



Held at 4.00pm on Monday 15 September 2014
at the offices of Wedlake Bell LLP, 52 Bedford Row, London, WC1R 4LR

Present:	Edward Craft (Chairman)	Wedlake Bell LLP	EC
	Colin Jones (Deputy Chairman)	UHY Hacker Young	CJ
	Victoria Barron	Hermes Equity Ownership Services	VB
	Edward Beale	Western Selection Plc	EB
	Anthony Carey	Mazars LLP	AC
	David Fuller	CLS Holdings plc	DF
	Nick Gibbon	DAC Beachcroft LLP	NG
	Nicola Green	LexisNexis	NG
	Alexandra Hockenhill	Xchanging plc	AH
	Jonathan Compton	BDO LLP	JC
	Marc Marrero	Oriel Securities Limited	MM
	Joanna Chattle	Norton Rose Fulbright LLP	JC
	Bernard Wall	Hogan Lovells International LLP	BW
	Nicholas Stretch	CMS Cameron McKenna	NS
	Eugenia Unanyants-Jackson	F & C Asset Management	EJ
	Maria Gomes (minutes)	Quoted Companies Alliance	MG
In attendance:	Gillian Lees (guest)	CIMA	GL

1. Welcome to Gillian Lees, Head of Research & Development, Governance & Risk, CIMA, to discuss Business Models

EC welcomed GL and everyone introduced themselves.

GL explained that CIMA's drive is to contribute to long-term sustainable businesses from the perspective of the CFO and accountants. GL noted that the UK is one of the world leaders in corporate governance and benefits from being able to influence standards and serve as a role model for other countries.

CIMA regularly organizes conferences and roundtables to discuss topics on what drives governance. One of the topics recently discussed is how digitization is changing companies' business models, how boards communicate and make decisions, including the interaction with social media.

CIMA's work at the moment focuses on how companies can move beyond compliance and build resilience, strategy analysis, performance and effectively trade between risk and reward. For this reason, GL explained, the quality of information flows must be of the highest calibre.

The future work of CIMA will address the framework and tools to support a board conversation regarding integrated reporting and business model for the purposes of reporting. GL believe that there is a lack of framework and tools to understand what is important for the decisions of the board.

GL advised that she has been seeing ever improving on FTSE 250 companies, with good narrative, more integration and useful disclosure, providing a good sense of the board's work.

GL explained that one other topic they have been focusing on is risk. CIMA is working together with Airmic, a risk management organisation which recently published a report on various disasters that can happen entitled "Roads to ruin": <http://www.cimaglobal.com/Thought-leadership/Research-topics/Governance/Roads-to-ruin-a-study-of-major-risk-events/>. CIMA and Airmic are using this as basis to identify risk and opportunity and what creates and destroys value, in order to establish future-proof boards founded on resilience principles.

GL challenged whether boards are working effectively as teams and mentioned that organisations are very complex and one approach would perhaps be to build a stronger relationship between board members.

The Group commented that it is difficult for the board to have more work done outside of the boardroom (i.e. create time to read and discuss papers and come to the board meeting informed and focus on the key issues). EB noted that the board must be involved with the wider questions which the company is facing and needs to operate as a team. He asked GL whether she sees chairmen taking more responsibility for compliance.

GL explained that there is generally more awareness on the importance of the role and that chairman make sure that they focus more time on it.

GL added that there is confusion as to the role of the executives. EC commented that the company secretary should not be a director, but instead act as a conscience with a voice in the boardroom. EB added that the debate should be changed to make boards more people-centered.

EB commented that boards are getting reordered and reconsidered, being lately more focused on skills than on diversity.

EUJ asked GL about the relationship between the audit committee and the CFO. GL noted that this relationship is very important since both need to know the big issues and how they are integrated, reflecting the company's strategic goals. GL added that the involvement of the account management is also very important. CIMA is developing accounting standard principles focused on the quality of information, because there is a demand for a higher level of scrutiny to understand what is reported inside as well as outside.

Regarding remuneration issues, GL mentioned that she believes that the key is to know what truly incentivizes people and makes them work together in a more integrated way. She added that valuing talent and measuring the value of human capital are not well integrated in remuneration at present, which gives rise to very complicated remuneration packages.

