



**Held at 4.00pm on Monday 20 October 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
	Edward Beale	Western Selection Plc	EB
	Michael Brown	Henderson Global Investors	MB
	Rob Burdett	FIT Remuneration Consultants	RB
	Louis Cooper	Crowe Clark Whitehill	LC
	Peter Fitzwilliam	Mission Marketing	PF
	David Fuller	CLS Holdings plc	DF
	Anne-Marie Claydon	LexisNexis	AC
	Andrew Hobbs	EY LLP	AH
	Alexandra Hockenhull	Xchanging plc	AX
	Jonathan Compton	BDO LLP	JC
	Joanna Chattle	Norton Rose Fulbright LLP	JX
	Bernard Wall	Hogan Lovells International LLP	JS
	Nicholas Stretch	CMS Cameron McKenna LLP	NS
	Peter Swabey	ICSA	PS
	Eugenia Unanyants-Jackson	F & C Asset Management plc	EJ
	Melanie Wadsworth	Faegre Baker Daniels LLP	MW
	Cliff Weight	MM & K Limited	CW
	Tim Ward	Quoted Companies Alliance	TW
	Kate Jalbert	Quoted Companies Alliance	KJ
	Maria Gomes (minutes)	Quoted Companies Alliance	MG
In attendance:	David Styles (guest)	Financial Reporting Council	DS

1. Welcome to David Styles, Director of Corporate Governance, The Financial Reporting Council (FRC)

EC welcomed DS and everyone introduced themselves.

DS thanked the QCA for the opportunity and explained the FRC's main areas of focus at the moment to be:

- a) the Stewardship Code
- b) succession planning for corporate boards and
- c) its annual Corporate Governance Report.

a) the Stewardship Code

DS explained that the FRC has decided not to change the Stewardship Code this year. The FRC is currently reviewing and assessing the influence of the Shareholders Rights Directive compromise

proposal, currently under discussion, which could contain many aspects of the UK Stewardship Code and will re-evaluate its Stewardship Code once this is clear.

b) Succession planning for corporate boards

Regarding succession planning, following Baroness Hogg's high-level meetings to assess nomination committees, the FRC will issue a discussion document in Spring 2015 covering aspects such as the vote on nomination committees and business strategy (guided by the feedback they have had so far from talking to institutional investors, company secretaries, etc.). The FRC wants to analyse these aspects thoroughly and not interfere where it is not necessary.

c) FRC's annual Corporate Governance Report

Regarding the FRC's annual corporate governance report, the FRC is currently gathering good evidence and explanations and analysing FTSE 100 companies to make an assessment on where we are in terms of quality of corporate governance explanations. The report is expected to come out by mid-December. He added that FTSE 100 companies have been underperforming for shareholders more than smaller companies.

DS mentioned that a further review of the UK Corporate Governance Code will occur in 2016 as per Competition and Markets Authority's (CMA) request. He mentioned that, for the moment, the FRC would like to slow down the growth of the Code, the regularity of its review and its length. The FRC is trying to collate more research and information in a presentable way.

DS added that often no feedback from the annual report and accounts is given to smaller companies which can lead to corporate governance being treated as little more than a compliance exercise due to a lack of understanding of where (and how) reporting quality needs to improve.

AX mentioned that resource is a clear issue for smaller companies, as there is a lot of regulation to go through. These companies are forced to do the best they can with limited time and resource.

DS said that the FRC could facilitate that more feedback is provided to companies on their explanations. He added that the work from the Financial Reporting Lab is proving useful for companies, providing them with clear and helpful literature.

KJ mentioned that the QCA held recently a roundtable event with the Financial Reporting Lab, and that she could circulate this information to the Group.

KJ

TW asked DS if the FRC would consider recognising the QCA Code. DS said that the FRC does not want the Corporate Governance Code to have too many segmented categories and become obsolete. He explained that they want a general code that can raise the standards, but that the tension is that a single code will not alone create a better standard.

EC invited DS to revisit this conversation ahead of our QCA Code review (expected 2016). DS kindly accepted.

