QCA Corporate Governance Expert Group
Minutes of meeting: 8 April 2014

Held at 4.00pm on Tuesday 8 April 2014
at the offices of Wedlake Bell LLP, 52 Bedford Row, London, WC1R 4LR

Present:	Edward Craft (Chairman)	Wedlake Bell LLP	EC
	Colin Jones	UHY Hacker Young	CJ
	Victoria Barron	Hermes Equity Ownership Services	VB
	Edward Beale	Western Selection Plc	EB
	Rob Burdett	FIT Remuneration Consultants	RB
	Richie Clark	Fox Williams LLP	RC
	Louis Cooper	Crowe Clark Whitehall	LC
	Peter Fitzwilliam	Mission Marketing	PF
	Andrew Hobbs	EY LLP	AH
	Alexandra Hockenhull	Xchanging plc	ALH
	David Isherwood	BDO LLP	DI
	Nick Janmohamed	Speechly Bircham LLP	NJ
	Dalia Joseph	Oriel Securities Limited	DJ
	Claire Noyce	Hybridan LLP	CN
	Anita Skipper	Aviva Investors	AS
	Nicholas Stretch	CMS Cameron McKenna LLP	NS
	Peter Swabey	ICSA	PS
	Melanie Wadsworth	Faegre Baker Daniels LLP	MW
	Kate Jalbert	Quoted Companies Alliance	KJ
	Maria Gomes	Quoted Companies Alliance	MG
In attendance:	Anna Taylor (minutes)	Wedlake Bell LLP	AT

1. APOLOGIES

Apologies were received from Madeleine Cordes, David Fuller, Nick Gibbon, Nick Graves, Dalia Joseph, Julie Keefe, Jo Chattle, Julie Stanbrook, Cliff Weight and Tim Ward.

2. MINUTES OF THE LAST MEETING (25 FEBRUARY 2014)

The minutes were approved.

3. CURRENT ISSUES

a) Work Streams and involvement of the group in these:

- QCA/UHY Hacker Young Corporate Governance Behaviour Review (March 2014)

  EC noted that the review has been well-received – both by members and the press. All members have received an email copy and hard copy of the review. EC noted that this review should be repeated in 2014, perhaps with an aim to incorporate some analysis on the quality of disclosures, which has been something that has cropped up in discussions with companies and journalists. There is a forthcoming article on the review which will be published in ICSA's Governance and Compliance Magazine.

EC and CJ noted that the FRC's Financial Reporting Lab contacted them following the publication of the review to have a meeting on this with regard to their upcoming project on cutting clutter. The Lab is looking forward to increasing the level of engagement on corporate governance and improving the quality of small and mid-cap quoted companies' reports (which was mentioned in the FRC's Draft Budget and Plan).

- Proxy Advisors

  EC noted that the final Best Practice Principles for Providers of Shareholder Voting Research and Analysis has been published. He noted that he thought that these were more helpful than the previous draft and that the group had incorporated some of the QCA's comments on the response.

  AH noted that she does not think that the voluntary code of conduct is going to improve the current situation and the way forward should be to try to engage with proxy advisors directly to get the message across. At the moment, proxy reports sometimes contain factual inaccuracies/historic data partially due to the short period of time available for proxy advisors to produce them. AH noted that the IRS continues to focus on this issue. AH explained that institutional investors should also put more pressure on proxy advisors to produce higher quality reports as they are contracting them to provide the research. AH further advised that she intends to highlight any instances where the quality of reporting on her company by proxy advisors is unsatisfactory to its top 10% of shareholders.

  EB noted that the QCA intends to produce a briefing note for QCA members that highlights the role of the proxy advisor and how to engage with them on any issues. EB explained that part of this process will involve contacting each of the major proxy advisory firms to ask them for their policies, for example, regarding allowing issuers to review their reports before finalising them or their processes for correcting errors in reports.

b) Progress on active European Union dossiers:

- European Commission Communication on Long-Term Financing of the European Economy

  KJ pointed out that this document was circulated for information, and that the reference to the Shareholders' Rights Directive was probably the most interesting point for this group.

- Shareholders'' Rights Directive Proposal (amending Directive 2007/26/EC) / Commission Recommendation on the quality of corporate governance reporting ("comply or explain")

  KJ informed the group that these were to be published on 9 April 2014 and asked the group to send her or MG any issues of concern regarding these documents.

  ALL

- Fourth Money Laundering Directive Proposal (amending and replacing the Third Money Laundering Directive 2005/60/EC)

KJ explained that this item was included in the agenda after an issue was flagged to the QCA by the Association of Investment Companies. The AIC pointed out that Article 29 as proposed would oblige quoted companies to obtain and hold information on their beneficial holders. KJ noted that she will follow up on this issue with the AIC and update the group in due time.

c) Review of the Audit Committee Guide for Small and Mid-Size Quoted Companies

The group had a detailed discussion of the draft guide (dated 3 April 2014). Some general comments included:

- There was concern expressed that some of the helpful aspects of the guide (ie the Agenda items in Appendix 1 of the 2009 version or the Key Considerations boxes at the end of each section) were not included in the new draft. CJ noted that they will be added back in.

- There was a view that the section 'Why Every Company Needs an Effective Audit Committee' needs to be re-written so that it is not repetitive and flows better.

- The table on page 9 in the sub-section 'Evaluation of the effectiveness of the Audit Committee' should be revised so that it is not as wordy, focuses on the effectiveness of the committee rather than the external auditor (which is what it mainly covers in the 3 April draft), and references the five bullet points on the inside cover (page 2).

- The group thought that the section 'The Internal Focus of the Audit Committee – Risk Management and Internal Controls' should start out by highlighting the audit committee's role in managing risk, rather than a general outline of risk management.

- The group thought that the section 'The External Focus of the Audit Committee – The Annual Accounts Cycle' was a bit too long.

KJ noted that a revised draft will be circulated shortly, which will incorporate these comments. KJ requested that expert group members should send via email any further detailed comments they have asap. The aim is to launch the guide at an event on the 2 July 2014.

KJ

4. CONSULTATIONS

Consultation	**Action**	**Lead**
ACCA – Creating value through governance – towards a new accountability: a consultation.	The group decided that the QCA should submit a response to this. Expert group members should send comments to KJ and MG and they will compile a response by 31 August 2014.	KJ/MG

5. COMUNICATIONS AND FUTURE MEETINGS

	Document	**Action/comments by CGEG**

a)	Guest invitations to future meetings	It was agreed to invite someone from the ACCA to discuss the creating value paper to a future meeting.
b)	Policy update (February 2014)	For information only – quarterly update on expert group work which is circulated to the QCA board.

6. AOB - there was no further information discussed.

7. Actions

Action	**Person**	**Timetable**
Send comments to KJ and MG on the Shareholder Rights Directive once published	ALL	ASAP (final draft to be published on 9 April 2014)
Edit the Audit Guide and send around a revised version to thr group	KJ/EC/CJ	ASAP
Send comments on the ACCA consultation to KJ and MG	ALL	ASAP (before 31 August 2014)

8. INFORMATION FOR NOTING

Consultation responses submitted:

• FRC Draft Plan & Budget 2014/5 (Response Date: 28 February 2014, sent 6 March 2014)

• AIM Notice 38: AIM Rules for Companies and AIM Rules for NOMADs (Response date: 3 March 2014)

• Defra Consultation on Update to GHG reporting guidelines (Response date: 24 March 2014)

Date for next meeting: Tuesday 20 May 2014 (4pm) (Venue: Wedlake Bell LLP, 52 Bedford Row, London WC1R 4LR)