EC thanked GL for coming to speak to the Corporate Governance Expert Group. GL thanked the group for the opportunity and mentioned she will look forward to sharing their next report with us.

2. APOLOGIES

Apologies were received from Richie Clark, Louis Cooper, Mebs Dossa, Peter Fitzwilliam, Andrew Hobbs, Claire Noyce, Anita Skipper, Peter Swabey, Melanie Wadsworth, Cliff Weight, Kate Jalbert and Tim Ward.

3. MINUTES OF THE LAST MEETING (8 July 2014)

The minutes were approved.

4. CONSULTATIONS

Consultation	Action	Lead
Small Business, Enterprise and Employment Bill: House of Commons Public Bill Committee request for written evidence	The Group decided that it is important to draft a response to this request for evidence from a corporate governance perspective.	EC and NG kindly volunteered to help MG and KJ to draft the QCA response to the call for evidence on the Small Business, Enterprise and Employment Bill proposal.

5. CURRENT ISSUES

a) QCA/UHY Hacker Young Corporate Governance Behaviour Review

CJ explained that the QCA and UHY Hacker Young are looking at the second Corporate Governance Behaviour Review as the fieldwork was done over the summer. There will be a lunch with fund managers on 13 October to discuss preliminary conclusions and the report will be issued in November. EC added that they will be focusing on those disclosures which investors consider to be important.

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

EC informed the group that the audit committee guide is with the typesetters and will probably be released in November.

c) Meeting with BIS on corporate transparency issues (20 August 2014)

EC explained that the QCA recently had a meeting with BIS regarding beneficial ownership register issue among the proposals 4th Money Laundering Directive and Small Business, Enterprise and Employment Bill proposal as part of BIS stakeholder engagement prior to second reading in the House of Commons. EC mentioned that the draft legislation is currently unnecessarily convoluted, does not sit well with section 793 of the Companies Act 2006 and seems unlikely to achieve the policy objectives.

EUJ added that investors are concerned over the definition of shareholder.

d) Update on Shareholders' Rights Directive Proposal

EC informed the group that the Shareholder Rights Directive proposal would be discussed that week by the Council Working Group.

EJ mentioned that she would share with the Group a Linklaters paper on related party transactions, which could serve as a basis for a position paper looking at it from a corporate governance perspective. [This has now been done.]

EJ

6. COMMUNICATIONS AND FUTURE MEETINGS

	Document	Action/comments by CGEG
a)	Opinion of the European Economic and Social Committee on the Commission's proposals to amend the Shareholder Rights Directive	This was not discussed; the document was circulated for information only.
b)	The Financial Reporting Lab insight report 'Towards Clear & Concise Reporting'	This was not discussed; the document was circulated for information only.
c)	Membership Drive	EC mentioned that Hayley will be asking for everyone's help in recruiting more members for the QCA
d)	Guest invitations to future meetings	This was not discussed. Possible guests suggested by GL: Sir John Egan and Amanda Mellor
e)	Policy Update (August 2014)	This was not discussed; the document was circulated for information only.

7. AOB

EJ questioned whether the Group would be interested in writing guidance on tax disclosures. She explained that this is an issue that interests investors, as they would like to understand a company's attitude towards tax planning across the world, what is the impact of their tax policies on performance and corporate citizenship.

The group agreed that such an exercise could generate many questions. A working group formed of members of the Corporate Governance Expert Group could debate drafting a brief thought piece evolving position on this. The Group decided to give the issue further consideration and EC is to arrange a further discussion forum.

ALL

8. Actions

Action	Person	Timetable
Draft QCA response to Small Business, Enterprise and Employment Bill: House of Commons Public Bill Committee request for written evidence	EC/NG/MG /KJ	Is being submitted on 14 October in time for when the Public Bills Committee begins its consideration.
Share with the Group a Linklaters paper on related party transactions	EJ	Circulated by EJ on 22 September 2014.
Consider drafting guidance on tax disclosures	ALL	Q4 2014

9. INFORMATION FOR NOTING

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