TW mentioned that currently companies do not understand that they should be creating a method of governance which supports growth. EC added that it is important to prove that good governance creates value.

EC mentioned that the QCA/UHY Hacker Young Corporate Governance Behaviour Review addresses the level of corporate governance disclosure amongst small and mid-size quoted companies and will be published on 9 December. KJ offered to send DS a copy of our last year's survey report.

KJ

Addressing the resource issue, MB commented that smaller companies have limited time to decide what should go into their annual report and that they receive generally poor advice on governance from AIM nominated advisors. He supported developing more prescriptive guidelines.

EB commented on the fact that boards are not prepared and do not understand what their individual role should be. TW added that there are many companies joining the market without an understanding of why governance is necessary.

EC said that the Group should develop work on why a company should be keen to join and communicate positivity in good governance. DS mentioned that that is an area the FRC would be very interested in do more work.

EC thanked DS for coming to speak to the Corporate Governance Expert Group and left the meeting.

The Group discussed the role of the AIM nominated advisor in corporate governance. PF said that many nomads appear disinterested in corporate governance and that this could be an angle worth exploring. PS suggested that the qualification to be a nomad should have a provision for the quality of corporate governance. EC mentioned that working with the LSE would be necessary for this kind of rule change.

The Group agreed that it would be important to highlight the QCA Code's basic pre-requisites to companies and to nominated advisors. EC suggested that this topic is added to the agenda of one of our meetings in 2015 for discussion. It might be appropriate to arrange specific discussions in the new year.

MG

2. APOLOGIES

Apologies were received from Victoria Barron, Anthony Carey, Kate Elsdon, Nick Gibbon, Andy Howell, Claire Noyce and Anita Skipper.

3. MINUTES OF THE LAST MEETING (15 September 2014)

The minutes were approved.

4. CONSULTATIONS

Consultation	Action	Lead
None to discuss	n/a	n/a

5. CURRENT ISSUES

a) QCA/UHY Hacker Young Corporate Governance Behaviour Review

EC explained that the QCA/UHY Hacker Young Corporate Governance Behaviour Review will be launched on 9 December 2014. The QCA had a lunch event with fund managers on 13 October to discuss preliminary conclusions. EC added that the report will focus on those disclosures which

investors consider to be important. AIM Rule 26 disclosures have also been analysed. He mentioned that one of the conclusions of the report is that the lack of links between strategy and governance continues.

AX mentioned that it would be helpful to select a few companies that have produced good disclosures and volunteered to share with the group a similar exercise she has done for her company.

AX

KJ mentioned that one possible idea would be to share with our members the best disclosures made by companies which win the ICSA awards.

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

EC informed the group that the Audit Committee Guide has been finalised and will be sent out to members on 5 November. The launch event will be the 9 December at the London office of the NAPF. EC thanked everyone involved in producing this Guide.

c) Shareholders’ Rights Directive Proposal – Related Party Transactions

KJ asked the Group to send to her by next Thursday any comments on the articles on related party transactions, to help us draft our position paper.

ALL

6. COMMUNICATIONS AND FUTURE MEETINGS

	Document	Action/comments by CGEG
a)	Financial Reporting Council – UK Corporate Governance Code issued	This was not discussed; the document was circulated for information only.
b)	Membership Drive	This was not discussed.
c)	Guest invitations to future meetings	This was not discussed.
d)	Policy Update (August 2014)	This was not discussed; the document was circulated for information only.

7. AOB

8. Actions

Action	Person	Timetable
Circulate information to the Group on the QCA roundtable event with the Financial Reporting Lab	KJ	ASAP
Send DS a copy of last year’s QCA UHY Hacker Young report	KJ	ASAP
Add QCA Code’s basic pre-requisites topic for discussion to a future meeting’s agenda	MG	ASAP
Share with the Group examples of good disclosures	AX	ASAP

Send KJ any comments on the articles of the Shareholder Rights Directive on related party transactions	ALL	23 October 2014

9. INFORMATION FOR NOTING

Date for next meeting: Monday, 25 November 2014 (4pm) (Venue: Wedlake Bell LLP, 52 Bedford Row, London WC1R 4LR)