



# Governance round-up

**As we await final regulations on remuneration and narrative reporting promised 'in the spring', here is a round-up of key points on 3 governance issues for UK listed companies.**

## Remuneration

- BIS FAQs published in March gave useful information on when the new voting and reporting requirements will apply to companies, depending on their year end. 30 September year ends go first and must put the binding policy vote to shareholders at their early 2014 AGM and introduce the new 3 part remuneration report in their Report & Accounts for the year ended 30/9/13. See <http://tinyurl.com/cg5qr6>
- The regulations on remuneration reporting and the provisions on shareholder voting in the Enterprise and Regulatory Reform Bill should be finalised soon. Watch this space
- The EU Commission has published a 'roadmap' on the revision of the Shareholder Rights Directive. A key objective is to improve shareholder oversight of remuneration policies and individual directors' remuneration and to introduce a mandatory vote on remuneration policy and the remuneration report. This is unlikely to go further than the UK remuneration regime, although some provisions may cut across it and, if so, as this will be 'hard law' we may need to make some modifications to the UK model. The timing for this is not yet known
- Following its report last year on how directors' 'single figure' remuneration might be shown the Financial Reporting Lab has now reported on charts comparing directors' pay to performance. It remains to be seen whether the government will adopt the Lab's suggestions. See the reports at <http://tinyurl.com/broadr7>

## Shareholder engagement

- The Stewardship Code was of course revised in September and in March ICASA published the very practical Guidance on Enhancing Shareholder Dialogue. This guidance focuses on how engagement between companies and their institutional shareholders might be improved in practice, including how to get the most out of engagement meetings. It recommends in particular developing a programme of year-round shareholder engagement and increasing the discussion on strategy and long-term performance. See <http://tinyurl.com/bplkafy>
- The EU roadmap mentioned above states the Commission's aim to improve disclosure of voting and engagement policies and transparency of proxy advisory services and to address concerns over proxy advisors' conflicts of interest. This will be a 'hard law' initiative so some of what we already have as guidance may be stepped up to that. Other aspects, notably on proxy advisor's conflicts of interest, would be new for us
- The March EU Commission green paper on Long-Term Financing of the European Economy, for response by 25 June, suggests that ideas to encourage greater long-term shareholder engagement could be further considered, such as granting increased voting rights or dividends to long-term investors. See the green paper at <http://tinyurl.com/bs8maog>

## Reporting

- The regulations on narrative reporting bringing in the new Strategic Report should be finalised shortly and are expected to come into force at the same time as the remuneration regulations mentioned above

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For more information about any of these initiatives, or to discuss your 2013 board evaluation or governance reporting needs, contact Julia Casson at [juliacasson@boardinsight.co.uk](mailto:juliacasson@boardinsight.co.uk) or on **0844 544 6985**.

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