



EU publishes measures on remuneration and shareholders' rights

The proposal for an EU Amending Directive to the Shareholder Rights Directive applies to listed companies and will come into force within 2 years of formal adoption.

Key measures include:

- As now in the UK, shareholders to vote on remuneration policy every 3 years and companies to pay only in accordance with the approved policy. The policy to say how it contributes to the long-term sustainability of the company. The ratio of average director pay to average employee pay to be disclosed with an explanation of why this is considered appropriate. Details of each component of pay and the name of any remuneration consultants to be given.
- Companies to have a right to identify their shareholders by requesting the intermediary to provide shareholders' names and contact details. Intermediaries to inform shareholders that their details may be passed to the company.
- Institutional investors and asset managers to develop a policy, disclosed and reported on annually, covering the exercise of voting rights, shareholder engagement, managing conflicts of interest, investee monitoring, use of proxy advisers and cooperation with other shareholders. They should disclose how their investment strategy contributes to the long-term performance of their assets. Asset managers to disclose to institutional investors how their investment strategy and its implementation is in accordance with the arrangement agreed between them and how it contributes to the long-term performance of the assets.
- Proxy advisers to ensure their voting recommendations are accurate and reliable, based on thorough analysis of information and not affected by conflicts of interest. They must publicly disclose annually their methodology and information sources and must identify and disclose without delay to their clients and the company any actual or potential conflict of interest.
- Related Party Transactions of more than 5% (or those having a significant impact on profits or turnover) to be subject to shareholder approval. Those over 1% to be publicly announced together with an independent third party report confirming the transaction is fair and reasonable.

To find out more about these proposals or to discuss your 2014 board evaluation, in-house board development or governance reporting needs, contact Julia Casson at juliacasson@boardinsight.co.uk or on **0844 544 6985**.

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