

Held at 4.00pm on Tuesday 12 November 2013 at the offices of Wedlake Bell LLP,
52 Bedford Row, London, WC1R 4LR

Present:	Edward Craft (Chairman)	Wedlake Bell LLP	EC
	Clive Garston	DAC Beachcroft LLP	CG
	David Isherwood	BDO LLP	DI
	Anita Skipper	Aviva Investors	AS
	Andrew Hobbs	Ernst & Young LLP	AH
	Peter Swabey	ICSA	PS
	Julie Stanbrook	Hogan Lovells International LLP	JS
	Victoria Barron	Hermes Equity Ownership Services	VB
	Rob Burdett	FIT Remuneration Consultants	RB
	Neil Bradley	Hybridan LLP	NB
	Dalia Joseph	Oriel Securities Limited	DJ
	Kate Jalbert	Quoted Companies Alliance	KJ
	Tim Ward	Quoted Companies Alliance	TW
By telephone:	Eugenia Unanyants-Jackson	F&C Asset Management plc	EUJ
In attendance:	Katherine Keenan (minutes)	Wedlake Bell LLP	KK

1. APOLOGIES

Apologies were received from Colin Jones, Edward Beale, Richie Clark, Louis Cooper, Alexandra Hockenull, Peter Fitzwilliam, Nick Graves, Nick Janmohamed, Claire Noyce, Nicholas Stretch, Cliff Weight, Anthony Carey, Victoria Dalby, Kate Elsdon and David Fuller.

2. MINUTES OF THE LAST MEETING (24 SEPTEMBER 2013)

Peter Swabey was working for ICSA at the time of the last meeting and therefore the minutes should be revised to refer to 'Peter Swabey – ICSA'.

3. CURRENT ISSUES

a) Corporate Governance Reporting Review (Colin Jones)

UHY Hacker Young undertook an analysis of the corporate governance statement of 100 companies and produced a traffic light report. Meetings with investors, including VB took place and a number of major significant issues from government perspective were discussed. Risk appropriate analysis has highlighted the following main risk items:

- i. risks and strategy (explain it clearly as well as disclosing);

- ii. long term reporting risk strategy;
- iii. role of audit committee and reporting on audit committee.

Early next year for report on this.

b) Progress on revision of the Audit Committee Guide for Smaller Quoted Companies
(working group being led by Colin Jones)

- There have been a series of meetings since September and the guide has been carved up between the group. The sections are to be returned to Colin Jones by December.
- The goal is to have draft by the end of this year. A full draft of the guide should be ready to discuss in the next meeting on 14 January. Aiming to publish the guide March/April 2014 to tie in with risk documents.
- Various meetings are taking place to discuss the role of the auditor, and in particular, provide guidance on the role between auditor and management.
- Discussions about competition review of audit. It was noted that this could be a significant change for some companies.
- Investors want to speak to audit committee chair and therefore the guide needs to suggest that part of the role of audit committee chair is to talk to investors.
- VB found that conversations with audit chair suggested that their role is changing and is becoming wider.
- Need time in next meeting to report back further on the Guide.

c) Work Streams and involvement of the group in these

Progress of Proxy Advisor industry role

- NEC noted that it is important to see where discussions about self-regulation are going and is keeping a watching brief. Need to wait until we know where landscape is heading.

- Discussion on whether the QCA should put forward their view on this matter took place. It was decided that if the QCA keep quiet and let this develop it will be too late. It was proposed that the QCA could produce a paper.
- The reaction of companies tends to be negative regarding proxy voting agencies. Companies need to be satisfied that they can correct factual inaccuracies of proxy reports.
- Positions on proxy agencies are polarised. Polarisation leads to extreme views. They say their reports are 100% accurate. Companies do not like them because sometimes the proxy organisation suggests not voting on remuneration proposals.
- The perception is that many investors get information from voting agencies and obey that advice.
- Proxy agencies only provide research – it is what is done with that research that causes disagreements.
- There are perhaps too many different types of proxy voting agencies to suggest a 'typical' behaviour.
- Need to educate companies about proxy voting agencies and they are very different and have different roles. Companies need to be aware of this.
- Companies want to be treated fairly. It would be useful to have corporate governance and more information on how proxy agencies work e.g. why do companies only have 24 hours?
- NEC – proposed that where there are factual errors in what proxy voting is saying there should be a protocol to address identified mistakes, a complaints process. If they make mistake – they should look at it and remedy immediately.

