

Minutes of the QCA Corporate Governance Expert Group

Held on: Tuesday 19 November 2019, 9.00am – 10.30am

Venue: Hogan Lovells International LLP, Atlantic House, 50 Holborn Viaduct, London EC1A 2FG

Present:

Will Pomroy (Chair)	Hermes Investment Management Limited	WP
Edward Beale	Western Selection PLC	EB
Sally Chandler	Prism Cossec	SC
Jonathan Compton	BDO LLP	JC
Tamsin Dow	Hogan Lovells LLP	TD
Peter Fitzwilliam	Mission Marketing Group	PF
Nick Gibbon	DAC Beachcroft LLP	NG
Nick Graves	Burges Salmon	NGR
Ian Greenwood	Kornferry	IG
Sarah Hassan	Thomson Reuters	SH
David Hicks	Charles Russell Speechlys	DH
Peter Kohl	Kerman & Co	PK
Kamalprit Lally	Wedlake Bell LLP	KL
Darius Lewington	LexisNexis	DL
Philip Patterson	PricewaterhouseCoopers	PP
Tim Ward	Quoted Companies Alliance	TW
Anthony Robinson	Quoted Companies Alliance	AR
Jack Marshall	Quoted Companies Alliance	JM

In attendance:

Andrew Gebelin	BPPG (Glass Lewis)	AG
Rachit Gupta	BPPG (ISS)	RG
Sarah Wilson	BPPG (Minerva)	SW
Pierre Marsal	EuropeanIssuers	PM

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- Welcome to Sarah Wilson (CEO of Minerva), Andrew Gebelin (VP of Research, Engagement and Stewardship at Glass Lewis) and Rachit Gupta (Deputy Head of UK Research and Head of Small and Mid-cap Companies Research at ISS) of the Best Practice Principles Group (BPPG) to discuss the new 2019 Best Practice Principles for Shareholder Voting Research & Analysis.**

WP welcomed AG, RG and SW to the Corporate Governance Expert Group.

Introduction

AG, RG and SW began by giving a brief introduction about themselves and their organisations, as well as their roles within the BPPG.

Following this, they outlined how the meeting would take course. This included:

- An introduction to the BPP Review Process;
- Key considerations & 2019 BPP updates;
 - Preamble & Governance; and
 - The Best Practice Principles and Guidance.

Introduction to the BPP Review Process

The BPPG's updated Principles and Guidance have been produced as a result of a process, which includes consideration of:

- The latest updated stewardship codes globally;
- The requirements of the revised Shareholder Rights Directive (SRD II);
- The 2015 ESMA follow-up report;
- The BPPG's 2017 public consultation; and
- The outcome of the review by the BPPG Review Committee.

The 2019 updates to the Principles relate to existing and evolving regulatory and stewardship frameworks from across Europe and the rest of the world, such as the ICGN, PRI, OECD and the UK Stewardship Code.

Key considerations & 2019 BPP updates

The BPPG will aim to update their Principles every two years, in line with the two year processes to update corporate governance codes. The three main considerations consist of the scope of the Principles, the apply and explain basis and the governance of the Principles.

In terms of scope, the Principles have been developed to be applied by global providers of shareholder voting research and analysis who fit the SRD II definition of a proxy advisor.

The new Principles operate an apply or explain basis, representing a shift away from the comply and explain framework of the previous principles. This change has been made in order to align the Principles with the SRD II to enable each signatory to explain how the Principles relate to their specific business model. For signatories that do not apply one of the Principles, they should disclose detailed explanations outlining their approach.

In regards to the governance of the Principles, the BPPG has established a new BPP Oversight Committee. The Oversight Committee will provide an annual independent review of the monitoring of the Best Practice Principles, as well as the reporting of each of the signatories. Applications for the Chair and Oversight Committee are still open and will be appointed in January 2020. The BPPG emphasised the need for the Chair to be independent, stating that rejections have been made to those with strong links to the proxy advisor community.

