



## Investors highlight governance expectations for 2014 reporting season

Three recent publications from institutional investors highlight their key areas of governance focus. Companies will want to bear these in mind in particular as they finalise their 2013 Annual Reports and move into the spring 2014 AGM season whilst ensuring constructive engagement with key shareholders and minimising the chance of investors abstaining or voting against AGM resolutions.

### Revised NAPF Corporate Governance Policy and Voting Guidelines

See <http://tinyurl.com/ol8fmdd>

The Guidelines are aimed at listed companies which apply the UK Corporate Governance Code. They also seek to assist investors and their proxy voting agents in assessing a company's compliance with the Code. Key points include:

- Companies should explain how they approach and manage key reputational risks, including risks which have arisen this year such as the management of their tax payments
- Advance discussion of board appointments is encouraged between boards and long-term investors and should take place if sensitive board appointments are envisaged
- If diversity disclosures are not satisfactory investors may wish to abstain or vote against AGM resolutions
- Investors may want to vote against the re-election of the audit committee chair of a FTSE 350 where the auditors have been in place for at least 10 years and no audit tender is proposed
- Absence of a board evaluation process may lead investors to abstain or vote against the re-election of the chairman of the nomination committee and/or the chairman of the board

This is a small sample of matters included in the Guidelines which might lead to the dissatisfaction of institutional investors and possible voting sanctions.

### Revised Hermes EOS and NAPF remuneration Principles

See <http://tinyurl.com/oxep8sh>

The Principles are produced jointly by Hermes EOS, the NAPF, BT Pension Scheme, RPMI Railpen Investments and Universities Superannuation Scheme. They are intended to provide high-level guidance to companies on remuneration structures and practices. They are not prescriptive and are set out as a framework within which companies are encouraged to innovate. The five Principles underline the importance of a long-term focus, the alignment of rewards with performance and regular discussion between companies and investors on strategy and long-term performance.

### Revised ABI Principles of remuneration

See <http://www.ivis.co.uk/ExecutiveRemuneration.aspx>

These comprise over-arching principles and general guidance. An Appendix covers the ABI's views on practical aspects of the new remuneration reporting requirements.

We advise listed companies to read all these documents carefully and to review their own practice against them. Where this differs from what is recommended they should consider whether any action should be taken and how this might be managed. We are happy to assist with this.

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To find out more about any of these documents, or to discuss your 2014 board evaluation, in-house board development or governance reporting needs, contact Julia Casson at [juliacasson@boardinsight.co.uk](mailto:juliacasson@boardinsight.co.uk) or on **0844 544 6985**.

Wishing you a very Merry Christmas  
and a Happy New Year!



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