



The Quoted
Companies Alliance

QCA Corporate Governance Committee

Minutes of the meeting held on: Monday 11 July 2011 at 10.30am

Venue: Hermes Equity Ownership Services Ltd, Lloyds Chambers,
1 Portsoken Street, London E1 8HZ

(with Roger Marshall, Chairman – Accounting Standards Board, in attendance,
and the QCA Financial Reporting Committee in attendance)

Present:	Tim Goodman (Chair)	Hermes	(TG)
	Edward Beale	Western Selection PLC	(EB)
	Louis Cooper	Crowe Clark Whitehill LLP	(LC)
	Edward Craft	Wedlake Bell LLP	(EC)
	Nick Graves	Burges Salmon LLP	(NG)
	Colin Jones	UHY Hacker Young LLP	(CJ)
	Georgina Marshall	Aviva Investors	(GM)
	Tim Ward	QCA	(TW)
	Kate Jalbert (minutes)	QCA	(KJ)
In attendance:	Roger Marshall	ASB	(RM)
	Hazel Alexander	ASB	(HA)
	Peter Chidgey	BDO LLP	(PC)
	David Gray	DHG Management	(DG)
	Kern Roberts	Smith & Williamson Limited	(KR)
	Matthew Stellabross	Crowe Clark Whitehill LLP	(MS)
	James Batcheldor	QCA	(JB)
	Faisal Hamid	QCA	(FH)

Actions

1. **Welcome to Roger Marshall, Chairman – Accounting Standards Board**

TG welcomed RM and everyone introduced themselves. The following points were discussed:

- **Cutting Clutter Project**

RM noted that the main objective of this project is to try to make the accounts and reports tell more of a story. He explained that materiality is key to this, along with the role of the FRRP and how they approach writing letters, and auditors using a checklist approach.

The FRC is trying to effect cultural change amongst all stakeholders rather than change detailed requirements.

- **The Future of UK GAAP**

RM noted that there has been a great deal of push back on the definition of public accountability and so the ASB has tentatively agreed to leave the definition of tier 1 as only those companies required to use EU-IFRS (e.g. fully listed companies). They are also currently thinking about additional requirements needed for public companies that may fall into the proposed tier 2.

- **Sharman Enquiry (Going Concern)**

RM explained that the guidance was updated in 2009. However, despite the updated guidance, there were some high profile examples of companies going into administration just after publishing their accounts, either with or without going concern statements. The FRC is trying to explore why this would happen in order to reduce the surprises to users of accounts/financial statements.

RM noted that they do not want to add boilerplate to accounts, but are exploring whether having audit committees should report on their discussions with auditors about going concern. They are also looking at better guidance for boards, for example on stress testing. Also, they could be considering whether there should be better disclosures on risks when changing the business model.

TW queried what the next steps were for the cutting clutter project. RM noted that the FRC is starting a financial reporting laboratory in September. RM also explained that they are working on ways to try to get boilerplate out of accounts and suggesting some regulatory changes (ie maybe removing accounting policies and putting them on company websites rather than in the accounts every year, as they do not change often).

TG thanked RM for attending and RM left the meeting.

2. Apologies

Apologies were received from Tim Bird, Nigel Burton, Madeleine Cordes, Kate Eldson, Nicola Evans, Clive Garston, Eugenia Jackson, Dalia Joseph, Derek Marsh, James Parkes, Nick Teunon, Melanie Wadsworth, Anthony Carey and Cliff Weight.

3. Minutes of last meeting (25 May 2011)

The minutes of the last meeting were approved.

TW also noted that Claire Bury is now acting Head of Unit F now, as Pierre Delsaux has been promoted with DG Internal Market. The QCA will invite her back later in the year to discuss actions on the green paper.

Chris Stapeley/KJ

4. Forthcoming issues and developments in Corporate Governance and projects for the Committee

- European Commission – The EU Corporate Governance Framework (Green Paper) (RD: 22 July 2011):

KJ explained that a draft will be circulated to the committee for comment shortly.

KJ/ALL

- Financial Reporting Council: Gender Diversity on Boards (RD: 29 July 2011)

TG noted that there is a great deal of momentum around this issue recently. GM agreed and noted that it is not just about female representation on boards, but also general company management.

EB explained that there is a wider questions about whether boards have sufficient diversity – of which gender is one aspect – and noted that many boards can be inverted. As such, EB noted if there is too much focus on gender are we missing the wider debate.

EJ volunteered to draft a response (with KJ). KJ will follow this up.

EJ/KJ

- Accounting Standards Board: Cutting Clutter – Combating Clutter in Annual Report (RD: 30 September 2011) (with Financial Reporting Committee)

TG/AC/AV agreed to review the paper and draft a response.

TG/AC/AV

- **The Kay Review: Terms of Reference**

KJ noted that this in follow up to the BIS long-term consultation, which took place earlier this year. KJ also explained that there will be an additional remuneration consultation out in the Autumn as a follow up to this.

5. Communications and Future Meetings

- Remuneration Committee Guide Working Group:

TG explained that a near final draft will be circulated shortly for review by the committee.

- Guest invitations to future meetings:

TW suggested inviting Vince Cable MP to speak at a committee meeting. Committee members also thought it would be useful to invite some people from BIS to speak about the Kay Review once the review progresses. They also suggested Roger Carr to speak on diversity.

Chris Stapeley/KJ

- Venue for Monday 12 September 2011 meeting:

CJ volunteered to hold the meeting at UHY Hacker Young.

6. Date for Next Meeting – Monday 11 July 2011 at 10.30am (Venue: Hermes Equity Ownership Services Ltd)

7. Action Points:

Action	Person	Timing
Invite Claire Bury to a future meeting in the later part of this year	Chris Stapeley/KJ	ASAP
EU Corporate Governance Framework (RD: 22 July 2011): KJ to circulate draft and committee members to review.	KJ/ALL	ASAP
FRC's Gender Diversity on Boards (RD: 29 July 2011): EJ and KJ to draft response	EJ/KJ	July
Circulate QCA Stakeholder Chart at the next committee meeting	KJ	ASAP
ASB: Cutting Clutter (RD: 30 September 2011)	TG/AC/AV	September
Invite guests to future meetings	Chris Stapeley/KJ	ASAP