

Financial Reporting Council

Minutes of a MS Teams meeting of the Regulatory Standards & Codes Committee (the ‘Committee’) held on Wednesday, 20 January 2021

PRESENT:	Dame Julia Unwin John Coomber Keith Skeoch	Chair Committee member Committee member (from Minute 4.6)
OBSERVERS:	Clare Cole Sanu de Lima	FCA BEIS
SENIOR ADVISORS:	Rosemary Beaver Paul Cox Richard Lawrence	
IN ATTENDANCE:	Anu Bhartiya Mark Babington Jenny Carter Phil Fitz-Gerald Alex Kuczynski Vanessa Leung David Styles Simon Wasserman	Committee Secretary Executive Director, Regulatory Standards Director, Accounting and Reporting Policy Director, Financial Reporting Lab Executive Director, Corporate Services and General Counsel Director, Actuarial Policy Director, Corporate Governance & Stewardship Project Director, Actuarial Policy
APOLOGIES:	Sir Jon Thompson	Chief Executive

1. WELCOME AND DECLARATION OF INTERESTS

- 1.1 The Chair welcomed everyone to the meeting and in particular Clare Cole, Rosemary Beaver, Paul Cox and Richard Lawrence to their first meeting.
- 1.2 There were no conflict of interests declared.

2. MINUTES OF MEETING HELD ON 4 NOVEMBER 2020 AND ROLLING ACTION POINTS

- 2.1 The minutes of the meeting held on 4 November 2020 were approved.
- 2.2 The Committee noted the Rolling action log.

3. REPORT OF THE EXECUTIVE DIRECTOR, REGULATORY STANDARDS

- 3.1 The Executive Director of Regulatory Standards provided an update on the report and noted how the newly constituted Regulatory Standards Division managed to cope with the challenges of reorganisation and remote working to deliver the planned projects and activities successfully. The update also included:
 - The final draft of the BEIS consultation document which is with ministers;
 - The ongoing recruitment exercise for the appointment of NEDs on the UK Endorsement Board;
 - The FRC was represented at the IAASB, the IASB’s Accounting Standards Advisory Forum and the Multi-Lateral Network to carry out international influencing with other standard setters;
 - The FRC’s engagement with the BEIS colleagues to secure accounting equivalence, following the end of EU Exit Transition Period.

- 3.2 The Committee noted the terms of reference for the Committee which came into effect from 1 January 2021. The Committee also noted the update paper which set out the highlights of the IAASB meeting held in December 2020.
- 3.3 The Committee noted and strongly supported the contents of the FRC’s response to the IFRS Foundation on the Consultation Paper on Sustainability Reporting. The FCA Observer reported that the FRC’s response was pragmatic and sensible and it was consistent with the FCA’s response.
- 3.4 The Chair commended on the amount of work the Regulatory Standards Division had undertaken and the progress made during these difficult circumstances.

4. DIRECTOR’S REPORT – CORPORATE GOVERNANCE AND STEWARDSHIP

- 4.1 The Director of Corporate Governance & Stewardship provided an update on the achievements of the Corporate Governance and Stewardship team over the last calendar year and also described how the expansion of the team would help to meet greater responsibilities to progress the proposed workplan for 2021. The update included:
 - New appointments which are being made to the team to support the assessment of organisations applying to be signatories to the Stewardship Code;
 - Two reviews of corporate governance reporting had been issued in 2020. The team will continue to promote the review of corporate governance reporting through 2021 and may publish a short paper on what constitutes compliance and good reporting including explanations;
 - Progress on the Wates Principles has been delayed due to filing dates for private company reports being extended by three months;
 - So far 118 organisations have indicated their intention to apply to become signatory to the Stewardship Code and the team is aiming for 200 applications during the year; and
 - A report on AGM best practice guidance for companies was issued in October 2020. The team will be considering issuing further best practice guidance that might help in the development and arrangements on the future formats of AGMs, and whether changes to legislation are needed.
- 4.2 With regards to the applications to become signatory to the Stewardship Code, the Committee noted that the team is currently working on the terms and conditions that would apply, the process for the assessment and review of reporting; and the moderation and oversight of decisions about successful and unsuccessful applications to the Code to ensure they are robust and fair, including the use of FRC Senior Advisors and Advisory Panel members.
- 4.3 The Committee noted that the FRC will be liaising with FCA and HM Treasury with regards to Lord Jonathan Hill’s work on the UK Listing review.
- 4.4 The Committee briefly discussed the post pandemic landscape and the related challenges including competitiveness and role of governance and regulation on businesses.
- 4.5 The Committee noted that there is a joined-up approach amongst various teams within the Regulatory Standards division and acknowledged the importance of joining up with the Audit Quality Review Team and the Corporate Reporting Review Team from the Supervision division.
- 4.6 The Committee briefly discussed the perspectives of materiality and double materiality and how events occur and affect the achievement of strategy and business objectives. It was noted that while revising the UK’s Corporate Governance Code and the Stewardship Code, due consideration was given to expansive range of factors and what impact an

organisation has on the environment and society and the impacts the environment and society have on the organisation.

