



**The Quoted  
Companies Alliance**

Present:	Tim Goodman (Chair)	Hermes Equity Ownership Service Ltd	(TG)
	Edward Beale	Western Selection Plc	(EB)
	Dan Burns	McguireWoods	(DB)
	Tim Bird	Field Fisher Waterhouse	(TB)
	Anthony Carey	Mazars LLP	(AC)
	Louis Cooper	Crowe Clark Whitehill	(LC)
	Edward Craft	Wedlake Bell LLP	(EC)
	David Isherwood	BDO LLP	(DI)
	Eugenia Jackson	F&C Asset Management plc	(EJ)
	Colin Jones	UHY Hacker Young LLP	(CJ)
	Julie Stanbrook	Hogan Lovells	(JS)
	Kate Jalbert	QCA	(KJ)
	Jacques Sultan	QCA	(JSu)
In attendance:	Mark Hertgen	European Commission	(MH)
	Charlotte Hart	Work Experience at Wedlake Bell LLP	(CH)
	Tim Crosley	Memery Crystal	(TC)
	Deepak Reedy	Hybridan LLP	(DR)

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**Actions**

**1. Welcome to Mark Hertgen, Policy Officer - Corporate Governance and Social Responsibility at the European Commission**

TG welcomed MH to the committee meeting.

MH commenced with a short summary of corporate governance in the EU. MH noted that following the financial crisis, the European Commission had been looking for an emergency answer to the failures of the financial institutions. These are now being debated in European Parliament where they have their own initiative on corporate governance undergoing review.

MH noted the proposals for the recent Corporate Governance Green Paper MH noted that there may be more changes to the proposals due to the Danish Presidency taking control.

MH noted that there had been over 400 responses to the last consultation paper, with over 25% coming from the UK. MH noted that the chapters regarding shareholder and boards would be a key issue. There is high importance to make sure there are checks and balances in place within.

MH noted that the 'comply and explain' doctrine is an important aspect of corporate governance in Europe. MH noted that there is great diversity in Europe regarding 'comply and explain', so how it applied and implemented it is an aim of the Commission this.

MH noted that the European Commission will issue their proposals by the end of November. MH noted that the resulting developments may be merged with Company Law.

MH concluded his presentation and opened table for questions.

EB noted that it is essential for directors to know who to be responsible to. At present it is complicated. Directors are unsure of to whom they are responsible to – just the shareholder or other stakeholders. EB felt there is a mixed message on responsibility and this caused confusion.

There was a general discussion on the responsibility of shareholders. MH noted that there needs to be a more effective shareholder engagement in order to improve corporate governance.

EB noted that it is difficult for companies to capture on the share register who is the beneficial owner of a shareholding – and so difficult to identify who makes decisions. MH noted that the European Commission has been asked to promote the relationship between shareholders and the company, and in particular to look at how companies identify who their shareholders are. MH noted that to pay attention to the beneficiaries, there must be a better understanding of the investment chain and dealings. MH noted that there is the need to promote long-term investment and the corporate governance framework in Europe needs to support this.

TG queried whether the Kay Review had been discussed within the European Commission. MH noted that it has been considered by the European Commission. MH noted that the Green Paper only focussed on asset managers and there is a need to focus on the whole investment chain.

EJ queried MH about the current state of harmonisation regarding the major shareholding thresholds in the Transparency Directive. MH noted that there would be no European wide harmonisation on the levels. MH did mention that there will be clearer guidelines on how it is applied across Europe.

EJ queried why the issue of “Women on Boards” is undergoing a separate review in DG-Justice. MH noted that the separate DG-Justice consultation focusses on gender diversity; but for Commissioner Barnier diversity covers more aspects than just gender. TG noted that there needs to be changes in the behaviour and feels that quotas will only lead to regulatory compliance.

EJ queried any response the European Commission may have on binding votes for shareholders on remuneration. MH noted that the European Commission is looking over it. It has been recommended by those who responded to previous consultations. MH feels that there would have to be limitation in some countries.

TG had asked MH what the best way to influence the European Commission and European Parliament. MH noted that it is helpful to provide solutions and examples (rather than just outlining problems/issues).

TG thanked MH, and MH left the meeting.

## **2. Apologies**

Apologies were received from Nick Graves, Clive Garston, Anita Skipper, Cliff Weight and Tim Ward.

## **3. Minutes of last meeting (17 January 2012) and Introduction by Tim Crosley**

The minutes of the last meeting were approved subject to Julie Stanbrook being added to list of attendees.

TC introduced himself to the Committee as the new Chairman of the QCA Tax Committee. TC noted that the Tax Committee had done plenty of work on remuneration and tax on the executives. TC detailed the Tax Committee's campaign for Capital Gains Tax Entrepreneurs' Relief reform. There was general discussion and a query whether there should be a member of the Tax Committee sitting on the committee to give taxation device.

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

- FSA – CP12/2: Amendments to the Listing Rules, Prospectus Rules, Disclosure Rules and Transparency Rules (section 1.18-1.20) (*response date – 26 April 2012*)

EJ gave a background description of the FSA logic behind Question 1 on corporate governance. EJ agreed to draft some bullet points that outline suggestions that could put forward to enhance governance provisions in the Listing Rules. JS will then pass around the committee for discussion.

**EJ/JS/ALL**

- BIS - Executive Pay: Consultation on Enhanced Shareholding Voting Rights (*response date – 27 April 2012*)

TG noted that he can provide Hermes draft response to help with the drafting of the QCA response.

**TG**

- FRC – Report on what constitutes an explanation under the ‘comply and explain’?

KJ noted that the FRC is monitoring the situation in Europe over their intention was to develop the ‘comply and explain’ report to head of action by Europe. EC noted that there was an explanatory notice, rather than boiler plating. DB noted that other countries have a ‘comply and explain’ system, so there needs to be some protection to keep it in place.

- BIS – Equity Capital Markets: Kay Review publishes interim report (response date – 27 April 2012)

This was not discussed at the meeting.

- Audit Directive of the Statutory Audit Directive 2006/43/EC

KJ noted that the QCA were interested in what companies were thinking regarding the latest audit proposals and so the QCA may survey its members. The survey will try to work out the extra costs and other issues that companies may have in implementing the directive.

**KJ/JS**

- BIS – Women on Boards: One-Year-On (for information only)

EC noted that this is a very important issue. There was general discussion over a potential survey for the members on this issue.

EJ noted that this is a big problem. EJ noted that it is not an issue where there is a lack of candidates, but a lack of women on the shortlists. EJ noted that the existing recruitment database had insufficient capacity and that leads to a narrow scope for women to be appointed. EB noted that there needs to be a growth in the pool of women to be put on the boards

## **5. Communications and Future Meetings**

- Remuneration Committee Guide

This was not discussed.

- Guest invitations to future meetings:

This was not discussed.

- Venue for Tuesday 15 May 2012 meeting:

JS offered to host the next meeting.

## **6. AOB**

### **7. Date for Next Meeting – Tuesday 15 May 2012 4.30pm (venue: Hogan Lovells, with Helena Morrissey from the 30% Club)**

## **8. Action Points.**

Bullet points regarding Question 1 FSA Listing Rules Consultation paper Question 1 outlined suggestions that could be put forward on the provisions within the Listing Rules - Committee will comment on bullets	EJ (JS/ALL)	ASAP
TG to send through Hermes comments on Executive Pay:	TG	ASAP

Consultation on Enhanced Shareholding Voting Rights		
Survey for members regarding the Audit Directive and QCA members impressions.	KJ/JS/ALL	ASAP