies) where investments are made and managed by professional managers in a significant number of enterprises without the member's involvement in investment decisions; and
- 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 direct financial interests need not be declared:

- interests of a value less than £5,000
- assets comprising goods and/or services bought on the open market on normal commercial terms available to other buyers (e.g. banking or insurance services, such as the mortgages and loans, savings, telephone services, travel and tangible assets purchased on normal terms on the open market.

Each member is responsible for keeping his or her entries in the register up-to-date. Any changes to your interests should be notified to the Company Secretary and your Form should be updated at the time of the change. In addition, you will be asked to review the Form annually.

The Declaration Form for the register of members' interests is at Appendix 2. A Register of Interests, including the declarations (registered in Part A of the form) by all members save for the members of the advisory councils, will be available on the FRC website for scrutiny by the public.

From time to time members may have or become aware of outside interests which do not require registration, but which in the context of a particular matter or issue before the Board or Committee could give rise, or be perceived as giving rise, to a conflict of interest. In this case, the potential conflict of interest should be discussed in advance with the relevant chairman and/or advice sought from the FRC Company Secretary. Any necessary safeguards should also be agreed with the chairman.

An oral declaration of any interest whether previously registered or not, should be made at any board or committee meeting and will be recorded in the minutes of the meeting as will any withdrawal from the meeting by the member for the relevant discussion.

The Governance & Legal Team will maintain the Register of Interests, monitor compliance with the Code and report to the Audit Committee on compliance annually.

### **Other appointments**

It is important for the reputation of the FRC that its members uphold not only the Principles of Public Life but also the principles that the FRC espouses in relation to corporate behaviour. It is also important that the organisations they are associated with are seen to uphold those principles. The FRC therefore expects members, in considering whether to continue and/or accept any other appointment to give careful thought to whether they could be putting its reputation at risk and to take steps to address that risk, including, if necessary, by withdrawing from association with another organisation or, if necessary, by resigning from 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). The Code allows a company to explain rather than comply. However, it is a benchmark for good governance and the FRC's reputation may be damaged if a company of which the member is a director does not comply with it (or, in the case of foreign companies, with relevant local regulations). It is also important that any explanation (for non-compliance with the Code) is clear and comprehensive and that where appropriate, proper arrangements are made for shareholders to be consulted. In the event of shortcomings that the director is unable or unwilling to address, the Nominations Committee will consider whether a member should remain on the Board/Committee or Council. Such matters require careful consideration and judgement by the Committee. It is not to be automatically assumed a member should stand down.

If a company is not subject to the Code, the FRC would not expect compliance, particularly if the company operates within a different system overseas. However, the FRC would expect consistency with the company's own publicly stated policies. If the company claims adherence with the Code, the above paragraphs would still apply.

If a company of which a member is a director is thought to have breached legislation, regulation, codes or standards in other areas, such as corporate reporting, and there are reasonable grounds to believe that he/she was to some degree responsible, the Committee will consider whether the member should be asked to stand down. A member should always be asked to resign if he/she is under formal investigation by the FRC 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.

In some circumstances, the FRC's reputation could be damaged by a member joining an entity it regulates after leaving the FRC. There may be a perception, for example, that a director has argued for a "soft" line to be taken whilst in office to the benefit of 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 in the six months after the director leaves the FRC. This is in line with normal arrangements for senior public servants.

### **Process for approval of other appointments**

This process applies to FRC Directors and members of the Board Committees:

- The FRC Chairman should be informed of a proposed appointment at the earliest opportunity but at least one week before an appointment is finalised.
- The information provided to the Chairman should include the nature of the role, the terms of appointment and the terms or likely terms of any public announcements.
- The Chairman will treat the fact of the proposed appointment and the supporting information as confidential and would disclose the information only to the extent that seeking advice was necessary. This might include the CEO and/or external advisers.
- The Chairman will notify the Nominations Committee when appropriate bearing in mind all the circumstances including the nature of the appointment, announcement proposals and any specific confidentiality issues. In the event of a clearly controversial issue, he will endeavour to notify the Nominations Committee in good time to allow proper consideration to be given to the issue making it clear that the matter should remain confidential.
- The Nominations Committee will receive the information on behalf of the Board and its members may raise questions or concerns to be discussed by the Chairman and the individual Board or Committee member.
- If the Chairman is conflicted, the Deputy Chairman or the Company Secretary should be informed of a proposed appointment.

These arrangements do not apply to members of other Committees and Councils. Those individuals should notify the Chairman of the relevant Committee/Council of any proposed appointment which might give rise to a perceived or actual conflict. The relevant Chairman and the individual will discuss whether or not to seek further advice and/or the Chairman will consider whether to consult with the Chairman of the Committee who appointed the individual.

### **Other FRC appointments**

The FRC's committee terms of reference provide that no individual may be a member of both the Conduct Committee and the Codes & Standards Committee in order to avoid the conflict of interest in the development of standards and their enforcement.

Whilst it is anticipated that it will be rare that membership of more than one board/committee (other than in the circumstances recognised above) will amount to a conflict of interest, members should consider whether such a conflict arises in any particular matter and take steps to ensure that any such identified conflict of interest does not affect a decision taken by the FRC.

