

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

Present:	Edward Craft (Chairman)	Wedlake Bell LLP	EC
	Edward Beale	Western Selection Plc	EB
	Rob Burdett	FIT Remuneration Consultants	RB
	Louis Cooper	Crowe Clark Whitehall	LC
	David Fuller	CLS Holdings plc	DF
	Nick Gibbon	DAC Beachcroft LLP	NG
	Andrew Hobbs	EY LLP	AH
	Alexandra Hockenhull	Xchanging plc	AHL
	David Isherwood	BDO LLP	DI
	Julie Stanbrook	Hogan Lovells International LLP	JS
	Eugenia Unanyants-Jackson	F & C Asset Management plc	EJ
	Cliff Weight	MM & K Limited	CW
	Kate Jalbert	Quoted Companies Alliance	KJ
	Maria Gomes (minutes)	Quoted Companies Alliance	MG
In attendance:	Paul Moxey (guest)	ACCA	PM

**1. WELCOME TO PAUL MOXEY, HEAD OF CORPORATE GOVERNANCE AND RISK MANAGEMENT, ACCA, TO DISCUSS THE ACCA CONSULTATION PAPER CREATING VALUE THROUGH GOVERNANCE**

EC welcomed PM and thanked him for coming to speak to the group. PM briefly introduced the work of ACCA and explained that this consultation paper analyses certain recent trends in corporate governance and an observation that governance serve a beneficial purpose. PM explained that, until recently, corporate governance was being pursued as a goal in itself by some companies, without sufficient underlying reasons. This project tries to attribute a clear purpose to corporate governance. PM, who had not previously considered the QCA Code, was pleased to see that the QCA Code states a purpose for corporate governance – creating and preserving value for shareholders.

PM welcomed views from the group on this consultation paper. Bearing in mind the text of the consultation, the group mentioned some key aspects that deserve greater consideration.

- EB emphasised the importance of mentioning the sustainability of the time period, which may differ from company to company. Also, he added that the corporate governance debate has been determined by an excessive focus on financial services companies and then applied to other companies that may not have the same problems.
- The group mentioned the importance of value creation and the difficulty in measuring value, which cannot be done just by measuring profit. EB explained that another problem is ignoring the fact that process and culture need to come from the top and be instilled in a company.
- PM mentioned that there have been many problems but they are almost never attributed to governance. PM stated that in order to debate and solve these problems we should be looking at how companies are applying corporate governance principles. EJ added that investors also look at how companies apply the principles, highlighting that providing explanations on their own does not always prove valuable. She added that it is also important to meet with the board and see the answers that make investors comfortable with, assessing factors such as personality

and trust. EB and PM agreed that the role of the chairman of the board is vital, as the chairman should be responsible and accountable for corporate governance.

- EB mentioned the importance of corporate governance for realising the objectives of the organisation, which change continuously. EC added that that companies need to focus decisions and how they move in the best interests of their shareholders.

PM explained that the outcome of this consultation will likely be to produce a report taking into consideration the consultation responses and including many of the comments raised at this meeting. Its objective would be to guide policymaking in the direction it should be going, help people better understand what corporate governance is (and should be) and to encourage debate.

The group asked PM his thoughts on the UK Corporate Governance Code. PM explained that many aspects are good, but it is getting longer and without enough emphasis on the principles. In his opinion, the principles should remain more important than the particular provisions.

PM thanked the QCA for the opportunity to come speak about the ACCA consultation, encouraged the group to submit a response and left the meeting.

### **Subsequent Discussion re: Promotion of the QCA Code**

Following PM leaving, the group discussed the lack of awareness of the QCA Corporate Governance Code outside of the small and mid-size quoted company sector. EC noted that he was surprised that PM had not heard of the QCA Corporate Governance Code before the meeting. Members of the group noted that it is difficult to access the QCA Code and that the QCA should consider making the Code free to obtain, especially in light of the AIM Rule 26 change. Some ideas on how to recoup costs include:

- Increase membership fees
- Charge a fee to those that refer to the QCA Code in their documents/website

Overall, group members felt that the QCA would recoup the loss of publication income with an increase in visibility, recognition and thus new members. The Code might act as a 'fishing hook' to get new members.

DI noted that if it is intended to be used in the public arena, then from a corporate transparency point of view, the Code should be free to access and available to all. The group agreed that is a bit perverse that the Code is designed for smaller companies with fewer resources and we charge them to obtain our Code, whereas large companies can access the UK Corporate Governance Code free of charge.

KJ noted that this is an issue that the QCA is currently considering and encourage people to speak to/send emails to Tim about their concern on this. It was appreciated that charging for the code is a sensitive issue.

