

FINANCIAL REPORTING COUNCIL

Minutes of a MS Teams meeting of the Regulatory Standards & Codes Committee (the 'Committee') held on Wednesday, 10 March 2021

PRESENT:	Dame Julia Unwin John Coomber Keith Skeoch	Chair Committee member Committee member
OBSERVERS:	Clare Cole Mark Holmes	FCA BEIS
SENIOR ADVISORS:	Rosemary Beaver Paul Cox Richard Lawrence	
IN ATTENDANCE:	Anu Bhartiya Mark Babington Jason Bradley Jenny Carter Miranda Craig Jennifer Guest Richard Hartigan Alex Kuczynski Vanessa Leung David Styles Laura Warren Simon Wasserman	Committee Secretary Executive Director, Regulatory Standards Project Director, Audit & Assurance Policy (for Minute 6 only) Director, Accounting and Reporting Policy Director of Strategy and Change (For Minute 10 only) Project Director, Accounting & Reporting Policy (For minute 8 only) Project Director, Actuarial Policy (For Minute 9 only) Executive Director, Corporate Services and General Counsel Director, Actuarial Policy (For Minute 9 only) Director, Corporate Governance & Stewardship Head of Competition Policy (For Minute 5 only) Project Director, Actuarial Policy (For Minute 9 only)
APOLOGIES:	None	

1. WELCOME AND DECLARATION OF INTERESTS

1.1 The Chair welcomed everyone to the meeting and in particular Mark Holmes. The Committee note that Sanu de Lima had left BEIS and Mark Holmes would be the BEIS Observer on the Committee. The Chair noted that the meeting was quorate.

1.2 There were no conflict of interests declared.

2. MINUTES OF MEETING HELD ON 20 JANUARY 2021 AND ROLLING ACTION POINTS

2.1 The minutes of the meeting held on 20 January 2021 were approved for publication.

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 which included:

- the issue of several publications and working on the responses to the Future of Corporate Reporting consultation;
- effective engagement with stakeholders;
- ongoing recruitment exercise throughout the Regulatory Standards Division; and
- working with BEIS, FCA and other partner bodies on a number of projects.

3.2 The Committee briefly discussed the importance of disclosures in respect of climate change and sustainability and the imminent agenda of SASB. It was noted that FCA is heavily involved in the climate-related disclosures. The Committee also discussed the changes to the IAASB and the intense board agenda in the coming months. A query was raised in respect of the movement towards ‘rules-based’ rather than ‘principles-based’ auditing standards; it was noted that FRC would stay up to date with the IAASB developments and respond to consultations when published.

3.3 The Committee noted the terms of reference of the UK XBRL Governance Committee and the UK XBRL Technical Taskforce Committee.

4. DIRECTOR’S REPORT – CORPORATE GOVERNANCE AND STEWARDSHIP

4.1 The Committee received a brief update on the work of the Corporate Governance & Stewardship Team which included the recent publication of the *improving the quality of comply or explain reporting*.

4.2 The Committee received a presentation on the progress of the work on developing, testing and implementing the assessment framework for stewardship signatories. The Committee briefly discussed the assessment process and the feedback that the applicants would receive. It was reported that the FRC is working together with other regulators on this matter with whom the observations on public reporting would be shared and based on the observations the regulators would investigate if further work was required. In response to a query, it was noted that in future, research on current stewardship practices in response to the introduction of the revised Code would be undertaken and would include benchmarking practices. It was also noted that engagement with the users of reports, predominantly asset owners and investment consultants would be useful to understand how reporting was helpful in making investment decisions. The Committee acknowledged that there are multi-faceted parties and classes of assets involved in the stewardship process and it would be interesting to understand how the revised Code is helping to improve the quality of reporting and what further actions could be taken.

4.3 The Committee noted that the following research papers would be published in the coming months:

- The effect of the UK Corporate Governance Code on remuneration policies
- Workforce engagement policies and practices
- A qualitative and quantitative review of corporate governance and boardroom dynamics / diversity and its impact on success and decision-making

4.4 The Committee commended on the enthusiasm of the Team and supported the progress made in respect of the work on the Corporate Governance Code and stewardship signatories.

5. AUDIT MARKET COMPETITION POLICY

5.1 The Committee received an update on the paper which set out the work undertaken and planned on audit market competition policy. This work supports the FRC's wider aims of ensuring higher audit quality and market resilience. The Committee noted that the work to date had focused on developing FRC policy positions in response to the relevant Kingman and Competition and Markets Authority recommendations and engaging closely with BEIS to inform its consultation.

