

Minutes of meeting: January 2013

held on Tuesday 15 January 2013 at 4:00pm at the offices of Wedlake Bell LLP,
52 Bedford Row, London, WC1R 4LR

Present:	Edward Craft (Chair)	Wedlake Bell LLP	EC
	Peter Swabey	Equiniti	PS
	Julie Stanbrook	Hogan Lovells LLP	JS
	David Fuller	CLS Holdings plc	DF
	Victoria Barron	Hermes Equity Ownership Services	VB
	Colin Jones	UHY Hacker Young	CJ
	Clive Garston	DAC Beachcroft LLP	CG
	Alexandra Hockenhull	Xchanging plc	AH
	Deepak Reddy	Hybridan LLP	DR
	Tim Ward	Quoted Companies Alliance	TW
	Kate Jalbert	Quoted Companies Alliance	KJ
In attendance:	Katherine Keenan (minutes)	Wedlake Bell LLP	KK
	Shveta Nehra	Wedlake Bell LLP	SN

1. APOLOGIES

Apologies were received from Tim Bird, Kate Elsdon, David Isherwood, Nick Janmohamed, Dalia Joseph, Doris Ko, Victoria Dalby, David Firth, Eugenia Unanyants-Jackson, Cliff Weight, Nick Graves, Edward Beale, Anthony Carey and Melanie Wadsworth.

2. MINUTES OF THE LAST MEETING (13 NOVEMBER 2012)

The minutes were approved.

3. CORPORATE GOVERNANCE GUIDELINES FOR SMALLER QUOTED COMPANIES**(a) Report from the working group meeting – 18 December 2012**

EC explained the progress made at the last working group meeting and advised that the next meeting is scheduled for 23 January.

Discussions on the following points took place:

- EC reported that the emphasis and focus for the new Code is to not only encourage companies to comply with the twelve guidelines, but also to better describe *how* they comply (including describing the challenges so presented)

- whether there should be a minimum set of requirements the QCA expects that companies must comply with and at what level such bar should be set if the company state "it has followed the QCA Code"
- how to encourage companies to exceed the minimum requirements by emphasising corporate benefit
- the Code could include optional 'good ideas' or a 'gold standard'
- it is important to highlight aspects of the UK Corporate Governance Code (the "**UK Code**") that may not be applicable to most companies and other features appropriate to small and mid-sized companies that are not contained in the UK Code
- the importance of a split Chairman/Chief Executive role and how this division may be even more important to small-caps who need to use the Chairman as a "business consultant" as well as chairing the board
- EC recommended that we refer to the debate over executive pay in the revised Code but not to focus too heavily on this
- how to present 'diversity' in the Code, with one option being a section dedicated to diversity or alternatively to incorporate it more generally throughout the Code – consensus view is that diversity issues are part of board composition, not a section on its own, but must be specifically mentioned
- PS suggested that the Code should encourage a company to give "due consideration" to maintaining a diverse board with diverse opinions which will present constructive challenges
- audit tendering might be included as an important consideration
- guidance on how companies and investors should deal with a dominant shareholder and how to manage any conflicts arising should be included in the Code: this is part of stewardship
- the central role of the Chairman regarding corporate governance
- there should be more emphasis on the importance of stewardship

- possibility of creating framework on how to make decisions and how to 'play the role' of Chairman or Company Secretary (as per current section 6 of the QCA Code)

(b) Launch of revised guide

EC confirmed that the working group will complete its revision of the QCA Code by the end of February and then circulate it to members of the expert group and other shareholders for review.

KJ to create a list of persons to whom the revised QCA Code will be sent to for feedback. The document is not to be generally consulted upon.

The revised QCA Code will be launched in May 2013.

(c) Further discussion: QCA reputation and assurance service

The expert group discussed the reputational risk arising to the QCA when companies claim that they follow the QCA Code but do not actually follow it in practice.

A novel idea of an assurance and accreditation programme was considered. TW is to consider this further.

4. REVIEW OF THE CORPORATE GOVERNANCE EXPERT GROUP CHARTER

EC proposed that once the revised QCA Code is complete, the expert group should then review and refresh this document. EC would consider whether anything included in this document is appropriate for the revised QCA Code.

5. CONSULTATIONS AND CURRENT ISSUES

(a) BIS House of Commons Select Committee – The Kay Review of UK Equity Markets and Long-Term Decision-Making Enquiry (RD: 18 January 2013)

A discussion in relation to the recommendations took place

TW agreed to hold the pen drafting a response focusing on the need to remember the vital role equity markets play in delivering economic growth by giving growing business access to capital.

[NOTE: This response was finalised and submitted on 18 January 2013]

(b) Executive Pay and the Enterprise and Regulatory Reform Bill

There was a discussion considering whether a mandatory vote in relation to the appointment of directors should be conducted annually or once every three years. KJ reported that most members indicated that a legally required three year vote would be more suitable and cost-effective, but it was also voted that companies are likely to go for annual votes to allow a two year sunset for any shareholder non-approval.

6. COMMUNICATION AND FUTURE MEETINGS

(a) Guest invitations for future meetings

None currently proposed. Please could we devote some time on 19 March to consider guests.

(b) Policy Update (12/12/12)

KJ explained that the QCA are producing a policy update to circulate to all committee's of the QCA to encourage more joined up thinking. This was well received.

(c) Mandatory Greenhouse Gas Reporting Seminar – Breakfast – 6 March 2013

EC briefly explained what the seminar will involve and confirmed that the new Defra regulations are not likely to be published before the seminar.

7. AOB

TW asked everyone to take part and forward on the QCA Sentiment Index survey to other colleagues.

Information for noting

Consultation Update – Responses submitted:

- **BIS – The Future of Narrative Reporting – A new structure for Narrative Reporting in the UK** (RD: 15 November 2012)
- **FSA CP 12/25 – Listing Rules – consultation on proposed amendments and feedback on CP12/2** (RD: 2 January 2013)

Date for next meeting:

Tuesday 19 March 2013 (4pm) (Venue: Wedlake Bell LLP, 52 Bedford Row, London, WC1R 4LR, host: Edward Craft)

Key Business of this meeting: to discuss the full text of the revised QCA Code. No external guests to be invited.

8. ACTIONS

ACTION	PERSON	TIMETABLE
Create a list of contacts for the revised CG guide to be sent to for feedback/endorsement	KJ	ASAP
Draft a response to the BIS Call for Evidence on the Kay Review	TW	ASAP (BEFORE 18 JANUARY 2013)