

**Minutes of a conference call meeting of the Corporate Reporting Council  
held on 5 July 2018**

Present:

Paul Druckman	Chairman
Michael-John Albert	Member
Richard Barker	Member
Chris Buckley	Member
Michael Gallagher	Member
Roger Marshall	Member
Sian Morgan	Member
Liz Murrall	Member
Veronica Poole	Member

Observers:

Richard Cannon (HMRC)  
Lee Piller (FCA)  
Trevor Rushe (IAASA)

In attendance:

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

**1. Welcome and apologies for absence**

The Chairman welcomed everyone to the meeting. Apologies were noted from Mark Smith (Council Member), Seema Jamil-O'Neil (BEIS Observer) and Ian Bulmer (HMT Observer).

**2. Declaration of conflicts of interests**

Liz Murrall, Director Stewardship and Reporting of the Investment Association, declared an interest in the item 'SORP Policy' as the Investment Association is a SORP-making body.

**3. Minutes and rolling actions**

*Minutes of the Corporate Reporting Council meeting held on 7 June 2018*

3.1 The minutes of the Corporate Reporting Council meeting held on 7 June 2018 were approved for publication.

*Rolling actions*

3.2 The matters arising log was noted.

**4. Chairman's update**

4.1 The Chairman provided an update on the matters discussed at the Codes & Standards Committee meeting held on 20 June 2018. The discussion had included:

- The approval of the revised guidance on strategic report;
- The post-Brexit IFRS endorsement mechanism for the UK;
- The Actuaries' Code – the draft Guide;
- The review of the AS TM1 assumptions;

- The issuance of the FRC Statement on the FEHE SORP; and
  - The approval of the proposed amendments to the FRC Taxonomies for consultation.
- 4.2 The Chairman provided an update on the matters discussed at the Board meeting held on 4 July 2018. The discussion had included matters relating to:
- The FRC's submission to the call for evidence in respect of Sir John Kingman's independent review of the FRC;
  - The approval of the publication of the guidance on strategic report;
  - The UK Corporate Governance Code and the supporting guidance;
  - The FRC as Competent Authority for Audit; and
  - The post-Brexit IFRS endorsement mechanism for the UK.

## 5. Director of Accounting and Reporting Report

- 5.1 Mr Appleton introduced his report which provided an update on developments relating to financial reporting, wider corporate reporting and other FRC matters not covered elsewhere on the agenda. He provided a brief update on the EFRAG TEG meeting held on 4 July 2018 which had discussed IFRS 17 *Insurance Contracts* and had given consideration to the complexity and costs of implementing the standard by 2021.
- 5.2 In respect of Commission's plans for organising workshops with preparers to gather further input for the EC Fitness Check consultation, it was queried whether this would be extended to all users. It was noted that roundtable conference would be organised which may be open to all.

## 6. Response to consultation on Fitness Check of public reporting by companies

- 6.1 Mr Appleton introduced the paper and informed that the FRC's draft response to the consultation on Fitness Check of public reporting companies had been shared with BEIS, the PRA and the FCA and no significant changes were requested. The Council considered the views expressed in the draft response as set out in the paper and made a number of comments and suggestions including:
- The public reporting framework is necessary and appropriate part of broader legislative and regulatory framework, but in itself does not and cannot be expected to achieve the policy objectives listed in the questionnaire.
  - Public reporting obligations on top of those examined could include disclosures on related party transactions and improved transparency under the Shareholders' Rights Directive.
  - How the accounting directives provide sufficient correlation of fundamental accounting principles could be enhanced in Q12.
  - With regards to the relevance of the content of financial reporting, it should be noted in the response to Q16 that the NFI Directive creates an appropriate foundation for information on strategy, business model and value creation on which national initiatives such as the UK strategic report guidance can build.
  - It could be suggested that the European Commission should work with the IASB to find a common international approach to the use and presentation of APMs.
  - With regards to modifying the content of IFRS, there is a case for additional disclosures beyond those required by IFRS being added but changes to the core standards should not be encouraged. The EC has made amendments in the past so further powers are not needed.
  - It could be suggested that EFRAG/EC should work with the IASB with its Primary Financial Statements project to ensure the correct balance is struck between comparability and entity-specific reporting.
  - It could be clarified that where there are inconsistencies between the Accounting Directive, the Bank Accounts Directive and the Insurance Accounting Directive, some of which have been revised over time, they should be addressed and removed.
  - Whilst supporting a permissive regime allowing a degree of harmonisation for the Insurance Accounting Directive with Solvency II, complete harmonization is not

appropriate as the purpose of Solvency II reporting is not the same as financial reporting.

- With regards to Q48, it could be clarified that corporate reporting has a supportive role in developing sustainable growth but cannot take the place of direct policy initiatives. Companies should be allowed to respond to user needs which would lead to new and more informative reporting requirements.
- The difference between integrated reporting and integrated thinking should be clarified in Q54. It should be noted that integrated reporting does come at a cost for preparers, though if implemented correctly, such costs could be justified.
- Structured data for management report and corporate governance statement would reduce reporting quality and therefore should not be standardised.

6.2 Mr Appleton agreed to take the above comments and suggestions into consideration while revising the response. He agreed to share the final response with the Council for information.

## **7. Draft LLP SORP**

7.1 Ms Pust Shah updated the Council that all technical matters outstanding from the 2017 annual review have been resolved. She reported that the SORP-making body concluded that these matters do not warrant inclusion in the LLP SORP and the UK GAAP TAG was content with the conclusions reached.

7.2 It was noted that the SORP-making body had considered changes to FRS 102 resulting from the triennial review and only limited amendments were necessary to the SORP. The Council noted that the UK GAAP TAG had made some recommendations for improvements including the clarification of what director means for an LLP, in the context of the small entities exemption from imputing interest on directors' loans.

7.3 The Council considered the draft LLP SORP document as set out in the paper and advised that the draft LLP SORP can be issued for public consultation provided the proposed amendments are incorporated in the draft SORP published for consultation.

## **8. SORP Policy**

The Council considered the paper and agreed to provide comments to the Executive on the proposed revisions to the SORP Policy. If no comments are received, the Council agreed that Mrs Carter would have the authority to engage with the SORP-making bodies at the annual event for SORP-making bodies in September 2018 and discuss the changes to the SORP Policy as proposed in the paper.

## **9. Any other business**

There was none.

## **10. Date of next meeting**

The Council noted that the next meeting would take place on 11 September 2018.