



Minutes of the QCA Corporate Governance Expert Group

Held on: Tuesday 10 January 2017

Venue: Wedlake Bell, 8th Floor, 71 Queen Victoria Street, London, EC4V 4AY

Present:

Edward Craft (Chairman)	Wedlake Bell LLP	EC
Colin Jones (Deputy Chairman)	UHY Hacker Young	CJ
Edward Beale	Western Selection Plc	EB
Amanda Cantwell	Practical Law Company Limited	AC
Jo Chattle	Norton Rose Fulbright LLP	JC
Jonathan Compton	BDO LLP	JCo
Peter Fitzwilliam	Mission Marketing Group (The) PLC	PF
Tracy Gordon	Deloitte LLP	TG
David Hicks	Charles Russell Speechlys LLP	DH
David Isherwood	BDO LLP	DI
Kalina Lazarova	BMO Global Asset Management (EMEA)	KL
Darius Lewington	LexisNexis	DL
Will Pomroy	Hermes Investment Management Limited	WP
Julie Stanbrook	Hogan Lovells International LLP	JS
Lisa Vainio	Quoted Companies Alliance	LV
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

Luke Hildyard	Pensions & Lifetime Savings Association	LH
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1. WELCOME TO LUKE HILDYARD, POLICY LEAD – STEWARDSHIP AND CORPORATE GOVERNANCE, PENSIONS & LIFETIME SAVINGS ASSOCIATION (PLSA)

EC welcomed LH to the meeting.

LH outlined the main features of the PLSA's Understanding the Worth of the Workforce Stewardship Toolkit, issued in the summer of 2016, which outlines the type of workforce information that PLSA members (pension fund managers and businesses) should look for from investee companies, and how to access such information. He noted that PLSA members identified four key factors of the workforce that they believed were important to determining a company's long-term performance and which they subsequently wished to see reflected through better narrative reporting:

- A workforce's composition;
- Stability, skills and capabilities of the workforce; and
- Employee satisfaction.

LH explained that narrative reporting, supported by concrete data, contained within the strategic report was viewed as the most appropriate format for communicating information about the workforce. LH and the Expert Group exchanged views on the merits of companies disclosing pay ratios between the CEO and employees, as well as the action shareholders can take to restrain executive pay. The discussions highlighted a wider debate to be had within the group as to the group's own measures of success and effectiveness.

EC thanked LH for his presentation. LH left the room.

2. APOLOGIES

Apologies were received from Michael Brown, Rob Burdett, Louis Cooper, David Firth, David Fuller, Nick Gibbon, Nick Graves, Alexandra Hockenhull, Kevin Kissane, Jayne Meacham, Darshan Patel, Philip Patterson, Jenna Robinson, Carmen Stevens, Nicholas Stretch, Peter Swabey, Tim Ward and Cliff Weight.

3. MINUTES OF LAST MEETING (29 November 2016)

The minutes were approved.

4. APPROVAL OF THE EXPERT GROUP'S TERMS OF REFERENCE

EC noted that the Terms of Reference had been circulated to the Expert Group. The Expert Group agreed that it should be updated to reiterate the point that members are expected to actively participate in the Expert Group's activities through meetings and/or the drafting of consultation responses.

5. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>Corporate governance reform – Government Green Paper</p> <p>EC delivered a high-level explanation of the contents of the consultation paper, which was previously addressed in the Expert Group's meeting of 29 November.</p> <p>The Expert Group exchanged views on the Government's proposals regarding shareholder engagement relating to executive pay. The Expert Group agreed that it should use the opportunity to promote the QCA Code, as well as the Remuneration Committee Guide.</p> <p>The Expert Group agreed that it would send two responses to BEIS: a letter setting the QCA's high level beliefs regarding good corporate governance and a detailed response based specifically on the consultation questions.</p>	<p>CA / LV to draft response to the consultation paper and circulate to Expert Group members.</p> <p>ALL to comment on draft response.</p> <p>CA / LV / EC to draft letter to BEIS.</p>

b)	<p>Corporate Governance Expert Group work plan for 2017</p> <p>EC explained that the Expert Group’s workload would primarily centre on determining our response to the Government’s corporate governance reform initiative (which will occupy a large part of the workload of the Expert Group throughout the year) and the subsequent impact this could have on the QCA Code, but would also include cybersecurity and the introduction of an additional chapter on ethics.</p>	None to note.
c)	<p>Feedback on 2017 UHY Hacker Young / QCA Corporate Behaviour Review</p> <p>CJ mentioned that UHY Hacker Young and the QCA had jointly hosted a successful launch event of the fourth Corporate Behaviour Review. He explained that preparatory work was now being undertaken to examine how future reviews could further develop.</p>	None to note.
d)	<p>The future of the QCA Code (plus Audit and Remuneration Committee guides)</p> <p>This item was not discussed. EC requested members of the Expert Group to consider their own views on this issue, ready for discussion at the next Expert Group meeting. EC noted that further discussions are to be had on this ahead of the next meeting of the Expert Group.</p>	ALL to consider views on the future of all of the QCA guides.
e)	<p>Brexit</p> <p>This item was not discussed.</p>	None to note.

6. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p>FRC publishes corporate reporting review of alternative performance measures.</p> <p>This was tabled for information only and was not discussed.</p>	None to note.
b)	<p>ISS updates 2017 Proxy Voting Guidelines</p> <p>This was tabled for information only and was not discussed.</p>	None to note.
c)	<p>Guest invitations to future meetings</p> <p>This item was not discussed.</p>	None to note.
d)	<p>Policy Update (January 2017)</p> <p>This was tabled for information only and was not discussed.</p>	None to note.

7. NEXT MEETING

Tuesday 21 February 2017, 9.00am – 10.30am, with Peter Montagnon, Associate Director – Institute of Business Ethics, as guest, to discuss the ethical dimension to the Government's corporate governance reforms (Venue: Hogan Lovells International LLP, Atlantic House, 50 Holborn Viaduct, London EC1A 2FG (Host: Julie Stanbrook)).