Financial Reporting Council

Financial Reporting

Financial Reporting Lab

Agenda

- What is the Lab/FRC?
- Climate reporting
- A journey towards ESEF

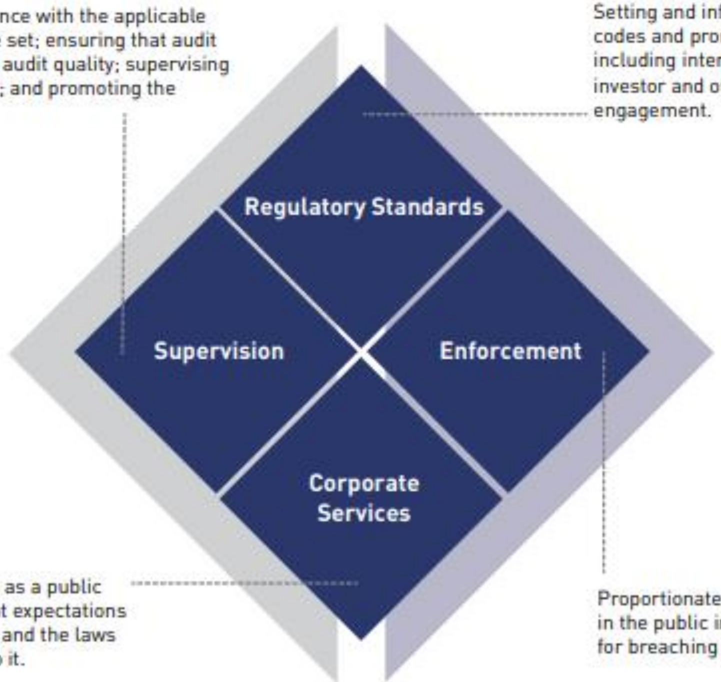
Financial Reporting Council

The purpose of the FRC is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them.

OUR BUSINESS MODEL

Monitoring and assessing compliance with the applicable laws, codes and standards that we set; ensuring that audit firms prioritise actions to improve audit quality; supervising the work of professional institutes; and promoting the resilience of the audit market.

Setting and influencing standards and codes and promoting good practice, including international liaison and investor and other stakeholder engagement.



Running the FRC effectively, as a public body in line with Government expectations of an independent regulator and the laws and regulations that apply to it.

Proportionately holding to account, in the public interest, those responsible for breaching required standards.

