

Financial Reporting Council

Minutes of a meeting of the FRC Board held on 31 March 2022 at 09:00 at the FRC Office,
8th Floor, 125 London Wall EC2Y 5AS

PRESENT:	Sir Jan du Plessis	Chairman
	Sir Jon Thompson	CEO
	Angela Cha	Non-Executive Director
	John Coomber	Non-Executive Director and Senior Independent Director
	Sir Ashley Fox	Non-Executive Director
	Hannah Nixon	Non-Executive Director
	Clare Thompson	Non-Executive Director
	Ruwan Weerasekera	Non-Executive Director
	David Willis	Non-Executive Director
IN ATTENDANCE:	Francesca Carter	Company Secretary
	Alex Kuczynski	General Counsel and Executive Director, Corporate Services
	Richard Davies	Chief People Officer (item 5.2)
	Tara Trousdale	Finance Director (item 5.3)
	Miranda Craig	Director of Strategy and Change (items 5.3 and 6)
	Kate O'Neill	Director of Stakeholder Engagement and Corporate Affairs (items 5.3, 6 and 7)
	Elizabeth Barrett	Executive Counsel and Executive Director, Enforcement (item 8)
	Sarah Rapson	Executive Director, Supervision (item 8)
	Ros Stow	Supervisor (item 8)

1. WELCOME AND OPENING OF THE MEETING

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

2 DECLARATIONS OF INTEREST

2.1 The Board noted that Sir Jon Thompson had been appointed as Deputy Chair, HS2.

2.2 There were no other new declarations of interest or declarations of interest in respect of items on the agenda.

3 MINUTES AND MATTERS ARISING

3.1 The minutes of FRC Board Meeting held on 10 February 2022 were approved as an accurate record of the meeting subject to a drafting amendment.

3.2 The Board reviewed and noted the matters arising log. It was agreed that future MI reports should be presented by Division, not strategic priority.

4 CHAIR'S REPORT

4.1 The Chair reported on his first two months in post and the internal meetings that he had attended. He outlined his plans to begin meeting with external stakeholders in April.

Committee memberships

4.2 The Board considered a series of recommendations with regards to Committee memberships from 1 April 2022. The Board noted that, in developing the recommendations, careful thought had been

given to a range of factors including skills and experience required, time commitment, diversity and succession planning.

- 4.3 The Board agreed the following new Committee memberships effective 1 April 2022:
- i. Angela Cha as Deputy Chair of the Conduct Committee, Member of the Supervision Committee and Member of the Audit & Risk Committee to 31 January 2025.
 - ii. John Coomber as Chair of the Supervision Committee and member of the Regulatory Standards & Codes Committee to 22 July 2023.
 - iii. Sir Ashley Fox as a member of the Conduct Committee and Regulatory Standards Committee to 31 January 2025.
 - iv. Hannah Nixon as a member of the Supervision Committee to 23 June 2024.
 - v. Clare Thompson as Chair of the Audit & Risk Committee, member of the Regulatory Standards & Codes Committee and member of the People Committee to 31 January 2025.
 - vi. David Willis as Chair of the Conduct Committee and member of the People Committee to 31 January 2025.
- 4.4 In agreeing the new memberships, it was noted that on 31 March 2022 John Coomber would step down as Chair of the Audit & Risk Committee and that Sir Jon Thompson would cease to chair the Conduct and Supervision Committees.

Governance Handbook amendments

- 4.5 The Board considered a series of amendments to the FRC Governance Handbook designed to reflect the final stages of the implementation of the Governance Structure agreed in 2020, to ensure the Committee Terms of Reference are fit for purpose and mirror best practice and to reflect an updated approach to managing conflicts of interests. Following detailed discussion the Board:
- i. Approved amended Terms of Reference for the Conduct Committee, Supervision Committee, Regulatory Standards & Codes Committee, the Audit & Risk Committee and the People Committees effective from 1 April 2022.
 - ii. Approved the revised Conflicts of Interest Policy subject to minor drafting amendments.
 - iii. Approved the revised Schedule of Delegations noting that the document was an internal reference document.
 - iv. Agreed formal rules to govern how Members' potential conflicts of interests are managed during meetings.
 - v. Agreed that movement between Board Regulatory Committees during the tenure of a NED appointment should be permitted and that any Board Member may sit concurrently on any two of the Regulatory Committees on the basis that in making Committee appointments due consideration would be given to potential risks and appropriate safeguards would be put in place.
 - vi. Noted that a written resolution would be issued to the members of the Board to formally approve the amendments to the Articles of Association.
- 4.6 The Board noted presentational amendments to the Schedule of Matters Reserved to the Board would be brought for approval in May and, in due course, a series of further changes to the Handbook, specifically the Articles of Association, would be required to reflect the establishment of ARGAs.