Members are therefore expected to register in the FRC's Register of Interests all their FRC appointments if appointed to more than one board/committee.

## **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 or give in your capacity as a Board, Committee or Council Member of the FRC and, in the circumstances described below any gift or hospitality declined. 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 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 2019**

## **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.

## 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 Codes & Standards Committee and the committees of the Conduct Committee.

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

\*Members should register the following interests of themselves, family (i.e. any spouse or partner, any co-habiting children or dependant family members) 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.

<b>Financial Interests</b>	
<b>Relevant declarations in respect of family and close personal relationships</b>	
<b>Other</b>	

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



**Company No. 02486368**

**A Private Company Limited by Guarantee**

# Articles of Association of The Financial Reporting Council Limited

(Adopted by Written Resolution with effect from 1 April 2018)

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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 7.4;

“**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 directors for the time being to be chief executive of the Company and a director of the Company;

“**Codes and Standards 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 5.4;

“**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;

“**Executive Director of Audit**” means the person appointed as an executive director by the directors for the time being;

“**Executive Director of Corporate Governance and Reporting**” means the person appointed as an executive director by the directors for the time being;

“**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, Innovation and Skills;

“**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 1.2, references to any provision of any enactment or of any subordinate legislation (as defined by section 21(1) of the Interpretation Act 1978) include any modification or re-enactment of that provision for the time being in force.

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

## **2. Liability of members**

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 [...]/2016 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 [...]/2016 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:
- (A) the investigation of, and the bringing of disciplinary proceedings against, accountancy members and member firms and actuarial members; and
  - (B) the charging of costs, levying of fines and imposition of any other sanctions in accordance with such proceedings.

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 Codes and Standards Committee;

the chair of the Conduct Committee,

and such other non-executive directors as the Board shall determine from time to time.

4.2 Unless determined otherwise by ordinary resolution, the number of directors shall not be less than 11.

#### **5. Methods of appointing directors**

##### *Appointment by the Board*

5.1 Subject to Articles 5.2 and 5.3, the Board shall have the power at any time and from time to time to:

appoint any person to the office of director either to fill a casual vacancy or as an addition to the existing Board; and

to remove any person so appointed.

5.2 The Board's powers in Article 5.1 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.

#### *Appointment of Chair and Deputy Chair*

5.3 The Secretary of State or his duly authorised representative may at any time appoint or re-appoint any person except the Chief Executive as the Chair or Deputy Chair of the Company whether or not for a specified period and remove from office any person so appointed.

5.4 In making such appointment or re-appointment in accordance with Article 5.3, the Secretary of State shall have regard to the desirability of such person in the interests of the Company.

5.5 Any appointment, re-appointment or removal made under Article 5.3 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.

5.6 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

#### *Executive appointments*

5.7 Subject to the provisions of the Companies Acts, the Board may appoint one or more directors to hold any employment or executive office with the Company (including that of Chief Executive, Executive Director of Audit and Executive Director of Corporate Governance and Reporting) for such period (subject to the provisions of the Companies Acts) and on such terms as it may decide and may revoke or terminate any such appointment without prejudice to any claim for damages for breach of any contract of service between the director and the Company or otherwise.

5.8 The remuneration of a director appointed to hold any employment or executive office shall be fixed by the Board from time to time.

5.9 A director appointed as Chief Executive, Executive Director of Audit or Executive Director of Corporate Governance and Reporting 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.

5.10 Subject to the Companies Acts, the Board may enter into an agreement or arrangement with any director for the provision of any services outside the scope of the ordinary duties of a director on such terms and conditions (including remuneration) as the Board thinks fit.

## **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 or 5.3 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 or 5.3 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, the Executive Director of Audit or the Executive Director of Corporate Governance and Reporting, ceases to hold that position.

### *Decision-Making by Directors*

## **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 appoint further directors; or

to call a general meeting so as to enable the members to appoint 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 Codes and Standards Committee to article 16.1, and 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 advisory councils and to co-opt onto any such sub-committee or advisory council persons other than directors who may enjoy voting rights in the sub-committee or advisory council 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 continue to be the Codes and Standards Committee and the Conduct Committee.

## **16. Codes and Standards Committee**

16.1 The composition and members of the Codes and Standards Committee shall be determined in accordance with article 15.2, provided that no person co-opted onto the Codes and Standards Committee may be an individual who in the three years prior to such appointment has:

been a practising auditor; or

held voting rights in an audit firm; or

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 Codes and Standards Committee is established for the purpose of:

advising the Board on maintaining an effective framework of UK codes and standards for governance, accounting, auditing and actuarial work and influencing the wider regulatory framework;

approving for issue guidance on the application of codes and standards for governance, corporate reporting, auditing and actuarial work;

approving operating plans governing the Company's code and standards setting activities, and overseeing the quality of work and delivery of the plans;

monitoring international developments to ensure appropriate and effective UK input into international standard setting,

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

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 may undertake any services for the Company that the directors decide.

26.2 Directors are entitled to such remuneration as the directors determine:

for their services to the Company as directors; and

for any other service which they undertake for the Company.

26.3 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.

26.4 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 Seven 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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