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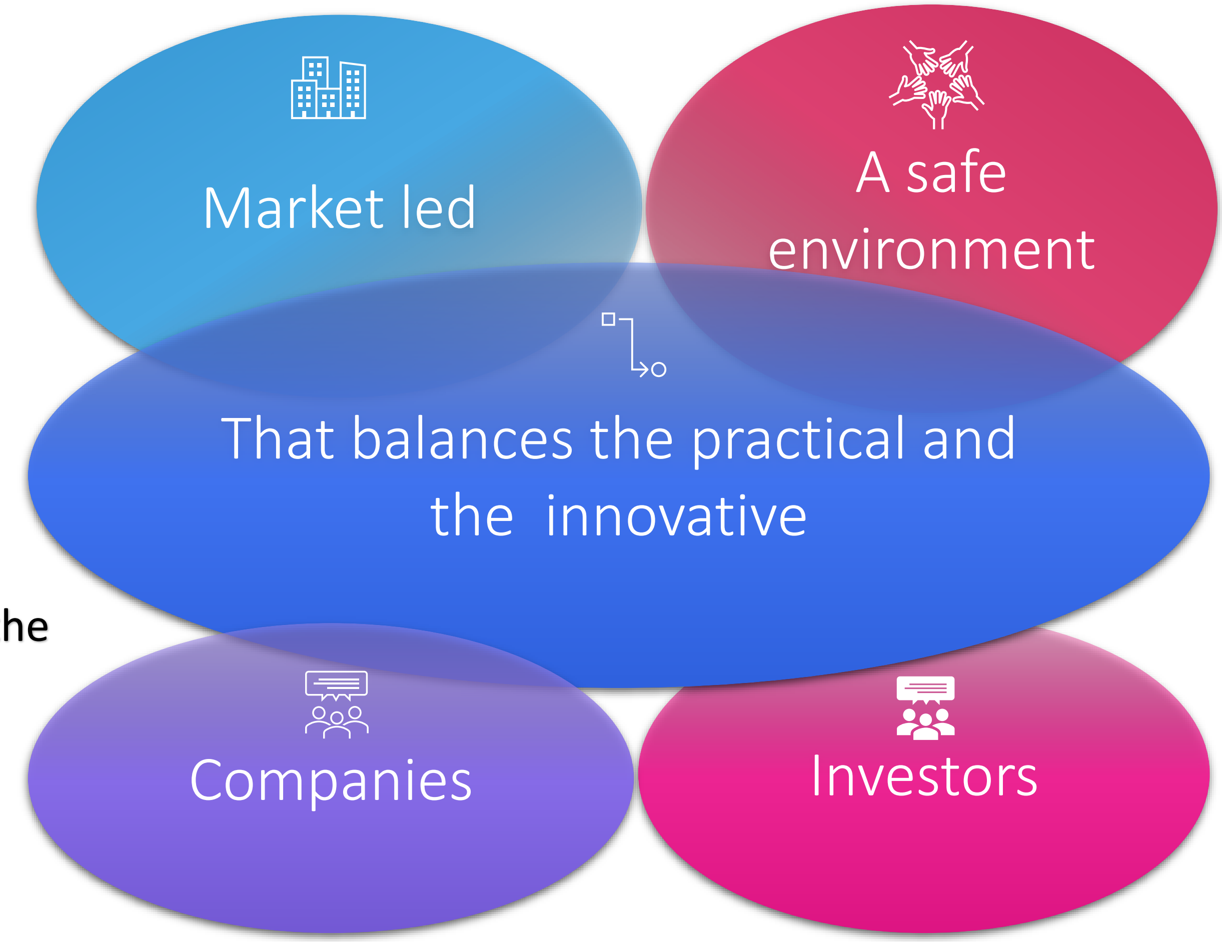
Reporting topics that need a solution which is:



And involves the views of:

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Climate reporting

Climate thematic - Headline findings

How are boards taking account of climate-related challenges?

It is the board's responsibility to consider climate-related issues, but there is little evidence that business models and company strategy are influenced by integrating climate considerations into governance frameworks.

How are companies developing their reporting on climate-related challenges?

An increasing number of companies are providing narrative reporting on climate-related issues. While minimum legal requirements are often being met, users are calling for additional disclosure to inform their decision making. Some companies have set strategic goals such as 'net zero', but it is unclear from their reporting how progress towards these goals will be achieved, monitored or assured.

Consideration and disclosure of climate change in the financial statements lags behind narrative reporting. We identified areas of potential non-compliance with the requirements of International Financial Reporting Standards (IFRS).

How are auditors taking account of climate-related challenges?

The quality of support, training and resources provided to the audit practice varies considerably across firms. Firms also need to do more to ensure that their internal quality monitoring has appropriate regard for climate change considerations.

Audits reviewed indicated that auditors need to improve their consideration of climate-related risks when planning and executing their audits.

How are professional bodies and audit regulators taking account of climate change in their regulatory responsibilities?

UK professional bodies, and audit regulators in the Crown Dependencies, are responding to climate change, but approaches differ in terms of substance and granularity regarding references to climate-related reporting and the impacts of climate change.

What do investors want to see?

Investors support the Task Force on Climate-related Financial Disclosures framework, but also expect to see disclosures regarding the financial implications of climate change. Investors are themselves facing a changing regulatory environment.

