

Financial Reporting Council

**Minutes of a meeting of the Board of Directors of the Company
held on 14 March 2018 at the FRC, 8th Floor, 125 London Wall, EC2Y 5AS**

PRESENT:	Sir Winfried Bischoff Gay Huey Evans Mark Armour Sir Brian Bender David Childs John Coomber Olivia Dickson Paul Druckman Paul George Stephen Haddrill Nick Land Roger Marshall Keith Skeoch Mark Zinkula	Chairman Deputy Chairman (to item 7.10) Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Executive Director, Corporate Governance & Reporting (excluding items 7.3-7.7 & 9-12) Chief Executive Officer (excluding item 7.6) Non-Executive Director (to item 10) Non-Executive Director (to item 7.10) Non-Executive Director Non-Executive Director (to item 9)
IN ATTENDANCE:	Francesca Carter Anne McArthur Tracy Vegro Mario Dunn Catherine Bell Tara Trousdale Mike Suffield Tom Barrett Carol Page David Andrews Andrew Meek Claudia Mortimore Dawn Dickson	Board Secretary General Counsel and Company Secretary (excluding items 7.3-7.7) Executive Director of Strategy & Resources (excluding items 7.5-7.7) Director, Strategic Communications (excluding items 7.3-7.7) Independent Assessor (item 3 only) Finance Director (items 6-7 only) Director, Audit Quality Review (items 6 & 9 only) Technical and Quality Director (item 6 only) Director, CRR (item 6 only) BEIS Relationship Manager (items 7.8-7.9 only) Director, Audit Quality Review (item 7.10 only) Interim Executive Counsel (item 8 only) Director, Professional Oversight (item 10 only)
APOLOGIES:	Melanie McLaren	Executive Director, Audit & Actuarial Regulation

1. QUORUM AND OPENING OF MEETING

1.1 The Chairman noted that the meeting was quorate and opened the meeting.

2. DECLARATION OF INTERESTS

2.1 There were no declarations of interest.

3. APPOINTMENTS AND REAPPOINTMENTS

3.1 The Chairman welcomed Catherine Bell, Independent Assessor. Ms Bell summarised the recruitment process and reported that her nominations were strongly supported by the interview panel and the Nominations Committee. The Board considered the nominations of the independent assessor and approved the appointment of Julia Unwin

and Jenny Watson as Non-Executive Directors of the FRC for three year terms commencing on 1 April 2018. The Chairman thanked Ms Bell for her excellent work.

- 3.2 The Board considered recommendations proposed by the Nominations Committee, designed to respond to decisions taken at the December Board meeting, in relation to the size and composition of the Board and to enhance the independence of the FRC. The Board agreed that the two Executive Directors would step down from the FRC Board on 31 March 2018 and agreed to bring forward Roger Marshall's third term of office end date by one year to end on 31 October 2018.
- 3.3 On the recommendation of the Nominations Committee the Board approved the:
- i) reappointment of Mark Armour as a Non-Executive Director of the FRC and a member of the Audit Committee for one year;
 - ii) reappointment of John Coomber as a Non-Executive Director of the FRC and a member of the Audit Committee and Remuneration Committee for three years;
 - iii) reappointment of Olivia Dickson as a Non-Executive Director of the FRC for two years;
 - iv) reappointment of Malcolm Nicholson as a member of the Conduct Committee and Chair of the Case Management Committee for four months; and the
 - v) reappointment of Geoffrey Green as a member of the Conduct Committee for three years.

4 MINUTES & MATTERS ARISING

- 4.1 The Board approved the minutes of the FRC Board meeting held on 7 February 2018 subject to a minor drafting amendment.
- 4.2 The matters arising log was noted.

5 CHAIRMAN'S AGENDA

Board and Committee Effectiveness

- 5.1 The Board considered the findings of the 2017/18 Board and Committee Effectiveness review and high-level actions identified in response. The Board noted that regular attendees to Board and Committee meetings had taken part in the review process to provide a 360 perspective and suggested it would be useful, and provide additional insight, to separate out the responses of the members and the regular attendees. This would be reported at a future Board meeting.
- 5.2 An additional action to review the strategy setting process was agreed. It was also agreed that a detailed action plan would be presented at a future meeting.

FRC Governance

- 5.3 The Board noted a report on FRC Governance that had been provided for consideration in advance of full discussion at the April Board meeting. Ms McArthur invited drafting comments on the revised Terms of Reference by email and undertook to consider a number of suggestions in preparing recommendations for the April meeting.
- 5.4 In accordance with the decision taken earlier in the meeting the Board agreed to recommend to the Company an amendment to the FRC Articles of Association to remove the requirement for the Executive Directors: Audit & Actuarial Regulation and Corporate Governance & Reporting to be members of the Board. A written resolution to implement the decision was circulated.

Chairman's breakfast

- 5.5 Ms Gay Huey Evans provided a summary of views expressed by staff to Board Members present at a staff and Board member breakfast held that morning.

6 CHIEF EXECUTIVE'S REPORT

- 6.1 The CEO introduced his report to the Board. Discussion included consideration of the way the FRC discharges its responsibilities in the public interest, the regulatory approach adopted by the FRC and how the FRC should seek to develop its role going forward. The Board supported the establishment of a small Board group, potentially with financial services regulation expertise, to review the effectiveness of the FRC within the current framework.

