



Minutes of the QCA Legal Expert Group (the "Committee")

Held on: Tuesday 17 September 2019, 9.00am-10.30am

Venue: Stifel, 150 Cheapside, London, EC2V 6ET

Present:

Stephen Hamilton (Co-Deputy Chair)	Mills & Reeve LLP	SH
Paul Cliff	Gateley	PC
Nicholas Jennings	Locke Lord LLP	NJ
Martin Kay	Blake Morgan LLP	MK
Nicola Mallet	Lewis Silkin	NM
Nicholas McVeigh	Mishcon De Reya	NMV
Catherine Moss	Shakespeare Martineau LLP	CM
Kieran Rayani	Stifel	KR
Jaspal Sekhon	Hill Dickinson LLP	JS
Harriet Serpis	CMS	HS
Donald Stewart	Bidstack Group	DS
Tim Ward	Quoted Companies Alliance	TW
Jack Marshall	Quoted Companies Alliance	JM

In attendance:

Tomas Carruthers	Project Heather	TC
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1. WELCOME TO Tomas Carruthers, Chief Executive of Project Heather, as guest speaker.

SH welcomed TC to the Legal Expert Group.

Introduction

TC gave a brief introduction and an overview of his career as well as Project Heather and building the Scottish Stock Exchange.

TC explained the reasoning behind the Scottish Stock Exchange, stating that it intends to be an exchange that focusses on corporate social responsibility. TC mentioned that the exchange will focus on impact investing, whereby the social and environmental impact is considered to be more or equally important to financial return.

Why a stock exchange?

For impact investing to work most appropriately, it needs to be practiced on a public market. The creation of this new stock exchange has significant potential for both issuers and advisers. A listing on the Scottish Stock Exchange will be equivalent to the standard listing of the London Stock Exchange.

The Scottish Stock Exchange will be the first stock exchange in the world to mandate the annual reporting by issuers of the social and environmental impact of its operations.

Why Scotland? Why global?

Previously, there have been 5 stock exchanges in Scotland, such as the Edinburgh and Glasgow stock exchange's which were both established in 1884. As well as this, Project Heather has been set up to run alongside the Scottish National Investment Bank.

Project Heather will seek to have a global outreach as a response to the demand for solutions to global social and environmental challenges. Furthermore, in order for the project to be successful there needs to be multi-stakeholder transnational collaboration, which is essential in order to scale impact.

Impact investing and reporting

Project Heather has aligned itself to the United Nations Sustainable Development Goals in their attempts to arrive at a mutual destination of sustainable development through impact investing.

Impact investments are investments made with the intention of generating positive, measurable social and environmental impact alongside financial return. Impact investing is one of the fastest-growing parts of the asset management industry.

Impact reporting is where the board of a company declares its purpose to have a positive social and environmental impact through the operation of its business using accepted frameworks of evaluation and is reported annually. Project Heather is due to launch a public consultation on the impact reporting requirements, as well as on the rulebook.

Technology

The Scottish Stock Exchange's technology/trading platform will be supplied by Euronext, which will provide a listing and trading environment with order-entry, matching and price dissemination. The market will be available on the same network as the Euronext market, which is accessed by institutions worldwide.

Project Heather is currently building and testing a programme for founding members and issuers.

Discussion

Project Heather is being launched as a stock exchange rather than a multilateral trading facility in order to give it the platform and recognition it needs.

Project Heather expects to attract a deep pool of investors and be liquid because the exchange is founded on an interesting and globally important topic that has gained increasing momentum over the years. In addition to this, TC explained that he had built up a list of interested investors during his time as Chief Executive of the Social Stock Exchange.

In terms of Brexit and the end of the passporting rules, it was explained that Project Heather has considered relocation. For instance, both the Netherlands and Luxembourg are potential alternatives to Scotland.

The timescale for the exchange to be operational is dependent on the regulator and acquiring RIE status.

SH thanked TC for his time. TC left the meeting.

2. APOLOGIES

Apologies for absence were received from Paul Aarthon, Daniel Bellau, Ashmi Bhagani, Kate Francis, Claudia Gizejewski, Francine Godrich, Sarah Hassan, Alex Iapichino, Julie Keefe, Jonathan King, Maegan Morrison, Richard Phillips, Kieran Stone, Mark Taylor, Gary Thorpe, Jane Wang, Robert Wieder and David Willbe.

3. MINUTES OF LAST MEETING

The minutes of the meeting of the Committee held on 9 July 2019 were tabled and approved without amendment.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>General market review. Invitation for expert group members to share views and experiences of the market.</p> <p>It was mentioned that several companies had IPO's in preparatory status, but are being told to wait due to the current political uncertainty. In terms of secondaries, Brexit has had less of an impact and they are more dependent on the type of industry and reach of investors.</p> <p>The consensus from the group was that M&A remained very busy, as the devaluation in the pound had not had such a profound effect on preventing M&A from occurring as was predicted.</p>	None.
b)	<p>Expert Group Stakeholder Map and future stakeholders to engage with the Legal Expert Group.</p> <p>The group expressed interest in hearing from the following individuals/organisations at future meetings:</p> <ul style="list-style-type: none">○ Company Law Society;○ City of London; and○ AIM regulation team.	JM to contact potential guest speakers.

5. COMMUNICATIONS AND PUBLICATIONS

	ITEM	ACTION
a)	<p>The updated version of the QCA Audit Committee Guide was released on Thursday 12 September.</p> <p>This was tabled for information only and not discussed.</p>	None.

b)	<p>Henley Business School have been commissioned by the QCA and Downing LLP to undertake a research project to understand the role that NEDs play in smaller growth companies. The results were released at a launch event on Wednesday 4 September 2019.</p> <p>This was tabled for information only and not discussed.</p>	None.
c)	<p>Towards the end of July, the QCA published the results of two surveys of UK small and mid-caps in coordination with YouGov.</p> <p>i. The first survey analysed the extent to which small and mid-caps were managing the regulatory burden. The results indicated that 63% of these companies find regulatory compliance either excessive or demanding and 72% stated that they believe the reason why the number of companies on public equity markets in the UK has fallen is due to the increased regulatory burden.</p> <p>ii. The second survey analysed the impact of Brexit on small and mid-caps in the UK. The key findings include:</p> <ul style="list-style-type: none"> ○ The three years of Brexit preparations has negatively impacted companies ○ The information that the UK Government has provided to help prepare for Brexit has been inadequate ○ The majority of small and mid-caps are taking action to prepare for no deal ○ Small and mid-caps are most likely to favour remaining in the EU <p>This was tabled for information only and not discussed.</p>	None.
d)	<p>YouGov are surveying companies that adopted the QCA Corporate Governance Code to identify any ways in which we might be able to improve the Code and see if we can find evidence that following the QCA Code has helped companies. This is due to be released shortly.</p> <p>This was tabled for information only and not discussed.</p>	None.

6. ANY OTHER BUSINESS

None.

7. NEXT MEETING

Tuesday 26 November 2019, 9.00am – 10.30am (Venue: CMS, Cannon Place, 78 Cannon Street, London, EC4N 6AF)