- QCA represent corporates and therefore need to influence on behalf of companies. QCA should represent companies' views – but without proxy advice big institutions cannot vote without them
- QCA should suggest how they can improve – rather than criticising them.
- There is misconception that proxy agency views are taken literally by investors directly but this is not always the case - should consider view but then make own judgement.
- The group discussed a route map summarised in six points:
 - 1) Why proxy voting agencies are vital in the current investment environment
 - 2) The GM voting process
 - 3) What each proxy voting agency actually does
 - 4) How and why proxy agencies might go back to an issuer
 - 5) QCA's objective of greater engagement in order to reduce polarisation
 - 6) How to improve quality control and, vitally, fix errors

F&C holds quarterly meetings to discuss quality of report.

- Quality control differs between proxy agencies – useful to have them outline these processes.
- It is not usually the factual mistakes – it is often the view that the proxy agency makes that the company disagrees with. Company could ask that their counter view of the company is produced to the client.
- The objective is to get QCA members clear on how proxy agencies work by making the demand on the proxy agency to answer questions and ask them to come up with best practice.
- ICSA will be responding to this consultation – code needs to be clearer – what it is actually delivering – what agencies actually do.

- There is a pricing model for the proxy agent reports – units of research and voting platform – facilitation of this process. It is nothing to do with size of company, it is the price per meeting.

4. CONSULTATIONS

	Consultation	Action	Lead
a)	<p>FRC: Exposure Draft: Guidance on the Strategic Report (Response Date: 15 November 2013)</p> <p>http://www.frc.org.uk/News-and-Events/FRC-Press/Press/2013/August/FRC-consults-on-strategic-report-guidance.aspx</p> <p><i>Practical Law Legal update, Narrative reporting: FRC consultation on strategic report guidance</i></p> <p>http://uk.practicallaw.com/0-537-8186</p>	Complete	KJ to draft a response.
b)	<p>Directors' Remuneration Consultation Document (Response Date: 6 December 2013)</p> <p>http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Directors-Remuneration-Consultation-Document.aspx</p> <p><i>Practical Law Legal update, Corporate governance: FRC consultation on directors' remuneration</i></p> <p>http://uk.practicallaw.com/1-543-9448</p>	Complete	KJ
c)	<p>Public Consultation on Best Practice Principles for Governance Research Providers (Response Date: 20 December 2013)</p> <p>http://bppgrp.info/wp-content/uploads/2013/10/BPP-Group-Principles-</p>	Complete	KJ/PS/EC

	<p>Consultation.pdf</p> <p><i>Practical Law Legal update, Proxy advisors: industry group consultation on draft best practice principles</i></p> <p>http://uk.practicallaw.com/5-547-1484</p>		
d)	<p>Fiduciary Duties of Investment Intermediaries (Response Date: 22 January 2014)</p> <p>http://lawcommission.justice.gov.uk/docs/cp215_fiduciary_duties.pdf</p> <p>http://lawcommission.justice.gov.uk/docs/cp215_fiduciary_duties_summary_web.pdf</p> <p><i>Practical Law Legal update, Law Commission consults on fiduciary duties of investment intermediaries</i></p> <p>http://uk.practicallaw.com/3-546-3545</p>	NEC has reviewed and concluded no need to respond	
e)	<p>FRC – Risk Management, Internal Control and the Going Concern Basis of Accounting: Consultation on Draft Guidance to the Directors of Companies applying the UK Corporate Governance Code and associated changes to the Code (Response Date: 24 January 2014)</p> <p>http://www.frc.org.uk/Our-Work/Publications/FRC-Board/Consultation-Paper-Risk-Management,-Internal-Contr.aspx</p>		KJ to talk to LC
f)	<p>FCA CP13/15 – Feedback on CP12/25: Enhancing the Effectiveness of the Listing Regime and further consultation (Response Date: 5 February 2014)</p> <p>http://www.fca.org.uk/static/documents/consultation-papers/cp13-15.pdf</p>		JS to forward Law Society response to KJ

5. COMMUNICATIONS AND FUTURE MEETINGS

	Document	Action/comments by CGEG
g)	Guest invitations to future meetings	KJ/Chris Stapeley to review guest invitations.
h)	Policy Update (October 2013)	For information only – quarterly update on expert group work which is circulated to the QCA Board.
i)	Revised Dates for 2014	

6. AOB

Consultation Update – Responses submitted:

- BIS - Corporate Responsibility: A Call for Views (Response Date: 27 September 2013)
- FCA: Consequential Changes to the Listing Rules resulting from the BIS Directors Remuneration Reporting Regulations and Narrative Reporting Regulations (Response Date: 9 October 2013)

Date for next meeting: Tuesday 14 January 2014 (4pm) (Venue: Wedlake Bell LLP, 52 Bedford Row, London WC1R 4LR)