- 6.2 The Board considered and approved revisions to the FRC risk management policy, noting it had been reviewed by the Audit Committee at its 5 March meeting. The remainder of the report and its appendices, including the management accounts, was noted.

7 FRC MATTERS

LAPFF

- 7.1 The Board considered a report prepared by the executive in response to the Board Committee report considered at the previous meeting. The Board welcomed the report and following detailed discussion agreed the actions proposed. In relation to one of the inaccuracies in the response – the timing and position of the FRC as a public body. Anne McArthur was asked to provide a detailed summary of the period in question.
- 7.2 The Board was disappointed to note the LAPFF response to the consultation on the UK Corporate Governance Code and the inaccuracies contained within the response. It was agreed that a full response to the LAPFF be prepared and sent.

Remuneration Committee recommendations

- 7.3 Sir Brian Bender, Chair of the Remuneration Committee introduced a number of recommendations in relation to 2017/18 bonus awards and 2018/19 salary levels and summarised discussion held at Committee meetings on 5 and 13 March. The Board noted that an independent review of the FRC Reward Strategy had concluded and new reward principles, a job level framework and a salary setting policy had been established. The recommendations in relation to salary adjustments would address anomalies identified through the benchmarking exercise including a number of gender pay gap issues.
- 7.4 Discussion included consideration of the suggested reward strategy, the implications of the FRC's classification as a public body and the performance of the organisation. On the recommendation of the Remuneration Committee the Board approved the proposed individual and company bonus awards for 2017/18. In addition the Board approved the proposed 2018/19 salary adjustments for staff, subject to consistency with Civil Service Pay Guidance and BEIS approval.
- 7.5 The Board reviewed recommendations in relation to pay and bonus awards for members of the Executive Committee and noted a benchmarking exercise in relation to Executive Committee level pay was underway. On the recommendation of the Remuneration Committee the Board approved the proposed bonus awards for eligible members of the Executive Committee, noting that no individual award should exceed the cap imposed by the Civil Service Pay Guidance. Subject to the results of the benchmarking exercise

the Board approved a 0% salary adjustment for members of the Executive Committee for the 2018/19 year.

- 7.6 On the recommendation of the Remuneration Committee the Board approved the recommendation in relation to the remuneration of the CEO, subject to consistency with Civil Service Pay Guidance.
- 7.7 The Board noted a candidate had been identified for the role of Executive Counsel and, on the recommendation of the Remuneration Committee, agreed the remuneration package to be offered to the candidate; subject to BEIS approval of the recommended package and consistency with Civil Service Pay Guidance.

FRC Strategy and Budget

- 7.8 The Board considered a summary of responses to the public consultation on the draft 2018/21 strategy and changes that had been made to the draft both in response to stakeholder feedback and in response to developments since the draft had been published in December 2017. The Board noted that, further to discussion at the Audit Committee meeting on 1 March, no change to the budget and levies was proposed.
- 7.9 The Board approved the strategy document for publication subject to any drafting amendments which would be approved by the Chief Executive and the Chairman.

Audit firm monitoring

- 7.10 The Board considered a report that provided an overview of action that has been taken, or is planned, to address audit quality and reputational matters at KMPG. The Board welcomed the report and the progress that had been made.

8 QUARTERLY ENFORCEMENT REPORT

- 8.1 The Board considered a report that provided an update on the main activities of the Enforcement Division, including the status of live cases and concluded cases. The Board also noted the Enforcement team had agreed milestones with the Conduct Committee for investigations commenced after May 2016 and would report against the milestones going forward.

9 COMMITTEE CHAIR REPORTS

Report from the Audit Committee

- 9.1 The Board noted draft minutes of a meeting of the Audit Committee held on 1 March 2018. The Chairman highlighted that the FRC's external auditor, haysmacintyre, is also the auditor of the ICAEW. The Committee had satisfied itself that appropriate safeguards were in place but would continue to review the position going forward.
- 9.2 On the recommendation of the Audit Committee the Board agreed that the FRC appoint the Government Internal Audit Agency (GIAA) to undertake the internal audit function; the first internal audit exercise to be undertaken by the GIAA would be a review of the FRC's budget setting process.

Report from the Codes & Standards Committee

- 10.2 The Board noted the draft minutes of a meeting of the Codes & Standards Committee held on 28 February 2018.

Report from the Conduct Committee

- 9.4 The Board noted draft minutes of a meeting of the Conduct Committee held on 13 February 2018.

Report from the Nominations Committee

- 9.5 The Board noted minutes of an additional meeting of the Nominations Committee meeting held on 31 January 2018 and draft minutes of a formal meeting of the Nominations Committee held on 5 March 2018.

10 PROFESSIONAL OVERSIGHT

- 10.1 The Board noted a report that provided an update on the activities of the Professional oversight team since last reported in November 2017. The Board noted themes and conclusions arising from the 2017/18 monitoring visits and the progress of the FRC's oversight activities.
- 10.2 The Board discussed progress of the IFoA quality monitoring proposals and the interaction with the FRC review of the IFoA's governance arrangements; the Board encouraged the executive to review the timetable for the two workstreams.

11 FORWARD PLAN

- 11.1 The forward plan was noted.

12 ANY OTHER BUSINESS

- 12.1 There was no other business.

13 DATE OF NEXT MEETING

- 13.1 Wednesday 25 April 2018 at 9am.

Chairman