

## Minutes of the QCA Corporate Governance Expert Group

**QUOTED  
COMPANIES  
ALLIANCE**

**Held on:** Tuesday 9 January 2018

**Venue:** Hogan Lovells International LLP, 50 Holborn Viaduct, London, EC1A 2FG

### **Present:**

Will Pomroy (Chair)	Hermes Investment Management Limited	WP
Edward Beale	Western Selection Plc	EB
Amanda Cantwell	Practical Law Company Limited	AC
Jo Chattle	Norton Rose Fulbright LLP	JC
Richie Clark	Fox Williams LLP	RC
Jonathan Compton	BDO LLP	JCo
Louis Cooper	Non-Executive Directors Association	LC
Edward Craft	Wedlake Bell LLP	EC
Tracy Gordon	Deloitte LLP	TG
David Hicks	Charles Russell Speechlys LLP	DH
David Isherwood	BDO LLP	DI
Damien Knight	MM & K Limited	DK
Darius Lewington	LexisNexis	DL
Darshan Patel	Hybridan LLP	DP
Philip Patterson	PricewaterhouseCoopers LLP	PP
Daniel Redman	Design Portfolio	DR
Anita Skipper	Aviva Investors	AS
Julie Stanbrook	Unattached	JS
Carmen Stevens	Jordans Limited	CS
Bernard Wall	Hogan Lovells International LLP	BW
Tim Ward	Quoted Companies Alliance	TW
Callum Anderson (minutes)	Quoted Companies Alliance	CA

### **In attendance:**

Catherine Horton	Financial Reporting Council	CH
David Styles	Financial Reporting Council	DS
Sally Chandler	Prism Cossec	SC
Matt Higgins	FIT Remuneration Consultants	MH

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## **1. WELCOME TO CATHERINE HORTON AND DAVID STYLES OF THE FINANCIAL REPORTING COUNCIL**

WP welcomed CH and DS to the meeting.

DS briefly summarised the context of the proposed revisions, as well as the main structural changes to the proposed new UK Corporate Governance Code. With 25% fewer provisions, he noted that the document was shorter than previous editions. He added that the FRC had sought to establish a greater

distinction between the principles and the provisions. Provisions are now primarily focussed on how to help companies comply with the relevant principles.

DS highlighted and summarised the changes to six areas of the proposed UK Code (*more detail can be found in circulated slide pack emailed on 10/01/18*):

- i) Stakeholder engagement (Principle C and Provision 4)
- ii) Wider workforce (Principle D and Provision 3)
- iii) Significant votes against (Provision 6)
- iv) Diversity and succession (Principle J)
- v) Tenure and independence (Provision 15)
- vi) Remuneration Committee (Principle O and Provision 40)

Regarding the wider workforce provision stating that either a director from the workforce be appointed, a formal workforce advisory panel be established or a designated non-executive director be appointed, the Expert Group enquired whether this would affect the primacy of the unitary board.

DS and CH stated that the concept of the unitary board should not be challenged as a result of this proposed change (it was noted this was included in the government's 2017 Green Paper on corporate governance reform). However they confirmed that they were reviewing the possibility for the FRC to produce guidance to assist companies in this regard.

DS explained the rationale for removing exemptions for companies below the FTSE 350. There was a lively discussion regarding the pros and cons of this. Many Expert Group members contended that this would remove a large degree of flexibility for smaller companies on the Main List of the London Stock Exchange. TW suggested that, as a half-way house, a number of requirements – including those noted in the (such as board evaluations) – could comprise a 'basket' of requirements which would be subject to a transitional period of three to five years. This would allow smaller listed companies time to make the necessary changes to meet these requirements.

CH explained that the FRC intended to finalise the UK Code by June 2018 so that it can apply to accounting periods starting on or after 1 January 2019. He added that the FRC would consult on the Stewardship Code in summer 2018 so that it can apply some time in 2019.

CH and DS left the meeting.

## **2. APOLOGIES**

Apologies were received from Rob Burdett, Rory Cray, Peter Fitzwilliam, Nick Gibbon, Alexandra Hockenhull, Daniel Jarman, Peter Kohl, Nicholas Stretch, Sanjeev Verma and Kerin Williams.

## **3. MINUTES OF LAST MEETING (28 November 2017)**

The minutes were approved.

#### 4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p><b>FRC consultation on its proposals for a revised UK Corporate Governance Code</b></p> <p>WP explained that a Working Group had begun to produce a first draft of a QCA response to the consultation, which would then be circulated to Expert Group members for comment.</p> <p>The Expert Group exchanged views on a company’s responsibilities vis-à-vis other stakeholders who are not employees. There was a consensus that no one stakeholder group’s views should be placed above others.</p> <p>In light of the discussion with CH and DS, the Expert Group asked the Working Group to review the UK Code and assess if there were other requirements that could be included within transitional period ‘basket’.</p> <p>The Expert Group agreed that the FRC should also cite the QCA Code as an alternative corporate governance code for companies to apply.</p>	<p><b>Working Group</b> to produce first draft by end of <b>January 2018</b>.</p> <p><b>CA</b> to circulate draft response.</p> <p><b>ALL</b> to provide comments to draft response by <b>28.02.18</b>.</p>
b)	<p><b>London Stock Exchange Feedback Statement and Consultation: AIM Rules Review</b></p> <p>The Expert Group noted publication of London Stock Exchange Feedback Statement and Consultation regarding proposed changes to the AIM Rules following its September 2017 discussion paper.</p> <p>Regarding the proposed amendments to AIM Rules 26, the Expert Group agreed that London Stock Exchange should clarify what is meant by a “recognised industry code”.</p>	<p><b>CA</b> to circulate draft response.</p> <p><b>ALL</b> to provide comments to draft response by <b>29.01.18</b>.</p>
c)	<p><b>QCA Code</b></p> <p>EC explained that drafting was still in-progress and that he would be having a conference call with Maria Gomes later that day to discuss further.</p>	<p>None at this stage.</p>
d)	<p><b>Brexit</b></p> <p>This was not discussed.</p>	<p>None to note.</p>

## 5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<b>FRC FAQs to help companies comply with Non-Financial Reporting Regulation</b>  This was tabled for information only and was not discussed.	None to note.
b)	<b>London Stock Exchange confirms it has applied for AIM to be granted SME Growth Market</b>  This was tabled for information only and was not discussed.	None to note.
c)	<b>Financial Reporting Lab invites participants for new project on the reporting of performance metrics by 31 January 2018</b>  This was tabled for information only and was not discussed.	None to note.
d)	<b>FRC report on audit committee reporting</b>  This was tabled for information only and was not discussed.	None to note.
e)	<b>Guest invitations to future meetings</b>  This was not discussed.	None to note.
f)	<b>Policy Update (October 2017)</b>  This was tabled for information only and was not discussed.	None to note.

## 6. NEXT MEETING

Tuesday 6 March 2018, 9.00am – 10.30am, with Andrew Death, Acting Deputy Director, Business Frameworks at the Department for Business, Energy and Industrial Strategy (Venue: BMO Global Asset Management, Exchange House, 12 Primrose Street, London, EC2A 2HS).