5. APPROACH TO DEVELOPING THE ACTUARIAL REGULATORY FRAMEWORK

5.1 The Director of Actuarial Policy introduced the paper and the proposed approach to developing the actuarial regulation framework.

5.2 The Committee gave due consideration to the post implementation review of the Technical Actuarial Standards (TASs), in particular, progressing this over in two waves, prioritising the areas which are regarded as the highest risk to public interest. The first wave which is planned to be effective by July 2023 would include reviewing the framework to TAS, TAS 100 and standards in relation to IFRS17. The second wave which is planned to be implemented by July 2024 would focus on sector specific standards on insurance and pensions. The Committee discussed the alternative option of following a more compressed process of delivering all standards in a shorter timeframe. It was acknowledged that the shorter timeframe would increase the risks to the project being delivered to time and quality and may lead to less consultative approach.

5.3 In response to a query as to the rationale for introducing ‘comply or explain’ approach to the ASORPs (Statements of Practice), it was noted that due to the nature of actuarial work, the TASs are principles-based rather than rules-based. The ‘comply or explain’ approach would allow actuaries to a small amount of room to decide whether a set of standards are appropriate to their given work and could explain the rationale behind their judgement in particular if they deem the standards were not applicable. This is beneficial in situations where the standards are more detailed/directive. A comparison was made in respect of communicating professional judgement in relation to accounting and auditing standards where the applications are more detailed as opposed to TASs which are relatively high level. The Committee acknowledged the challenges faced by actuaries while communicating complex technical matters, which may not be easily understood by users of actuarial information including non-actuaries and therefore stressed the importance of effective communication.

5.4 The Committee approved in principle the approach to developing the actuarial regulatory framework as outlined in the paper and agreed that the team should follow the recommended timeline (and not the alternative compressed timeline) for the PIR.

6. SCOPE OF COMPLIANCE OF TECHNICAL ACTUARIAL STANDARDS

6.1 The Director of Actuarial Policy introduced the topic and noted that the compliance of FRC’s TASs is enforceable on members of the IFoA only. In light of Kingman’s recommendation, the paper explores whether the focus of FRC’s regulations should switch from actuarial profession to the actuarial work itself and the potential need for extending the scope of compliance to the standards outside of the profession.

6.2 The Committee discussed that the actuarial work supporting regulatory reporting activities in the core sectors of pensions and insurance might be deemed as sufficiently critical and that it would pose serious risks to public interest if TASs are not met. It was acknowledged that while the FRC sets standards for actuarial work it should not be the intention to seek powers that allow the FRC to duplicate the standard setting and supervision which falls under the authority of other regulators. However, it was also acknowledged that the other regulators (PRA, FCA and TPR) rely on the work of actuaries and assume that actuarial reports satisfy the requirements of the TASs. It was felt that it would be beneficial to explore with PRA, FCA and TPR whether they should adopt the TASs as requirements on those who supply reports to them (whether or not they are actuaries).

6.3 The Chair thanked the Members and the Senior Advisors for their valuable input into the topic.

7. UPDATE ON THE LAB'S PLANNED AND POTENTIAL PROJECTS

7.1 The Director of Financial Reporting Lab provided an update on the Lab's planned projects for the next 12 months as well as areas for potential projects across both 2021 and 2022, including collaboration within the Regulatory Standards division.

7.2 The Committee received a brief update on a number of projects including digital future, ESG data, reporting on stakeholders and section 172 statements and reporting on risks, uncertainties and scenarios. It was noted that the potential projects in the pipeline, which are still to be discussed with the Lab steering group would include framework for performance metrics, TCFD, SASB and purpose and business model disclosures.

7.3 A Senior Advisor raised a query whether the scope of the risks, uncertainties and scenarios project would include consideration to the work of the actuaries and insurers, it was noted that those areas of work would be considered and that the Director of Financial Reporting Lab would follow up further with the Senior Advisor.

7.4 In response to a query in respect of the scope of the TCFD project, it was noted that Lab would explore reporting which is voluntarily made ahead of future mandatory requirements being introduced by FCA and/or look at reporting when the requirements are mandatory. The FCA Observer reported that they would be keen in working with Lab for the latter approach.

8. REGULATORY STANDARDS & CODES COMMITTEE'S FORWARD PLANNER

8.1 The Chair informed the Committee that the planned Away day in February would be moved to April in order to include the new members joining the Committee following Board appointments.

8.2 It was reported that the FRC's annual research report would be included on the agenda for the meeting in April 2021. The Committee noted the Forward Planner.

9. ANY OTHER BUSINESS

9.1 There was none.

10. DATE OF NEXT MEETING

The Committee noted that the next meeting would take place on 10 March 2021.

Chair

Date