

Minutes of the QCA Corporate Governance Expert Group

**QUOTED
COMPANIES
ALLIANCE**

Held on: Tuesday 10 July 2018

Venue: BDO LLP, 55 Baker Street, London, W1U 7EU

Present:

Will Pomroy (Chair)	Hermes Investment Management Limited	WP
Edward Beale	Western Selection Plc	EB
Jo Chattle	Norton Rose Fulbright LLP	JC
Jonathan Compton	BDO LLP	JC
Edward Craft	Wedlake Bell LLP	EC
Rory Cray	FIT Remuneration Consultants	RC
Nick Gibbon	DAC Beachcroft LLP	NG
Ian Greenwood	Korn Ferry Hay	IG
David Hicks	Charles Russell Speechlys LLP	DH
David Isherwood	BDO LLP	DI
Damien Knight	MM & K Limited	DK
Darius Lewington	LexisNexis	DL
Darshan Patel	Hybridan LLP	DP
Philip Patterson	PricewaterhouseCoopers LLP	PP
Julie Stanbrook	Practical Law Company Limited	JS
Kerin Williams	Prism Cossec	KW
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

Rachit Gupta	Institutional Shareholder Services (ISS)	RG
Angela Johnston	CMS	AJ
John Holme	Hogan Lovells International LLP	JH

1. WELCOME TO RACHIT GUPTA, INSTITUTIONAL SHAREHOLDER SERVICES (ISS)

WP welcomed RG to the meeting.

RG introduced himself and briefly summarised his role at ISS, highlighting that, in addition to being Deputy Head of UK Research at ISS, he was also Head of Small and Mid-Cap Quoted Company Research.

RG highlighted a recent article in the Sunday Times which criticised proxy advisors. He briefly summarised ISS's policy formulation process. He explained that ISS policy was market-specific and market-relevant and that it rejected a one-size-fits-all approach.

RG noted that ISS benchmarks the corporate governance arrangements of small and mid-size quoted companies against the QCA Corporate Governance Code. He stressed that the vast majority of ISS's clients (institutional investors) had their own voting policies. It was therefore the task of ISS to collate information

and make recommendations based on the given voting policy. RG also added that ISS does take into account a company's explanations, if they have not complied with a certain disclosure requirement of the QCA Corporate Governance Code, so long as they are clearly outlined.

RG noted that the new ISS Benchmark Policies apply from 1 February each year.

RG explained in some detail what small and mid-size quoted companies should expect from ISS in terms of engagement. He explained that ISS would clarify and explain its proxy voting guidelines, it would not provide commitments on specific voting recommendations or consider information not already in the public domain.

He added that while ISS are sometimes prepared to meet with companies, a specific agenda is required (i.e. they do not hold catch up meetings).

RG noted that companies should not expect ISS to be responsive during the AGM season – particularly in April or May as, obviously, this would be a busy time for its various teams.

RG also emphasised that companies should not send ISS remuneration policies, or similar documents, for vetting.

RG and the Expert Group exchanged views on the newly revised QCA Corporate Governance Code and how ISS would alter its approach, when benchmarking the disclosures made by small and mid-size quoted companies.

WP thanked RG for his time. RG left the meeting.

2. APOLOGIES

Apologies were received from Danette Antao, Amanda Cantwell, Richie Clark, Louis Cooper, Peter Fitzwilliam, David Fuller, Tracy Gordon, Nick Graves, Alexandra Hockenhull, Peter Kohl, Kalina Lazarova, Anthony Robinson, Carmen Stevens, Nicholas Stretch, Melanie Wadsworth and Tim Ward.

3. MINUTES OF LAST MEETING (5 June 2018)

The minutes were approved.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>Independent Review of the FRC – Call for Evidence</p> <p>WP explained that the independent review of the FRC has issued a call for evidence.</p> <p>CA noted that a small Working Group had met to discuss the principles underpinning the first draft which had been circulated to Expert Group members.</p> <p>The Expert Group briefly discussed the call for evidence – particularly on any future structure of the FRC and how broad its remit and mission statement should be.</p> <p>CA added that QCA corporate members would get the chance to discuss their experience of the FRC with Sir John Kingman on 31 July 2018.</p> <p>CA encouraged Expert Group members to send in their comments as soon as possible.</p>	<p>CA to circulate draft response to Expert Group members.</p> <p>ALL to send comments to draft response.</p>
b)	<p>The Wates Corporate Governance Principles for Large Companies</p> <p>WP noted that the Wates Corporate Governance Principles for Large Companies had been published.</p> <p>The Expert Group noted the six principles and agreed that while these were sensible enough, they were indeed largely duplicates of the QCA Corporate Governance Code.</p> <p>The Expert Group agreed that it should respond to the consultation and emphasise that the QCA Corporate Governance Code already offers a practical, outcome-driven solution for companies wishing to enhance their corporate governance practices.</p> <p>CA mentioned that a small Working Group would be meeting in August 2018 to discuss how the QCA Corporate Governance Code could be adapted to suit the needs of private companies.</p>	<p>CA to draft a response based on the Expert Group discussion.</p> <p>CA to circulate draft response to Expert Group members.</p> <p>ALL to send comments to draft response.</p>
c)	<p>Brexit</p> <p>This was not discussed.</p>	<p>None.</p>

5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	Government publishes new regulations requiring the UK's biggest firms to justify pay gap between CEOs and their workers This was noted by the Expert Group.	None.
b)	BEIS publishes Q&As on The Companies (Miscellaneous Reporting) Regulations This was noted by the Expert Group.	None.
c)	Guest invitations to future meetings It was suggested that a BEIS official attend to provide an update on its work regarding Brexit. WP advised members to send further suggestions to CA.	ALL to send CA further suggestions of future guest speakers.
d)	Policy Update (June 2018) This was tabled for information only and was not discussed.	None.

6. NEXT MEETING

Tuesday 4 September 2018, 9.00am – 10.30am (Venue: Norton Rose Fulbright LLP, 3 More London Riverside, London, SE1 2AQ)