5 CEO'S REPORT

- 5.1 The Board received an update from the CEO on the activities of the executive, performance over the year and on key strategic issues. The Board was pleased to note the FRC Finance team had been shortlisted for the "Team of the Year Award" at the Government Finance Function and Internal Audit Awards.

2022 People Survey results

- 5.2 The Board considered the findings of the 2022 people survey. The Board noted that, whilst the results were generally positive, there were areas that continued to present challenge to the organisation particularly with regards to pay and reward and managing change. Discussion focused on next steps and it was noted that a paper with proposed responses to the findings would be brought to the Board in due course. Consideration would also be given to increasing opportunities for engagement between the Board and colleagues as they arise.

FRC Strategy, Plan and Budget

- 5.3 The Board reviewed feedback to the consultation on the draft FRC Strategy, Plan and Budget and considered the proposed finalised document. The Board noted minor amendments to the Plan and Budget had been made following consultation to reflect the feedback received and a range of other factors including the expected timing of publication of the Government Response to the White Paper 'Restoring Trust in Audit and Corporate Governance' (the Government Response), legislation and revised assumptions with regards to the timing of staff recruitment.
- 5.4 The Board welcomed the amendments and approved the 3-year Plan 2022-25 and 2022-23 Budget for publication on 5 April 2022.

6 TRANSFORMATION PROGRAMME

- 6.1 The Board considered a report on the work of the Transformation Programme and the FRC's response to the recommendations arising from the Kingman review, the CMA's market study and the Brydon review, together with organisational changes associated with establishing ARGAs.
- 6.2 The Board discussed revised assumptions in respect of the timetable for publishing the Government Response, the legislative timetable, key risks to programme delivery and forward planning priorities.

7 QUARTERLY STAKEHOLDER ENGAGEMENT REPORT

- 7.1 The Board noted the quarterly stakeholder engagement report on work completed by the Stakeholder Engagement team during Q3 and ongoing and planned future work. The Board welcomed the establishment of a new Stakeholder Insight Group to represent preparers, investors, audit committee chairs and other key parts of the FRC's stakeholder universe.

8 AUDIT FIRM SUPERVISORY APPROACH

- 8.1 The Board considered a deep dive into audit firm supervision, and the impact of the approach.

9 REPORT FROM THE CONDUCT COMMITTEE CHAIR

- 9.1 The Board noted confirmed minutes of the Conduct Committee meeting held on 25 January 2022 and an oral report of the meeting held on 22 February 2022.

10 REPORT FROM THE SUPERVISION COMMITTEE CHAIR

- 10.1 The Board noted an oral report of the meeting held on 22 March 2022.

11 REPORT FROM THE AUDIT & RISK COMMITTEE CHAIR

- 11.1 The Board noted draft minutes of the Audit & Risk Committee meeting held on 2 March 2022.

External Audit fees and engagement letter

- 11.2 The Board reviewed the 2020 audit engagement letter and noted the conclusions of the Audit & Risk Committee that the terms and conditions remained valid and the proposed fee was considered appropriate.

Risk extract - FRC Annual Report & Accounts 2021/22

- 11.3 The Board considered a draft risk extract to be used as the basis of the risk report to be included in the FRC Annual Report & Accounts. Through discussion the Board suggested a series of presentational and drafting amendments and requested that further consideration be given to risk appetite with respect to principal risk 3 *reporting and audit quality* and principal risk 5 *data privacy / confidentiality*. It was agreed that the Audit & Risk Committee would review a revised draft at its May meeting.

12 REPORT FROM THE REGULATORY STANDARDS AND CODES COMMITTEE CHAIR

- 12.1 The Board noted draft minutes of the Regulatory Standards & Codes Committee meeting held on 9 February 2022.

Audit Firm Governance Code

- 12.2 The Board considered a draft revised Audit Firm Governance Code and noted changes to the draft which had been made in response to feedback to the consultation. On the recommendation of the Regulatory Standards & Codes Committee the Board approved the Audit Firm Governance Code and Feedback Statement to be published.

13 REPORT FROM THE PEOPLE COMMITTEE CHAIR

- 13.1 The Board noted an oral report from the Chair of the People Committee on key people related matters including feedback from meetings of the FRC People Forum, meetings with the Chief People Officer and decisions taken by the Committee in respect of Senior Advisory and Advisory Panel succession.

Board Diversity Policy

- 13.2 The Board noted the Board Diversity Policy was subject to annual review, whilst the ambitions set out remained appropriate and no substantial amendments had been proposed, an addition to reflect that the FRC now partners with LGBT Great was recommended. The Board considered the policy, and progress against the ambitions set out therein. On the recommendation of the People Committee the Board approved the revised policy for adoption.

14 FORWARD PLAN

- 14.1 The Board noted the forward plan.

15 AOB

- 15.1 There was no other business.
- 15.2 The next meeting of the Board would be Thursday 12 May 2022 at 9am.

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Sir Jan du Plessis, FRC Chair

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Date