



The Quoted  
Companies Alliance

## QCA Corporate Governance Committee

Minutes of the meeting held on: Tuesday 13 June 2012 at 4.30pm  
Venue: Faegre Baker Daniels LLP, 7 Pilgrim St, City of London, EC4V 6LB

Present:	Tim Goodman (Chair)	Hermes Equity Ownership Service Ltd	(TG)
	Edward Beale	Western Selection Plc	(EB)
	Eugenia Jackson	F&C Asset Management plc	(EJ)
	Colin Jones	UHY Hacker Young LLP	(CJ)
	Julie Stanbrook	Hogan Lovells	(JS)
	Jacques Sultan	QCA	(JSu)
	Tim Ward	QCA	(TW)
In attendance:	Doris Ko	Aviva Investors	(DK)

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### Actions

#### 1. Apologies

Apologies were received from Dan Burns, Anthony Carey, Louis Cooper, Madeline Cordes, Tim Bird, David Fuller, Clive Garston, David Isherwood, Dalia Joseph, Deepak Reddy, Derek Marsh, Anita Skipper, James Parkes, Cliff Weight, Melanie Wadsworth and Kate Jalbert,

#### 2. Minutes of last meeting (15 May 2012)

The minutes of the last meeting were approved.

#### 3. Forthcoming issues and developments in Corporate Governance and projects for the Committee

- ESMA - An Overview of the Proxy Advisory Industry. Considerations on Possible Policy Options (Response Date: 25 June 2012)

TG noted that there is a concentrated market for proxy advisors. This concentrated market is due to high barriers to entry. The control some proxy advisory companies have means that it is difficult for other competing companies to be involved in the market.

TW noted an example of the improper behaviour of proxy advisors who have used threatening tactics to put pressure on a company to supply information in a short timeframe.

TG noted that this new method and proxy advisor influence is encouraging box ticking and poor corporate governance.

It was noted that many believe that some research platform are there for being. Other platforms have the inability to compete.

TW noted that a code of best practice might be the best direction for proxy advisors and companies, so there is an alignment of interests.

TG summarised the conclusions of the discussion and what points should be highlighted in the consultation response. The response needs to highlight that:

- there is a lack of accountability on behalf of the proxy advisors.
- There needs to be a better understanding of timing to allow enough time to prepare reports.
- A suggestion to introduce a code of conduct, which makes the proxy advisors adhere to.
- The issue of high barriers to entry for potential competing research platforms, so any method of allowing other proxy advisors into the market will be beneficial for the quoted companies. This will then stem the market dominance of certain proxy advisory companies.

- TG noted that the response needs to include the impact of the large powerful agents appointed by the larger shareholders. The two combined causes disquiet and could be looking at self-interest rather than the good of the company.
- TW finally included that there is a lack of familiarity from companies about what the role of the proxy advisors is. The proxy advisors' impact on small companies is not fully known as found in the QCA/BDO Sentiment Index. The survey found that those who do have knowledge about the influence with proxy advisors are not happy.

TG noted that the proxy advisory industry undermines the 'comply and explain' method to corporate governance. This attitude is encouraging box ticking, and companies lose their flexibility.

EJ noted that there is no open market. EJ noted that ISS has the monopoly as their platform is so superior. There is no platform without research. EJ noted that the EU should be enabling all entrants to all research platforms. This would open up the market and improve competition and encourage new research providers.

TG noted that he would draft the consultation response.

**TG**

- FRC Consultation on the UK Corporate Governance Code UK Stewardship Code and International Standards on Auditing (Response Date: 13 July 2012),

EB noted that the QCA should repeat the concerns that were not picked up on from the previous consultation response. EB noted that there continues to be an imbalanced response to remuneration. EB noted that there must be more certainty as to the role of the audit committee.

EB noted that the current draft of the response needs to be more direct.

TG noted that the role of the audit committee is in danger of becoming misinterpreted by the board with the inclusion of strategy. TW noted that the best solution would be a stewardship committee, which can incorporate strategy and objectives.

CJ noted that the audit committee is non-executive directors who are attempting to challenge the executive, to support the best interests of the company. The audit committee also monitors the auditors and their independence.

EB noted that the threat of boiler plating by the creation of these new proposals will have a detrimental impact on companies. EB noted that there needs to be trust in the audit committee, as this will improve the checks and balances.

JSu asked for all comments to be sent through by email and JSu will collate all details and put it into a draft response.

**ALL/JSu**

#### **4. Communications and Future Meetings**

- QCA Annual Conference "Engineering Growth for Small and Mid-Cap Companies" Wednesday 27 June 2012

TW noted that there are still places available for the conference and to pass on the details to clients and colleagues.

- Guest invitations to future meetings

JSu noted that the next meeting will be held in September with Professor Kay in attendance. JSu noted that there needs to be a volunteer to host the meeting. TG and EJ both offered their offices.

EB noted that the QCA should invite the new members of the FRC once the restructuring has occurred. EB noted that someone from the Codes and Standards board may be appropriate.

General discussion on the invitation to London Stock Exchange, in reference to their structure.

## 5. AOB

TW noted that this had been the last meeting chaired by TG. TW thanked TG for his contribution and help over the past 2 years. TW noted that Edward Craft will be the new chairman and that if anyone had any interest in becoming the vice-chair to put their name forward.

## 6. Date for Next Meeting – 25 September 2012

- Treasury Select Committee: corporate governance and remuneration inquiry (Response Date: 25 May 2012)
- European Commission – Consultation on gender imbalance in corporate boards in the EU (Response Date: 29 May 2012)

## 7. Action Points.

Draft response to ESMA consultation on Proxy Advisory Industry	TG	ASAP
Comments on the draft response to the FRC consultation on UK Corporate Governance Code, UK Stewardship Code and International Standards of Auditing	ALL	ASAP