

**Minutes of a conference call meeting of the Corporate Reporting Council  
held on 27 June 2018 in the FRC Boardroom, 8<sup>th</sup> Floor, 125 London Wall,  
London EC2Y 5AS**

Present:

Paul Druckman	Chairman
Chris Buckley	Member
Michael Gallagher	Member
Liz Murrall	Member
Veronica Poole	Member

In attendance:

Anthony Appleton	Director, Accounting & Reporting Policy
Anu Bhartiya	Committee Secretary, Corporate Reporting Council
Debbie Crawshawe	Project Director
Paul George	Executive Director, Corporate Governance & Reporting
Deepa Raval	Director of Narrative Reporting

**1. Welcome and apologies for absence**

The Chairman welcomed everyone to the meeting. Apologies were noted from Council Members Michael-John Albert, Richard Barker, Roger Marshall, Sian Morgan and Mark Smith.

**2. Declaration of conflicts of interests**

There was none reported.

**3. Strategic Report Guidance update**

3.1 Ms Raval introduced the paper and summarised the considerations given in drafting the guidance on the s172(1) statement which are based on the requirements in the regulations, BEIS FAQs and the encouraged content elements in the consultation paper. The Council noted that GC100 advice was pending to be issued and therefore, the guidance remained subject to any changes that may be necessary as a result of the advice.

3.2 The Council noted the suggestions provided by other Council Members in advance of the meeting and the Members of the Codes & Standards Committee which included the need for highlighting how the directors have had regard to the long-term as set out in section 172(1)(a). Further, the section 172(1) statements of subsidiary companies may refer to group or parent company statements and policies where appropriate. It was suggested that where a subsidiary has its own business model and operations distinct from the group, the guidance should encourage an independent statement giving consideration to matters that are specific to the subsidiary.

3.3 The Council considered the draft version of Section 8 of the guidance and made a number of points and suggestions including:

- The example as set out in 1.16 of the Section could be made clearer with a practical scenario on value generation.
- With regards to capital allocation and dividend policy, reference could be made to general capital allocation and articulate the context of how the value creation is distributed giving reference to principal decisions made and encouraging dividend policy as one of the principal decisions.
- It was suggested that value generation should be a consistent measure, giving consideration to broader context as to how a decision gets translated into value generation. This could be described with help of an example. However, it was noted

that some companies are already disclosing information on this matter through different ways. Care is taken in the guidance by not being prescriptive and allowing companies to explore different approaches.

- There is a need to encourage companies to establish broader stakeholder engagement and relationships which enables the board to make decisions, leading to various outcomes. The guidance should be clear on the established connectivity between stakeholder engagement and outcome.
- 3.4 The Council reviewed the draft Guidance and suggested a number of drafting amendments. In response to a query whether 'culture' should be elaborated in the Guidance, it was noted that the Corporate Governance Code includes aspects of culture and therefore any reference to culture could be referred to the corporate governance statement.
- 3.5 Following a query whether the effective date for s172(1) reporting requirements should be included in Section 8, it was noted that Basis for Conclusions includes this information. However, for future proofing the Guidance and if Section 8 is read in isolation, information could be included in the footnote to avoid confusion.
- 3.6 Ms Raval agreed to take the above comments and suggestions into consideration while finalising the Guidance. Subject to the above, the Council supported publishing the guidance on reporting on section 172 as part of the updated strategic report guidance subject to any final changes which may be necessary as a result of the GC100 advice.
- 3.7 The Council noted that the final version of the Guidance and the Feedback Statement will be presented to the Board for approval for publication on 4 July 2018.
- 4. Any other business**  
There was none.
- 5. Date of next meeting**  
The next meeting of the Council will take place on 5 July 2018.