5.2 Through discussion the Committee acknowledged that a key part of the future work is to operationalise the competition policy proposals within the BEIS consultation, including the proposed competition objective for ARGA. In response to a query, it was reported that as part of the competition policy work, the FRC had undertaken initial informal engagement with audit firms and plans are in place for further stakeholder engagement during the consultation period. The FRC would also be supporting BEIS's further work to develop relevant legislation. The Committee noted that legislation to create ARGA would form part of the legal basis for the competition policy activities.

6. PRACTICE NOTE 14: THE AUDIT OF HOUSING ASSOCIATIONS IN THE UK

6.1 The Committee received an update on the paper that outlined the revisions made to Practice Note 14. The Committee noted that throughout the process of revising the Practice Note, input had been received from a working group formed from a wide range of stakeholders with experience of Housing Associations including auditors and regulators, from members of Housing Association Boards, through formal responses to the consultation and the former Audit and Assurance Council.

6.2 Through discussion, the Committee made reference to business risks relevant to Housing Associations and noted that these were potential scenarios. It was agreed that extra wording and cross-reference to additional guidance would be included to support in managing the risks.

6.3 Subject to the minor amendment as agreed, the Committee approved the final of *Practice Note 14: The Audit of Housing Associations in the UK* and the Feedback Statement.

7. UK AND IRELAND ACCOUNTING STANDARDS: PERIODIC REVIEW 2022

7.1 The Committee received an update on the approach to the Periodic Review 2022 which would be a two-year programme to review and revise all UK and Ireland accounting standards, with a focus on FRS 102. The review would consider changes in IFRS, wider developments relating to financial reporting and stakeholder feedback. The Committee noted that changes to other standards may also be suggested or required as part of the review.

7.2 The Committee made reference to Nick Anderson's note on IFRS Standards and climate-related disclosures and noted that similar work was ongoing in FRC in respect of entities applying non-financial reporting and what aspects of reporting could be brought into FRS 102.

7.3 The Committee was supportive of the programme for the Periodic Review 2022.

8. THE WORK PLAN FOR THE FRC TAXONOMIES 2022 VERSION

8.1 The Committee noted the paper which gave insight into how FRC taxonomies are reviewed annually in liaison with other bodies including Companies House and HMRC. The Committee noted that the amendment to taxonomies process gives considerations to allow systems to embed a new version and software houses to build products for digital submissions.

8.2 It was queried as to how the review process responds to the IASB's agenda on digital financial reporting, it was noted that all parties involved in the review of taxonomies are joined up on this matter and responding collectively. In response to a query in relation to costs involved for companies as a result of annual amendments to taxonomies, it was noted that the review process gave due consideration to software cost effectiveness for small and large companies and the long-term benefits of embracing digital reporting. Following a query in relation to FRC resources to enable the work of taxonomies, it was noted that an additional person would be recruited to the Team, and funding was supported by agreements with HMRC, Companies House, BEIS and other government bodies.

8.3 The Committee was supportive of the work involved in the annual amendment cycle of taxonomies and acknowledged the work that would be presented to the forthcoming meetings.

9. DEVELOPING THE ACTUARIAL MONITORING FRAMEWORK

9.1 The Committee received an update on the proposed approach in developing an actuarial monitoring framework with a view to seeking to obtain appropriate legal powers as required to deliver the regime and in discussion with HM Treasury and BEIS. The Committee noted the objectives of the monitoring regime, the scope and the approach to the framework.

9.2 The Committee acknowledged the need for establishing the monitoring regime, and noted the scale and complexity of work involved to deliver the transformation programme and objectives. The Committee advised that care should be taken to manage regulatory overlap.

9.3 The Committee was supportive in principle of the proposed approach in developing an actuarial monitoring framework with a view to seeking to obtain appropriate legal powers for the ARGAs.

10. FRC TRANSFORMATION

10.1 The Committee received an update on the Transformation Programme which was designed to deliver over 150 recommendations arising from the Kingman, CMA and the Brydon reviews. The update included an overview of activities undertaken to feed into BEIS's consultation, plans for stakeholder outreach and work involved in securing legislation for FRC to transform into ARGAs.

11. REGULATORY STANDARDS & CODES COMMITTEE'S FORWARD PLANNER

11.1 The Committee noted the forward planner.

12. ANY OTHER BUSINESS

12.1 There was none.

13. DATE OF NEXT MEETING

The Committee noted that the next meeting would take place on 28 April 2021.

Chair

Date