

Minutes of the QCA Corporate Governance Expert Group

**QUOTED
COMPANIES
ALLIANCE**

Held on: Tuesday 20 November 2018

Venue: BMO Global Asset Management (EMEA) Exchange House, 8th Floor,
Primrose Street, London, EC2A 2NY

Present:

Will Pomroy (Chair)	Hermes Investment Management Limited	WP
Tracy Gordon (Deputy Chair)	Deloitte LLP	TG
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
Tamsin Dow	Hogan Lovells International LLP	TD
Nick Gibbon	DAC Beachcroft LLP	NG
Nick Graves	Burges Salmon	NGr
David Hicks	Charles Russell Speechlys LLP	DH
Damien Knight	MM & K Limited	DK
Peter Kohl	Kerman & Co LLP	PK
Kalina Lazarova	BMO Global Asset Management (EMEA)	KL
Carmen Stevens	Jordans Limited	CS
Kerin Williams	Prism Cossec	KW
Tim Ward	Quoted Companies Alliance	TW
Anthony Robinson	Quoted Companies Alliance	AR
Maria Gomes (via phone)	Quoted Companies Alliance	MG
Max Simmonds	Quoted Companies Alliance	MS
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

Daniel Jarman	BMO Global Asset Management (EMEA)	DJ
---------------	------------------------------------	----

1. APOLOGIES

Apologies were received from Louis Cooper, Edward Craft, Peter Fitzwilliam, David Fuller, Colin Jones, Ian Greenwood, Colin Jones, Marc Marrero, Jack Shepherd Julie Stanbrook and Melanie Wadsworth.

2. MINUTES OF LAST MEETING (4 September 2018)

The minutes were approved.

3. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>QCA Corporate Governance Code</p> <p>AR explained that MS had been conducting in-depth research of all companies quoted on AIM to review which corporate governance code they were being adopted. AR stated that 89% of all AIM companies were adopting the QCA Code, with the rest adopting a mixture of overseas corporate governance codes and the UK Code.</p> <p>MS explained that he was currently writing a report on his findings which would be circulated to Expert Group members in due course.</p> <p>There was an exchange of views regarding the use of the QCA Code by larger AIM companies.</p> <p>The Expert Group also discussed whether, and/or at what point the QCA Code should be made publically available (free of charge).</p> <p>The Expert Group asked what engagement the QCA executive team had had with nominated advisers with respect to circulating the QCA Code. AR explained that the QCA Primary Markets Expert Group provided a key link to these market participants. He also noted that London Stock Exchange had written to all nominated advisers asking them to state which corporate governance code their AIM clients had decided to adopt.</p> <p>AR explained that the QCA's events programme would focus on building better boards and that the Corporate Governance Expert Group would be asked to support, where appropriate.</p> <p>AR also mentioned that an OECD report on flexibility and proportionality in corporate governance had cited the QCA Code (as noted in item 4a).</p>	None at this stage.
b)	<p>QCA/UHY Hacker Young Corporate Governance Behavioural Review</p> <p>AR explained that the final report of the QCA/UHY Hacker Young Behavioural Review would be launched and published on Wednesday 28 November 2018. He noted that the review had examined corporate governance disclosures of 50 AIM companies and 10 NEX Exchange companies before and after the 28 September 2018 change to the AIM Rules. He added that it would include five practical tips which AIM companies can adopt.</p>	
c)	<p>QCA Audit Committee Guide</p> <p>MG explained that the Working Group had already held its conference call to discuss how to amend the guide and agree the division of labour and timescales.</p>	

	<p>Matthew Stallabrass of the QCA Financial Reporting Expert Group is chairing the Working Group, which is itself comprised of Corporate Governance and Financial Reporting Expert Group members.</p> <p>MG noted that the principal objective was to align the guide more closely with the QCA Code. Main sections that will be amended concern the effectiveness of the audit committee; the role and responsibilities of the chair of the audit committee; and the internal controls required of the audit committee.</p> <p>MG explained that a first draft was expected in mid-December 2018 with a view to finalising the guide in late January 2019.</p>	
d)	<p>Reflections from the QCA Financial Reporting Expert Group meeting of 13 November 2018</p> <p>CA explained that BEIS officials had attended a QCA Financial Reporting Expert Group meeting to outline its proposals for establishing a new UK Endorsement Board for international financial reporting standards (IFRS) post-Brexit.</p> <p>EB noted that the specific powers of the new Endorsement Board had not been confirmed yet (this will be decided by the secretary of state) but would either be to adopt/amend IFRS itself, or advise the secretary of state on whether to adopt a Standard.</p> <p>PK also pointed out that the new Endorsement Board would be run as a subsidiary of the FRC, but operationally independent.</p>	None at this stage.
e)	<p>BEIS consultation – Ethnicity pay reporting</p> <p>CA highlighted the three options outlined by the government regarding ethnicity pay information which companies could be required to report against.</p> <p>There was an exchange of views with respect to ensuring that any reporting requirements were applied proportionately (that is – applying only to the largest companies), while also ensuring that any information that is reported is useful to achieving any social objectives.</p> <p>The Expert Group agreed to provide comments on a draft response in due course.</p>	<p>CA to produce and circulate first draft of response.</p> <p>ALL to comment on first draft.</p>
f)	<p>FCA discussion paper – Climate Change and Green Finance</p> <p>CA drew Expert Group members’ attention to the questions regarding disclosures in capital markets (with questions on transparency and ‘comply or explain’) and public reporting requirements (with questions on what information could be included in a climate risks report).</p> <p>The Expert Group resolved to read the consultation and revert back to offer comments on draft responses alongside the QCA Financial Reporting Expert Group.</p>	<p>CA to produce and circulate first draft of response.</p> <p>ALL to comment on first draft.</p>

4. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	OECD report on flexibility and proportionality in corporate governance This was tabled for information only and was not discussed.	None.
b)	UK government technical notice on audit and accounting for if there is no Brexit deal This was tabled for information only and was not discussed.	
c)	FRC Annual Review of Corporate Governance and Reporting 2017/18 This was tabled for information only and was not discussed.	
d)	FRC letter to finance directors and audit committee chairs to urge improvements in key areas of reporting This was tabled for information only and was not discussed.	
e)	FRC 2017/18 Annual Report This was tabled for information only and was not discussed.	
f)	FRC Corporate Reporting Review regarding reporting by smaller listed and AIM companies This was tabled for information only and was not discussed.	
g)	Policy Update (October 2018) This was tabled for information only and was not discussed.	
h)	Guest speakers for meetings in 2019 The Expert Group suggested that Marcus Stuttard, Head of AIM, attend a meeting to discuss how the changes to AIM Rule 26 has affected the market. The Expert Group has indicated that it would be useful to invite Sir John Kingman to a meeting, if he elects to undertake external engagement work following the publication of his report reviewing the Financial Reporting Council. It was also proposed to invite another Expert Group chair to a meeting to discuss their perspectives on recent corporate governance developments with a focus on how it has affected the way they do their job.	

5. NEXT MEETING

Tuesday 15 January 2019, 9.00am – 10.30am (Venue: PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH)