

**Minutes of a meeting of the Board of Directors of the Company
held on 26 April 2012 at the Hotel Sofitel, Brussels**

PRESENT:	Baroness Hogg	Chair
	Stephen Haddrill	Director & Chief Executive
	Peter Chambers	Non-executive Director
	Elizabeth Corley	Non-executive Director
	Gay Huey Evans	Non-executive Director
	Rudy Markham	Non-executive Director
	Sir Steve Robson	Non-executive Director
	Richard Fleck	Chair FRRP and Conduct Committee
	John Kellas	Interim Chair POB
	Nick Land	Chair APB
	Roger Marshall	Interim Chair ASB
	Jim Sutcliffe	Chair BAS and Codes & Standards Committee
	Timothy Walker	Chair AADB
IN ATTENDANCE:	Anne McArthur	Secretary
	Paul George	Director of Audit
	David Andrews	Policy & Planning (Items 3 and 5)
	Peter Montagnon	Senior Investment Adviser (Item 1)

Apologies were received from Glen Moreno and Keith Skeoch. Rudy Markham attended the meeting by telephone.

The Chairman noted that this was the last meeting of the Board to be attended by Rudy Markham and thanked him for his contribution to the work of the FRC and for his wise counsel. The Chairman welcomed Gay Huey Evans to the FRC Board.

1 MINUTES

1.1 The Board approved the minutes of the meetings held on 7 February and 1 March 2012 for publication.

Matters arising

1.2 There were no matters arising.

Action points

1.3 On TM1, the Board expressed their continuing discomfort about the Government's failure to respond to FRC concerns about the exposure of the FRC and agreed that this discomfort should be communicated in the strongest terms to DWP by the Chairman.

1.4 The Board noted the action points.

2 CHIEF EXECUTIVE'S REPORT

2.1 Mr Haddrill introduced his report.

2.2 Discussion included the following reports, points and observations:

- On the staff survey there was work to be done in relation to both the SMT and the Board and in particular, there was a need to make the connection between what the Board was doing and what staff were doing. There were some very strong results and the FRC had scored well when compared with other organisations in a benchmarking exercise. It was important to build on these results;

- The Board discussed and agreed the outline of a response to the UKLA's consultation on Amendments to the Listing Rules etc;
- On accounting issues, the Board discussed the desirability of ensuring that both realised and unrealised profits are included in the primary financial statements rather than simply the notes;
- On the FSB's project on audit quality issues the Board discussed a response from the FRC to the FSB's request to input with the contents of that input to be discussed further;
- On Sanctions Guidance: the Board noted that a consultation document had been issued and that discussions with stakeholders were ongoing;
- On the Stewardship Code: the Board noted that the consultation document had been published and that there was a view that shareholders were more willing to be active and that there had been successful examples of collective engagement;
- On the Audit Inspection reports for publication in May, the Board noted progress and that the overall report and the press notice would be circulated before publication.

2.3 The Board noted the Chief Executive's report and the project plan.

3 FRC REFORM

3.1 Mr Haddrill introduced the paper.

3.2 Discussion included the following points and observations:

- On the Schemes: the Board confirmed that it was comfortable with the proposals to amend the Schemes under discussion. On the proposals in relation to fines received, the Board agreed that the income should be added to the FRC reserves and that the Audit Committee should keep the level of reserves under review and report to the Board in the event that the reserves exceeded or were about to exceed a reasonable level;
- On the appointment of Councils, the Board agreed that the Codes & Standards Committee should appoint members to the Councils (save for the Chair who would be appointed by the Board) and noted the intention to include on any interviewing panel the Chair of the Committee, the Chair of the relevant Council and one other non-executive Director;
- On the FRC Articles of Association, the Board noted the draft Articles to be effective from the date of the reform tabled and agreed to submit any drafting comments.

3.3 The Board noted the paper.

4 EUROPEAN AND INTERNATIONAL ISSUES

4.1 Mr Haddrill introduced the paper and confirmed that he would prepare a note to the Board reflecting on the various meetings and events attended in Brussels that week.

4.2 The Board noted the paper setting out relationship champions for international issues and emphasised its view that the FRC's focus should be on influencing on strategic issues and getting caught up in detail should be avoided. It was agreed that a relationship map should be prepared.

5 FINAL PLAN & BUDGET 2012/13 AND APPROVAL OF LEVIES 2012/13

5.1 Mr Andrews introduced the paper.

5.2 The Board approved the Plan & Budget for publication subject to minor amendments and the inclusion of an introduction by the Chair.

5.3 The Board approved the Levies.

6 FRC RISK MANAGEMENT: MOST SIGNIFICANT RISKS

6.1 Mr Haddrill introduced the paper and invited the Board to review the most significant risks identified in the FRC Risk Register

6.2 Discussion included a number of drafting points and the following observations:

- The link between the FRC's work on systemic issues and risks to its core mission should be clearly articulated.
- The response to a Big Four withdrawal from the UK audit market should be firmer in terms of contingency planning;
- The FRC should consider the use of contingency/scenario planning in developing its response to major risks;
- In terms of realised risks, the proposed response should distinguish between risk management and crisis management;
- The FRC should consider including the impact of economic turbulence and the implications of the changing nature of the investor community for the effectiveness of FRC regulation.