Find our reports here:
https://www.frc.org.uk/investors/climate-thematic-review-2020

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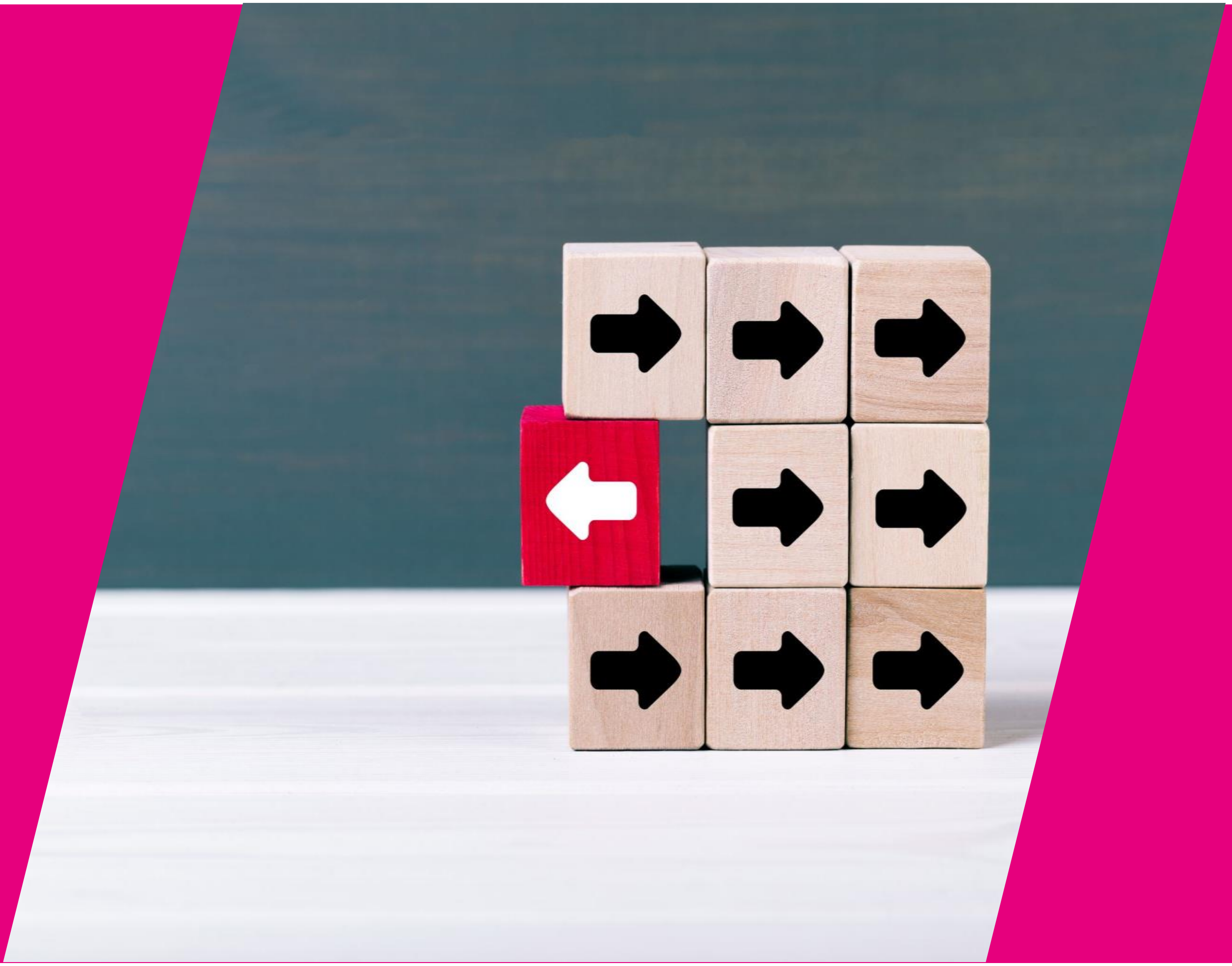


"Confusion now hath made his masterpiece"

William Shakespeare

Where are we now?