## **2. APOLOGIES**

Apologies were received from Colin Jones, Victoria Barron, Madeleine Cordes, Kate Elsdon, Nick Graves, Claire Noyce, Anita Skipper, Nicholas Stretch, Peter Swabey, Melanie Wadsworth and Tim Ward.

### 3. MINUTES OF THE LAST MEETING (20 May 2014)

The minutes were approved.

### 4. CONSULTATIONS

Consultation	Action	Lead
The European Commission's strategy on Corporate Social Responsibility (CSR) 2011-2014: achievements, shortcomings and future challenges	As agreed during the last meeting, the QCA should submit a response to this consultation. The EC's objective should be helping companies in delivering CSR. MG agreed to circulate a draft response to the group for comments before the end of July.	ALL EC/KJ/MG
ACCA – Creating value through governance – towards a new accountability: a consultation	The group agreed that the QCA should submit a general response with focus on the QCA Code and including comments on culture and ethics. Expert group members should send comments to KJ and MG who will compile a response by 31 August 2014.	ALL MG/KJ
HM Treasury open consultation – Remuneration practices: call for evidence	The group decided not to submit a response to this consultation. The group considered the questions to be too vague and not well phrased, which would make it difficult for the QCA to reply to in general terms. It is unclear what HMT would do with the responses received: might be prejudicial to QCA members.	No further action

### 5. CURRENT ISSUES

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

- Next round of the corporate governance behaviour review: EC informed the group that UHY Hacker Young will undertake this study again with some changes to the preface.
- Proxy advisors: KJ commented that the briefing note on this topic will be prepared in the autumn after the Audit Guide is concluded. EUJ offered to facilitate contacts with proxy advisors if necessary.

b) Update on progress with Audit Committee Guide for Small and Mid-Size Quoted Companies

EC informed the group that the Audit Committee Guide has been amended to reflect the discussions of this group at its last meeting, and its final version has been circulated for comments. The group is invited to submit final comments until Friday 11 July.

**ALL**

## 6. COMMUNICATIONS AND FUTURE MEETINGS

	Document	Action/comments by CGEG
a)	Institutional Investor Committee paper on the Audit Tendering Process	This was not discussed; the document was circulated for information only.
b)	FRC Guidance on the Strategic Report	This was not discussed; the document was circulated for information only.
c)	International Corporate Governance Network's Corporate Reporting Dialogue	This was not discussed; the document was circulated for information only.
d)	FRC Plan, Budget and Levies 2014/2015	This was not discussed; the document was circulated for information and follow up to the consultation on the plan and budget earlier this year.
e)	Small Business, Enterprise and Employment Bill	EC informed the group that this bill follows the Government responses published in April to views received on the Transparency and Trust discussion paper and the Company Filing requirements consultation.
f)	The Law Commission – Fiduciary Duties of Investment Intermediaries	EUJ mentioned that the document shows a good shift from what had been said previously.
g)	Guest invitations to future meetings	This was not discussed.
h)	Policy Update (June 2014)	This was not discussed; the document was circulated for information only.

## 7. AOB

EUJ asked the group whether the QCA was following the developments on the Shareholders' Rights Directive. She said that investors need to be advised on this because they want a harmonised regime on related party transactions in Europe, but EU Member States seem to be strongly against this Directive. EUJ would be interested in knowing what companies want in this regard, what would be useful from corporate side. KJ mentioned that Donald Stewart has been following the issue with European Issuers and that the QCA is looking into this question. She agreed to further inquire.

KJ

## 8. Actions

Action	Person	Timetable
Draft and circulate the response to the European Commission's strategy on Corporate Social Responsibility (CSR) 2011-2014: achievements, shortcomings and future challenges	EC/MG/KJ	ASAP (before 15 August 2014)

Send comments on the ACCA consultation to KJ and MG/ Draft and circulate the response	ALL MG/KJ	ASAP (before 31 August 2014)
Send comments on the Audit Committee Guide for Small and Mid-Size Quoted Companies to KJ	ALL	ASAP (before 11 July 2014)
Follow up on Shareholders' Rights Directive with Donald Stewart	KJ	ASAP

## 9. INFORMATION FOR NOTING

### **Consultation responses submitted:**

ICSA - Annual Report Contents (response sent 2 June 2014)

FRC – Proposed revisions to the UK Corporate Governance Code (response sent 27 June 2014)

**Date for next meeting:** Monday, 15 September 2014 (4pm) (Venue: Wedlake Bell LLP, 52 Bedford Row, London WC1R 4LR)