



**QCA Corporate Governance Expert Group
Minutes of meeting: 25 February 2014**

**Held at 4.00pm on Tuesday 25 February 2014
at the offices of Wedlake Bell LLP, 52 Bedford Row, London, WC1R 4LR**

Present:	Edward Craft (Chairman)	Wedlake Bell LLP	EC
	Colin Jones	UHY Hacker Young	CJ
	Victoria Barron	Hermes Equity Ownership Services	VB
	Edward Beale	Western Selection Plc	EB
	Rob Burdett	FIT Remuneration Consultants	RB
	Richie Clark	Fox Williams LLP	RC
	Louis Cooper	Crowe Clark Whitehall	LC
	Peter Fitzwilliam	Mission Marketing	PF
	David Fuller	CLA Holdings plc	DF
	Nick Gibbon	DAC Beachcroft LLP	NG
	Andrew Hobbs	EY LLP	AH
	David Isherwood	BDO LLP	DI
	Nick Janmohamed	Speechly Bircham LLP	NJ
	Claire Noyce	Hybridan LLP	CN
	Anita Skipper	Aviva Investors	AS
	Julie Stanbrook	Hogan Lovells International LLP	JS
	Nicholas Stretch	CMS Cameron McKenna LLP	NS
	Peter Swabey	ICSA	PS
	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	Quoted Companies Alliance	MG
Guest Speaker:	Sarah Wilson	Manifest	SW
In attendance:	Anna Taylor (minutes)	Wedlake Bell LLP	AT

1. WELCOME TO SARAH WILSON, MANIFEST, TO TALK ABOUT SUSTAINABILITY REPORTING

EB welcomed SW and everyone introduced themselves. SW's presentation (Integrated Reporting What do Companies "Say on Sustainability") was circulated to the group prior to the meeting.

Following the presentation, the following points were raised/questions asked:

EB: How do investors use the tool which profiles the quality and levels of the individual company's sustainability reporting?

Response: Investors like transparency; in case investors have a choice of four or five companies in which to invest they are able to:

- Use the tool to critique the management of companies; or
- Focus on underperforming companies with a view to transforming them; or
- Draw direct comparisons between different companies.

PF: Is sustainable reporting more concerned with risk from a business perspective or from a moral/ethical perspective?

Response: There is an element of both. There is a segment of companies which are unmoved unless there is a financial incentive, whereas organisations such as charities are more able to focus attention on ethical risk. Other investors may take the view that those companies which are not sensitive to both types of risk are in some ways exposed and that the attitudes of their management must be reformed.

AS/TW/VB: There has been a recent shift in social attitudes. While many investors use a sustainability language, they have often a particular view as to what it means. Historically, sustainability has not been viewed as something which would likely affect the bottom line of a business.

EC/CW: Sustainability is not always a primary concern for companies. Start-ups like 'What's App' exploit a short term consumer/social trend generating significant valuations over a short period of time. Industry sectors are very risk specific and have different sustainability needs. It is very difficult to make broad stroke comparisons across sectors.

TW: So far, most focus has been on the quality of reporting by quoted companies. This is not representative of the wider business community (e.g. AIM or even companies not on any public market) and this is something which must be addressed.

Response: SW would like to survey more mid and small cap companies.

PS: Some private equity companies concentrate on sustainability, but they do not need to report their efforts. The Walker Guidelines exert some pressure on companies; however, this does not yet extend to compelling these businesses to report.

PF: Corporate governance is not an end in its own right, how can it be channelled into processes? Does the need to report reveal overly cynical attitudes in respect of the business world?

Response: According to Professor Kay there remains too much focus upon trading decisions, and not enough focus in stewardship/ownership.

EB: If conducting oneself in a moral and ethical manner is a given, how do you add value to something which you naturally do as a matter of course by reporting on it?

CW: Financial incentives are often a good means of kick starting a process.

2. APOLOGIES

Apologies were received from Nick Graves and Alexandra Hockenhull.

3. MINUTES OF THE LAST MEETING (14 JANUARY 2014)

The minutes were approved.

4. CURRENT ISSUES

a) Corporate Governance Reporting Review (CJ):

- The draft report was circulated for comments prior to this meeting and will be finalised and published during the course of the following week.

b) Progress on revision of the Audit Committee for Smaller Quoted Companies (working group being led by CJ):

- KJ noted that the revised version will be circulated for comments before the next meeting in April.

KJ/MG

c) Work Streams and involvement of the group in these:

- Proxy advisors – The drafting of a document for quoted companies that explains the role of the proxy advisor should be built on the back of their best practice guidelines. The group agreed that it would be important to put together a few questions to ask each of the advisors and then work with the results. The aim would be to try to get each advisor to explain their work in their own way.

EC and MG agreed to put together a draft and circulate it to the group for comments.

EC/MG

5. CONSULTATIONS

	Consultation	Action	Lead
a)	FRC Draft Plan and Budget 2014/5(Response date: 28 February 2014).	Comments sought on corporate governance aspects - only financial reporting having given comments.	Financial reporting expert group submitting comments. This response will be joint between this group and the Financial Reporting Expert Group.
b)	Aim Notice 38: AIM Rules for Companies and AIM Rules for nominated advisors.	MG and KJ will compile comments from the Expert Groups until 21 February – draft was circulated on 26 February for comment.	This response will be joint between this group, the Share Schemes Experts Group, the Corporate Finance Experts Group and the Legal Expert Group.

6. COMMUNICATION/FOR NOTING AND FUTURE MEETINGS

	Document	Action/comments by CGEG
a)	Guest invitations to future meetings	UKSIF - http://uksif.org/
b)	Policy update (February 2014) – KJ told the group that the QCA had a meeting with FCA on the new MiFID definition of SME growth markets and what these may be after the technical standards are put forward by ESMA; the FCA will hold a consultation on this thereafter (Summer 2014).	For information only – quarterly update on expert group work which is circulated to the QCA board.

7. AOB

- DEFRA consultation on GHG Reporting (date of response: 24 March 2014)– EC agreed to prepare a response to this consultation.

EC/MG

- Expert Consultation on the Review of the OECD Principles of Corporate Governance (17 March 2014) – TW announced that he has been invited to attend on behalf of the QCA, and encouraged the group to let him know of any particular points they would like to see addressed.

- The Best Practice Principles for Providers of Shareholder Voting Research & Analysis – The Best Practice Principles Group will publish the principles in March 2014. ESMA will perform a separate review of the implementation of the Principles at the beginning of 2016. These are also reflected in the draft amendment to the Shareholders' Rights Directive.

8. CONSULTATION UPDATE

Responses submitted:

- FRC – Consultation Paper: Risk Management, Internal Control and the Going Concern Basis of Accounting (Response Date: 24 January 2014)
- FCA – CP13/15 – Enhancing the effectiveness of the Listing Regime: feedback to CP12/25 and further consultation on related issues (Response Date: 5 February 2014)

Date for next meeting: Tuesday 8 April 2014 (4pm) (Venue: Wedlake Bell LLP, 52 Bedford Row, London WC1R 4LR)