	Timing	Requirements	Audit
	✓ ?	✓	✓
	✓ ?	✓	?

Common Questions

We're a UK registered and LSE listed what do we need to do?

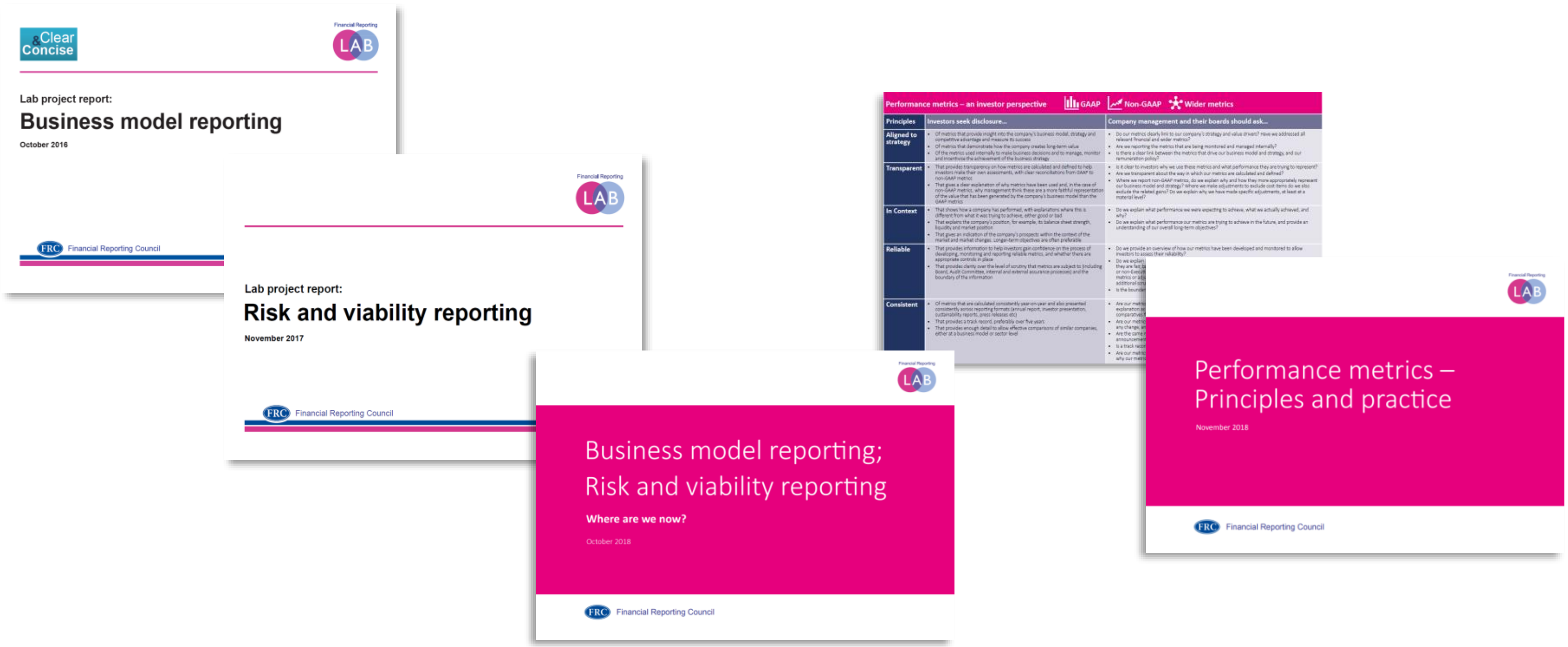
Should we do UKSEF or ESEF?

Does Brexit remove the requirement?

What about GDRs/Third-countries?

Do we need an audit?

What about non-listed companies?



Find our reports here:

https://www.frc.org.uk/investors/financial-reporting-lab/publications

New projects – Virtual Reality, Risk, Uncertainty and Scenarios, Stakeholders

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