

**Minutes of a meeting of the Board of Directors of the Company
held on 23 April 2013 at the Hotel Stanhope, Brussels**

PRESENT:	Baroness Hogg	Chairman (By telephone)
	Stephen Haddrill	Director & Chief Executive
	Richard Fleck	Chairman, Conduct Committee
	Jim Sutcliffe	Chairman, Codes & Standards Committee (In the Chair)
	Mark Armour	Non-executive Director
	Peter Chambers	Non-executive Director
	Elizabeth Corley	Non-executive Director (By telephone)
	Gay Huey Evans	Non-executive Director
	Olivia Dickson	Chairman, Actuarial Council
	Nick Land	Chairman, Audit & Assurance Council
	Roger Marshall	Chairman, Accounting Council
	Paul George	Executive Director, Conduct
	Melanie McLaren	Executive Director, Codes & Standards
	IN ATTENDANCE:	Anne McArthur
	Graham Clarke	Director of Finance (Items 2, 3, 4a and 4b)
	Peter Timberlake	Head of Communications (Items 2, 4a and 4b)
	Cecilia Thorn	Head of European Affairs (Item 5a)

Apologies were received from Glen Moreno, Sir Steve Robson and Keith Skeoch.

1 MINUTES

- 1.1 The Board approved the minutes of the meeting held on 5 March 2013 for publication subject to minor amendments.

Matters arising

- 1.2 There were no matters arising.

Action points

- 1.3 The Board noted the action points and suggested some amendments to timings.

2 CHIEF EXECUTIVE'S REPORT

- 2.1 Mr Haddrill introduced his report.

- 2.2 Discussion included the following points and observations:

- On the pending FCA report into HBOS, the Conduct Committee had reviewed the work undertaken by the AADB in relation to the accounts and audits of major banks during and following the financial crisis and had been satisfied with the process undertaken. The Board noted that the FRC had no evidence that the accounts had not been prepared in accordance with the relevant standards and that the FRC was looking at whether the accounting standards themselves were fit for purpose: responsibility for maintaining those standards rested with the IASB but the FRC was pushing for an early review. The FRC was also keeping its mandate and powers under review and looking at its powers and policy in relation communications with other regulators and stakeholders;

- The resources assigned to the projects Capri (review of actuarial regulation) and Restoring Confidence in Audit;
- The Board noted the encouraging results from the FRC employee survey.

2.3 The Board noted the Chief Executive's report.

3 COMMITTEE CHAIR REPORTS

Report from CSC meeting of 11 April 2013

3.1 The Board noted the summary report.

Report from CC meetings of 20 March and 18 April 2013

3.2 Mr Fleck reported that the Conduct Committee had decide to investigate two matters which involved the same audit firm and that the forthcoming AQR report was likely to highlight some issues in relation to the same firm. The Conduct Committee was keen to see a positive response from the leadership of the firm to the various issues.

Report from Remuneration Committee meeting of 18 March 2013

3.3 Mr Chambers reported that the meeting had been the main meeting of the year in relation to salary review and bonus awards and had been the first run through of the new salary review system. There had been a small slippage in the budget for the reasons set out in the minutes but the numbers were de minimis and the final spend was within the remuneration budget. The new systems had worked smoothly and it had helped to have sight of the staff survey results. The Committee would review the process with the benefit of staff reaction through a pulse survey at its meeting in June and the Board would discuss the FRC Remuneration Policy at its meeting in July.

Report from Audit Committee meeting of 28 February 2013

3.4 The Board noted the written report and that Mr Land had reported orally to the Board at its meeting on 30 January.

3.5 The Board noted the Committee Chair reports.

4 FOR BOARD APPROVAL AND ISSUE

a. FRC Plan & Budget 2013/14

4.1 Mr Haddrill introduced the paper, reporting that a strong theme of the consultation responses was to query whether the extra resources sought were required. The Board had always taken the view that the organization had benefitted from being somewhat restrained and the 2013/14 budget remained consistent with that ethos but the FRC had committed to engagement and that was resource intensive.

4.2 Discussion included the following points and observations:

- On engagement, there was scope to further improve relationships with other regulators but this was not a resourcing issue;
- The FRC should be cautious about taking on further projects without reviewing whether existing projects should continue.

4.3 The Board approved the Plan & Budget 2013/14 and the Feedback Statement for publication subject to various drafting points.

b. FRC Levy 2013/14

4.3 Mr Clarke introduced the paper and drew the Board's attention to the amendment to the lowest levy rate so that it was no higher than inflation.

4.4 The Board approved the levy rates for publication.

c. Auditor Regulatory Sanctions Procedure

4.6 Ms McArthur introduced the paper. The Board considered and approved the proposed procedure and the feedback statement subject to an amendment proposed by Ms McArthur. The Board noted that the effective date of the procedure would depend on amendments to the regulations maintained by the RSBs.

5 FOR DISCUSSION

a. European Priorities

5.1 Ms Thorne introduced the paper.

5.2 Discussion included the following points and observations:

- The FRC should be pleased with the progress it had made in terms of European engagement over the previous 3 years and build on that progress;
- This should be a time for preparing for the new Commission. Whilst the Commissioners would change, the staff would remain relatively constant and it was important to have a good relationship with them. It was also important to stay in touch with Parliament and to foster relationships across the parties;
- The FRC's should ensure the right European dimension on all its projects: the work plan should include a column for this purpose.

5.3 The Board agreed

- the FRC's European priorities for 2013/2014 including maintaining strong effort and engagement on: the EU's audit reform, the corporate governance and company law action plan, the forthcoming IORP directive and the forthcoming legislative proposal on disclosure of non-financial reporting/CSR;
- the FRC should focus more on investor concerns and interests and build an agenda tailored for the Brussels audiences, including holding discussion groups in London and Brussels with investors in order to better understand their priorities and concerns;
- for the long term, the FRC should develop proposals aiming at enhancing trust in European business, paying special attention to the Commission's special interest in long-term financing of the European economy;
- the FRC should continue to invest in a small but strong central team focused on influencing in Brussels, starting the engagement with Brussels-based media and continue to invest in training of staff on European matters; and
- to look more closely at how a Stewardship code could work in a European context.

5.4 The Board noted that event at the Bibliotheque Solvay and the following dinner had been well attended and had been a great success. The Chairman thanked Ms Thorne for her hard work and congratulated her on the outcome of her endeavours.

6 FOR AGREEMENT TO PROCEED

a. Programme for Performance Evaluations – FRC Board and its Committees

- 6.1 Ms McArthur introduced the paper. The Board discussed the proposals and agreed that the evaluation should be carried out by Boardroom Review and should include the Board, the Conduct Committee, the Codes & Standards Committee, the Audit Committee, the Remuneration Committee and the Nominations Committee. The evaluation should focus on the effectiveness of the Board and its Committees. The Board noted that a review of the effectiveness of the Councils and the Monitoring Committee and Case Management Committee would be undertaken by the Codes & Standards Committee and the Conduct Committee during the year.

b. 2012/13 Annual Report review – outline and themes

- 6.2 Ms McArthur introduced the paper. The Board noted the proposed outline and themes and welcomed early draft extracts.

7 OUTLINE BOARD CALENDAR 2012-2013

- 7.1 The Board noted the outline Board calendar.

8 ANY OTHER BUSINESS

- 8.1 There was no other business.

9 NEXT MEETING

- 9.1 Tuesday, 21 May 2013 at 8.30 am