



Department for Business & Trade

The Rt Hon Kemi Badenoch MP
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By email: r.moriarty@frc.org.uk

22 November 2023

Dear Richard,

FINANCIAL REPORTING COUNCIL REMIT

Congratulations on your appointment as Chief Executive Officer of the Financial Reporting Council (FRC). The FRC has a crucial role to play in supporting the Government's drive to ensure the UK upholds high standards of corporate governance, reporting and audit, contributing to our ambition to make the UK the best place to start, grow and invest in a business.

I am writing to update the remit letter originally sent to your predecessor in 2019. I welcome the progress made since then in restructuring the FRC. I also welcome your policy statement on 7 November. I agree with the approach that you have outlined for the FRC, in particular your clear recognition of the essential importance of the FRC's statutory growth duty under the Deregulation Act 2015 and its duty to have regard to the Regulators' Code.

At a strategic level, in fulfilling its core purpose to enhance public trust and confidence in corporate governance, financial reporting and audit, the FRC should contribute to promoting the competitiveness and growth of the UK economy, embedding its growth duty across its work. Maintaining the UK's leading reputation for trustworthy reporting remains vital; and we must also ensure that we maintain the UK's reputation as a great place to do business when considering the requirements and expectations placed on business. Proportionality

of any new requirements is essential and it is also important to look actively at where rules and guidance are no longer proportionate and can be removed or streamlined. I would ask that you report back in a year's time on the steps that the FRC has taken in promoting competitiveness and growth.

I welcome the FRC's important work to review and update the UK Corporate Governance Code, and in due course the Stewardship Code, to ensure they operate in a flexible way as intended under the long-standing 'comply or explain' approach, and focus on outcomes – reflecting the needs of the UK's largest businesses, their investors and other stakeholders. In your management of these Codes, I would like you to ensure that they promote good governance as a key component of company success and facilitate good engagement between companies, investors and stakeholders in the interests of the economy as a whole.

I encourage the FRC's continued drive on a number of other important initiatives, including:

- your work to drive up the quality of audit, including through long-term engagement with the sector and action to detect and, where appropriate, hold to account shortfalls in performance;
- engaging with my officials to review non-financial reporting requirements, with the aim to simplify and streamline current requirements;
- enabling companies to report on sustainability matters on a consistent and proportionate basis, by supporting the assessment of the IFRS Sustainability Disclosure Standards; and
- continuing with the FRC's important work to support the provision of reliable estimated retirement income projections to members of defined contribution pension schemes and supporting the government's pensions dashboard. Supporting the delivery of high-quality actuarial work, particularly in insurance and pensions, through high quality technical standards should also be a continuing priority.

I welcome the progress being made across all other parts of the FRC – notably in setting standards and undertaking supervision and enforcement. It is important that the FRC seeks to strike the right balance of supporting continuous improvement, pursuing sanctions against those who flout the rules and acting proportionately and in the public interest. The 'four faces' described in the FRC's annual report provide a useful description of how the FRC approaches this, and how it will deliver improved outcomes for stakeholders, for the economy and for people across the country.

Whilst the Government has not been able to include establishment of the Audit, Reporting and Governance Authority in this legislative programme, we remain committed to working with the FRC towards the goals set out in this letter.

Best wishes,

A handwritten signature in black ink that reads "Kemi Badenoch". The signature is written in a cursive, flowing style.

THE RT HON KEMI BADENOCH MP
Secretary of State for Business & Trade and President of the Board of Trade
Minister for Women & Equalities