The Oversight Committee will not have a requirement to engage with regulators on a regular basis. The Committee will consist of 11 members – 6 institutional investors; 3 companies; and 2 independents. The primary objective of the Oversight Committee is to promote the understanding of the BPP and the role of proxy advisors in general.

It was highlighted that there was a need to increase the understanding of issuers around the role that proxy advisors play in order to increase the transparency of the system.

Principle One: Service Quality

The updates to Principle One have been made in line with the SRD II requirements and the 2017 public consultation. As part of this Principle, BPP signatories are required to publicly disclose their research methodology and house voting policies, if applicable. In addition to this, BPP signatories will have to disclose how they alert clients to any material errors or revisions to research or voting recommendations. This change has been made in response to the corporate feedback received from the 2017 public consultation.

An update has been made in relation to the Principle One Guidance section on the Quality of Research. The change specifies that BPP signatories should disclose to what extent issuers have the opportunity to review or comment on publicised research. As well as this, a new requirement has been introduced for BPP signatories to explain how and to what extent clients may customise their voting policies, which has been made as part of attempts to increase the transparency of the system.

WP thanked AG, RG and SW for their time. AG, RG and SW left the meeting.

2. APOLOGIES

Apologies for absence were received from John Beresford-Peirce, Nigel Brown, Amanda Cantwell, Richie Clark, Louis Cooper, Edward Craft, Ed Davies, David Fuller, Tracy Gordon, Alexandra Hockenhull, David Isherwood, Daniel Jarman, Colin Jones, Damien Knight, Kalina Lazarova, James Lynch, Efe Odeka, Sahul Patel, Jack Shepherd, Julie Stanbrook, Carmen Stevens, Peter Swabey, Jacqueline Tees, Melanie Wadsworth and Kerin Williams.

3. MINUTES OF LAST MEETING (10 September 2019)

The minutes of the last meeting were approved.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>The QCA are hiring a new member of staff to oversee the work on corporate governance and ESG.</p> <p>AR mentioned that the QCA are currently in the process of hiring a new member of staff who will be responsible for managing the QCA's Corporate Governance Code and will lead on ESG issues.</p>	None.
b)	<p>YouGov Corporate Governance survey</p> <p>AR gave an update on the YouGov Corporate Governance survey. The survey is on course for completion and is due to be released later this month.</p>	None.

	YouGov have surveyed companies that adopted the QCA Corporate Governance Code to identify the ways in which we might be able to improve the Code and see if we can find evidence that following the Code has helped companies.	
c)	<p>QCA and UHY Hacker Young good practice guide for corporate governance on AIM</p> <p>AR explained that the QCA and UHY Hacker Young are currently producing a good practice guide for governance on AIM. The guide is due to be released in December.</p>	None.
d)	<p>QCA Remuneration Committee Guide</p> <p>AR announced that the project for updating the QCA's Remuneration Committee Guide is due to get underway. The project will upgrade the existing Guide from 2016 and is due to be released in the first half of 2020.</p>	None.

5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p>The dates and venues for the 2020 Corporate Governance Expert Group meetings are as follows:</p> <ul style="list-style-type: none"> i. Tuesday 14 January 2020, 9.00am – 10.30am, TBC ii. Tuesday 10 March 2020, 9.00am – 10.30am, at Charles Russell Speechlys LLP, 5 Fleet Place, London, EC4M 7RD iii. Tuesday 12 May 2020, 9.00am – 10.30am, Deloitte LLP, Hill House, 1 Little New Street, London, EC4A 3TR iv. Tuesday 14 July 2020, 9.00am – 10.30am, BDO LLP, 55 Baker St, Marylebone, London, W1U 7EU v. Tuesday 8 September 2020, 9.00am – 10.30am, TBC vi. Tuesday 17 November 2020, 9.00am – 10.30am, Hogan Lovells International LLP, 50 Holborn Viaduct, London EC1A 2FG 	None.

6. ANY OTHER BUSINESS

None.

7. NEXT MEETING

Tuesday 14 January 2020, 9.00am – 10.30am (Venue: **TBC**)