6.3 The Board noted the paper and that the Risk Register would be amended to reflect the Board's discussion.

7 PREPARATION OF ANNUAL REPORT

7.1 The Board noted the timetable for preparation of the Annual Report and agreed that the statement of principal risks and uncertainties facing the FRC to be included in the Annual Report should reflect the major risks identified in the FRC Risk Register and the Board's views on those risks.

8 REMUNERATION COMMITTEE – MINUTES OF MEETINGS OF 7 FEBRUARY AND 19 MARCH 2012

8.1 Mr Chambers reported that the Committee had overseen the development of and approved proposals which made significant changes to the FRC's approach to reward. The aims had been greater objectivity and transparency with a clearer link to performance. In particular, bonus payments would be linked to both the achievement of objectives and citizenship. There would also be a company-wide bonus which would be based on the FRC achieving its objectives and a paper detailing how this would be measured would be tabled to the Board.

8.2 Mr Chambers specifically noted the enormous amount of work which had been put into the review project by the executive and that the reward policy had moved in the right direction but that it should be kept under review.

8.3 Mr Chambers confirmed to the Board that the salary review and bonus awards had been determined within the budget originally approved.

8.4 The Board noted the report of the Committee Chair and the minutes of the Committee meetings.

9 OUTLINE BOARD CALENDAR 2012

9.1 The Board noted the Outline Board Calendar 2012 and agreed to provide views on frontier issues to be discussed at future Board meetings.

10 ANY OTHER BUSINESS

10.1 The Board discussed FRC Board and Chairman Evaluation and agreed that the Deputy Chairman would lead the evaluation and that in the spring of 2013 an externally led evaluation would be undertaken.

10.2 The Board confirmed the following decisions made in correspondence on 27 March 2012 and as recommended by the Nominations Committee:

- the appointment of Mark Armour as a non-executive Director on a date to be confirmed by the Chairman;
- the extension of the term of appointment of Peter Chambers to 31 October 2013;
- with effect from 1 April 2012, the appointment of an Executive Committee and of the following individuals to that Committee pursuant to Article 7 of the FRC Articles of Association: Stephen Haddrill as CEO, Paul George as Executive Director of Conduct, Melanie McLaren as Executive Director of Codes & Standards from the date of her appointment in that capacity and Anne McArthur as General Counsel & Company Secretary;
- with effect from 1 April 2012, the appointment of a Conduct Committee and of the following individuals to that Committee pursuant to Article 7 of the FRC Articles of Association:

Chair – Richard Fleck (as agreed by the Board on 1 March 2012)

Peter Chambers

Paul George

Joanna Osborne – to end of term as FRRP Deputy Chair

David Lindsell - to end of term as FRRP Deputy Chair

John Kellas

Lilian Boyle – 2 years

Hilary Daniels – 2 years

Timothy Walker

Jan Kamieniecki – 2 years

Mark Eames – 2 years

Phillip Taylor – 2 years

Lois Moore – 3 years

Malcolm Nicholson – 3 years

- with effect from 1 April 2012, the appointment of a Codes & Standards Committee and of the following individuals to that Committee pursuant to Article 7 of the FRC Articles of Association:

Chair - Jim Sutcliffe (as agreed by the Board on 1 March 2012)

Nick Land

Keith Skeoch

Melanie McLaren

Roger Marshall

Olivia Dickson

Peter Elwin – 2 years

Allistair Wilson – 2 years

- that Board members are appointed to the respective Committee for the remainder of their term of appointment and that the terms of appointment of the co-opted members are as detailed above.

10.3 The Board confirmed the following decisions in relation to Board, Committee, Council and other Committee fees made in correspondence on 30 March 2012 and as recommended by the Remuneration Committee:

FRC Board members

- Board member fees - £25,000 – to apply from 2 July 2012;
- Deputy Chairman fees - £35,000 - to apply from 2 July 2012;

- Conduct or Codes & Standards Committee fee for non-executive Directors - £10,000 – to apply from 1 April 2012;
- Chairs of Audit and Remuneration Committees - additional fees of £5,000 - to apply from 2 July 2012;
- Chair of the Conduct Committee - £90,000 (including Board member fees, Chairmanship of the FRRP and membership of the POB) – to apply from 1 April;
- Chair of the Codes and Standards Committee – £60,000 (including Board member fees and Chairmanship of the BAS until 2 July) – to apply from 1 April;
- Council Chairs - £50,000 (including Board member fees, Codes & Standards Committee fees and Council Chair fees) – to apply from 2 July;
- Chair of the APB - £50,000 (including Board member fees and CSC fees) – to apply from 1 April to 2 July;

Non FRC Board members

- Members of the Conduct and Codes and Standards Committees - £10,000 – to apply from 1 April 2012;
- Members of the Monitoring and Case Management Committees (also Conduct Committee members) - £300 per meeting - to apply from 2 July 2012;
- Members of the Advisory Councils – fees to apply from 2 July 2012:
 - Existing OB Members appointed to the Councils to be kept on their existing fees until 31 March 2013,
 - Newly appointed Accounting and Actuarial Council members will be paid £10,000 and newly appointed Audit & Assurance Council members will be paid £7,500 until 31 March 2013,
 - Fees will be reviewed by the Remuneration Committee before the 12/13 year end so that it can be satisfied that Council members are paid an appropriate fee.

11 NEXT MEETING

Tuesday, 10 July 2012