



Minutes of the QCA Corporate Governance Expert Group

Held on: Tuesday 11 July 2017

Venue: Wedlake Bell LLP, 8th floor, 71 Queen Victoria Street,
London, EC4V 4AY (Host: Edward Craft)

Present:

Edward Craft (Chairman)	Wedlake Bell LLP	EC
Colin Jones (Deputy Chairman)	UHY Hacker Young	CJ
Amanda Cantwell	Practical Law Company Limited	AC
Jo Chattle	Norton Rose Fulbright LLP	JC
Jonathan Compton	BDO LLP	JC
Rory Cray	FIT Remuneration Consultants	RC
Tracy Gordon	Deloitte LLP	TG
David Hicks	Charles Russell Speechlys LLP	DH
Peter Kohl	Kerman & Co LLP	PK
Darius Lewington	LexisNexis	DL
Darshan Patel	Hybridan LLP	DP
Daniel Redman	Design Portfolio	DR
Julie Stanbrook	Hogan Lovells International LLP	JS
Nicholas Stretch	CMS	NS
Peter Swabey	ICSA	PS
Melanie Wadsworth	Faegre Baker Daniels LLP	MW
Cliff Weight	MM & K Limited	CW
Lisa Vainio	Quoted Companies Alliance	LV
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

Robin Mueller	BEIS	RM
Ilaria Miller	BEIS	IM
Phil Higgins	PricewaterhouseCoopers LLP	PH
David Steyn	BMO Global Asset Management	DS
Rod Venables	Western Selection Plc	RV

1. WELCOME TO ROBIN MUELLER AND ILARIA MILLER, DEPARTMENT FOR BUSINESS, ENERGY AND INDUSTRIAL STRATEGY

EC welcomed RM and IM to the meeting. RM and IM were present to discuss the Corporate Governance Green Paper of November 2016 and the likely outputs from that.

RM summarised the three areas of focus for corporate governance reform as set out in the Corporate Governance Green Paper:

1. Executive pay;
2. Strengthening the employee, customer and wider stakeholder voice; and
3. Corporate governance in large privately-held.

RM noted that the QCA response had referred to shareholder committees as a way of encouraging institutional and retail investors to make full use of their existing and any new voting powers on pay. However he noted that the argument against these was that, at many companies, the shareholder base was highly fragmented and therefore such a committee may not be representative. This would limit any of the potential benefits.

With regards to whether disclosing investors' voting records should be mandated, RM suggested that as 72% of investors now are doing so that any further action should be industry-led.

IM, RM and the Expert Group exchanged views on the government's rationale behind the Green Paper in the context of the existing corporate governance codes such as the QCA Code and the UK Corporate Governance Code. IM noted that a wide range of organisations and membership bodies would be consulted, if any further guidance is announced by the government.

IM and RM emphasised that both the prime minister and the secretary of state for Business, Energy and Industrial Strategy remained keen to proceed with corporate governance reform. RM explained that a government statement to the Green Paper responses could be expected soon, although it is uncertain if this will be before the summer recess or during autumn 2017.

RM explained that no primary legislation is anticipated and none was provided for in the Queen's Speech, but that much could be progressed through secondary instruments. The Expert Group emphasises the benefit of using non-legislative means to drive change.

The Expert Group accepted RM's invitation to assist in the development of any subsequent Statutory Instruments.

IM left the meeting.

The discussions were open and constructive. Following a comment from RM CJ briefly summarised the discussion on corporate governance at the FRC roundtable held in June 2017, which the QCA and some of its corporate members attended. RM and the Expert Group exchanged views on the merits of principles-based corporate governance codes. There was also a wider discussion on how investors can leverage their power to register dissent with respect to executive pay.

RM left the meeting.

2. APOLOGIES

Apologies were received from Edward Beale, Nigel Brown, Louis Cooper, Peter Fitzwilliam, Nick Gibbon, Nick Graves, Alexandra Hockenhull, Daniel Jarman, James Lynch, Marc Marrero, Philip Patterson, Carmen Stevens, Sanjeev Verma and Tim Ward.

3. MINUTES OF LAST MEETING (21 February 2017)

The minutes were approved.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>QCA Code</p> <p>EC explained that the Working Group was currently reviewing and, where appropriate, redrafting the document. He mentioned that it was also debating the extent to which there should be a fundamental redraft. He noted that political developments meant that it could proceed with making any amendments as it saw fit. EC added that the Working Group would meet again in September to discuss the existing draft.</p>	None at this stage.
b)	<p>Brexit</p> <p>The Expert Group noted the upcoming publication of the “Great Repeal Bill” (subsequently on 13 July 2017) would trigger a discussion on the extent to which EU-driven regulation due to come into effect during the 2017-2019 period would be implemented by the UK.</p> <p>It was noted that the government has informally expressed an intention to fully implement the EU Shareholder Rights Directive.</p>	None to note.

5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p>FRC publishes Plan & Budget and Levies 2017/18</p> <p>This was tabled for information only and was not discussed.</p>	None to note.
b)	<p>ICSA publishes revised guidance on terms of reference for audit committees</p> <p>This was tabled for information only.</p> <p>PS mentioned that ICSA: The Governance Institute would be revising its guidance on risk committees and directors’ duties in due course.</p>	None to note.
c)	<p>FRC publishes a revised version of its operating procedures for reviewing company reporting</p> <p>This was tabled for information only and was not discussed.</p>	None to note.

d)	BEIS Committee publishes report on corporate governance inquiry This was tabled for information only and was not discussed.	None to note.
e)	FRC writes to investors regarding recent reporting developments This was tabled for information only and was not discussed.	None to note.
f)	Companies House statement on changes to UK anti-money laundering measures This was tabled for information only and was not discussed.	None to note.
g)	Investment Association publishes long-term reporting guidance This was tabled for information only and was not discussed.	None to note.
h)	European Commission publishes guidelines on non-financial reporting This was tabled for information only and was not discussed.	None to note.
i)	Guest invitations to future meetings The Expert Group agreed that it would be useful for Andrew Death from BEIS to attend a meeting to discuss the changes to the PSC regime.	CA to invite guest to meeting.
j)	Policy Update (June 2017) This was tabled for information only and was not discussed.	None to note.

6. ANY OTHER BUSINESS

- The Expert Group noted that the London Stock Exchange had published a consultation reviewing the AIM Rules. It agreed to draft a response to the relevant questions regarding corporate governance in good time before the 8 September 2017 deadline.
- EC mentioned that he and the QCA were currently identifying a new chair of the Corporate Governance Expert Group in time for the autumn. This will be announced in due course.

7. NEXT MEETING

Tuesday 5 September 2017, 9.00am – 10.30am (Venue: UHY Hacker Young, Quadrant House, 4 Thomas Moore Street, London, E1W 1YW (Host: Colin Jones))