



held on Tuesday 14 May 2013 at 4:30pm at the offices of Wedlake Bell LLP, 52 Bedford Row, London, WC1R 4LR

<b>Present:</b>	Kate Jalbert (Chairman of meeting)	Quoted Companies Alliance	KJ
	Edward Craft (Expert Group Chairman)	Wedlake Bell LLP	EC
	Julie Stanbrook	Hogan Lovells LLP	JS
	Louis Cooper	Crowe Clarke Whitehill	LC
	Clive Garston	DAC Beachcroft LLP	CG
	Deepak Reddy	Hybridan LLP	DR
	Colin Jones	UHY Hacker Young	CJ
	Dan Burns	McguireWoods	DB
	Anita Skipper	Aviva Investors	AS
	Cliff Weight	MM & K Limited	CW
	Andrew Hobbs	Ernst & Young LLP	AH
	Dalia Joseph	Oriel Securities Limited	DJ
<b>Observer:</b>	Peter Fitzwilliam	Mission Marketing	PF
<b>Guest:</b>	Seamus Gillen	ICSA	SG
<b>In attendance:</b>	Katherine Keenan (minutes)	Wedlake Bell LLP	KK

**1. WELCOME TO SEAMUS GILLEN, DIRECTOR OF POLICY, ICSA TO TALK ABOUT ICSA'S 'ENHANCING STEWARDSHIP' PAPER PREPARED WITH THE 2020 STEWARDSHIP WORKING PARTY OF INVESTORS**

Following a brief introduction by AS on the objectives of the 2020 Stewardship Working Party KJ introduced SG who spoke to the group on the following points:

- SG explained the background behind ICSA's 'Enhancing Stewardship' paper (see enclosed hyperlink <https://www.icsaglobal.com/engagement-with-investors/> ).
- The 2020 Stewardship Working Party recommended four stewardship proposals and have asked ICSA to take two of those proposals forward, hence this paper.
- The members of the 2020 Stewardship Working Party are:
  - Aviva Investors;
  - BlackRock;
  - Governance for Owners;
  - RPMI Railpen Investments;
  - Spinnaker Trust;
  - USS Investment Management Ltd; and
  - Tomorrow's Company.
- ICSA agreed to look at the following two proposals:

- **practical housekeeping**: improving dialogue; and
  - **improve feedback** between company and owners.
- ICSA conducted a review of the current state of communications between companies and owners in order to identify areas of dysfunctionality. The paper reflects the current state of Stewardship in the UK, how it should ideally operate and identifies and suggests how dialogue can be improved and developed in certain areas.
- A key area of dysfunctionality seems to arise from certain current proxy voting practices, where there is a developing perceived lack of communication and related inconsistency between the various parties.
- SG explained that this paper is more of a **behavioural and attitudinal guide** as opposed to a technical guide. Companies can pick and choose depending on what is of use to them. It may be particularly relevant for companies moving onto the London markets and for smaller companies in general.
- SG outlined the following key messages of the guide:
  - A the need to **develop an engagement strategy**;
  - B the importance of **getting housekeeping issues** right;
  - C **strengthening the conversation** on strategy and long-term performance;
  - D **providing feedback** in a way that adds value for all participants;
- The key products will be delivered through:
  - considering at which meetings the involvement of non-executive directors is appropriate;
  - developing meaningful relationships with investors;
  - monitoring outcome of proxy voting; and
  - providing honest, constructive and challenging feedback in both directions.
- A discussion on the advantages and disadvantages of investors giving attributable feedback took place.
- SG hopes that companies will start to communicate more actively and that some of the existing issues will start to improve.

- SG suggested that companies should clearly display their corporate personality in order to monitor and mitigate any social media criticism.
- KJ offered to circulate the paper more widely to members of the QCA and SG offered to provide additional copies.

SG then left and general business continued.

## **2. APOLOGIES**

Apologies were received from Victoria Barron, Edward Beale, Kate Elsdon, David Firth, David Fuller, Alexandra Hockenhull, Nick Graves, David Isherwood, Nick Janmohamed, Peter Swabey, **George Dallas** and Tim Ward.

## **3. MINUTES OF THE LAST MEETING (19 MARCH 2013)**

No comments.

## **4. QCA CORPORATE GOVERNANCE CODE FOR SMALL AND MID-SIZED QUOTED COMPANIES**

KJ reported that the launch of the Code had been very successful and that copies of the Code are selling well. KJ is working on a wider circulation and asked if anyone wanted to circulate the Code to their clients. KJ and NEC are keen to receive feedback on the Code in due course, particularly as work will commence on the Audit Committee Guide, led by CJ.

## **5. CONSULTATIONS AND CURRENT ISSUES**

### **(a) Audit Committee Guide for Small and Mid-Size Quoted Companies – volunteers needed to join working group**

KJ asked for volunteers to join this group. EC, CJ and LD volunteered to assist.

### **(b) Proxy Advisors and company engagement**

KJ raised the possibility of the Quoted Companies Alliance engaging with proxy voting agencies to discuss issues being raised by small and mid-size quoted companies. There was a consensus view that leadership should be shown in this area. KJ will propose a course of action in due course.

### **(c) European Commission – Internal Market – Disclosure of non-financial and diversity information by certain large companies and group (for information only)**

It is important to be aware of this and keep an eye on developments, but not applicable to small and mid-size quoted companies.

**(d) Law Commission – Fiduciary Duties of Investment Intermediaries (to be published in October 2013)**

KJ noted that the Quoted Companies Alliance is likely to want to engage in this exercise at a later date which forms one of the recommendations from the Kay Review.

**(e) Women on Boards Report – April 2013 (for information only)**

This report is tracking progress since BIS undertook a review two years ago. Some additional recommendations are set out.

**(f) LAPFF – Expectations for Executive Pay (for information only)**

The guidelines on remuneration promote a profit pool concept and are very resistant to the use of LTIPs.

**6. COMMUNICATION AND FUTURE MEETINGS**

**(a) Guest invitations for future meetings**

None currently proposed. Need to devote some time to consider guests and inform KJ with any suggestions.

**NOTE:** Subsequently it has been proposed that Nick Land of the FRC be invited (Chair of the FRC's Audit and Assurance Council) to a joint meeting with the Corporate Governance and Financial Reporting Expert Group.

**(b) Policy Update (Feb 13) – for information only**

The latest copy had been circulated.

KJ explained that the Policy Update is prepared quarterly, detailing the work of each Expert Group and the QCA's central policy initiatives. Major policy wins in Budget 2013 are the proposals for the inclusion of AIM / ISDX shares in ISAs and the stamp duty exemption of trades in AIM / ISDX shares.

**7. AOB**

**NOTE:** Immediately following the meeting Peter Fitzwilliam confirmed his interest in becoming a permanent member of the Expert Group. This is very welcome news and we look forward to drawing upon Peter's valuable perspective.

**Information for noting**

Consultation Update – Responses submitted:

(a) **Directors' Pay: Revised Remuneration Reporting Regulations – Second Draft of Statutory Instrument** (RD: 25 March 2013) (in conjunction with the Share Schemes Expert Group)

(b) **Financial Reporting Council – Implementing the Recommendations of the Sharman** (RD: 28 April 2013) (in conjunction with the Financial Reporting Expert Group)

**Date for next meeting:**

Tuesday 16 July 2013 (4pm)

Venue: Wedlake Bell LLP, 52 Bedford Row, London, WC1R 4LR