

National Association of Pension Funds (NAPF)
Cheapside House
138 Cheapside
London EC2V 6AE

Will.Pomroy@napf.co.uk

23 October 2013

Dear Will,

NAPF - Invitation to comment on draft NAPF 2014 Corporate Governance Policy & Voting Guidelines

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of EuropeanIssuers, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Corporate Governance Expert Group has examined your proposals and advised on this response. A list of members of the expert group is at Appendix A.

Response

We welcome the opportunity to respond to this consultation.

Overall, we are supportive of the NAPF's draft 2014 Corporate Governance Policy and Voting Guidelines and believe that they encourage a focus on long-term shareholders and long-term performance from companies. We have a few comments on various sections of the guidelines:

- 1. Be more explicit about which companies this policy applies to and include a cross-reference to the NAPF's 2012 Corporate Governance and Voting Guidelines for Smaller Companies**

We believe that it would be helpful for the document to note explicitly that these guidelines are intended to be for those companies who are reporting against the UK Corporate Governance Code.

Furthermore, we believe that it would be helpful for investors and proxy advisors, as well as for companies, to make note in the Introduction that the NAPF produces a separate policy and voting guidelines for small and mid-size quoted companies, in particular those on AIM, ISDX or standard listed. This would remind the reader that the corporate governance needs of small and mid-size quoted companies are different to those of larger companies and that NAPF recognises this through a separate document.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

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2. The Audit Committee (p. 6)

We support a more active and transparent Audit Committee. However, we note that it may be difficult for smaller companies, especially those outside the FTSE 350, to staff their Audit Committees solely with independent directors. This is an area where there is a need for flexibility for growing companies.

3. Section D – Remuneration (p. 13)

We note that there are a number of significant changes regarding remuneration in the 2013 draft of the NAPF's Corporate Governance Policy and Voting Guidelines. While many of them are expected and relevant given the recent changes on directors' remuneration reporting, we believe it is important that the NAPF is transparent and clear about why certain aspects have changed and present them as a clear shift in policy. It would also be helpful to circulate a track changed version so that people can clearly see the differences between the 2013 and 2014 versions.

Also we note that some of the provisions regarding remuneration may not be appropriate for small and mid-size quoted companies. For example, the draft 2014 policy and guidelines notes on page 31 that companies should consult the GC 100 Investor Working Group's guidance on remuneration – which was drafted mainly by and for larger companies. As such, when the NAPF revises the 2013 Corporate Governance and Voting Guidelines for Smaller Companies, it would be useful to mention the Quoted Companies Alliance's Remuneration Guide for Smaller Quoted Companies (February 2012) in that document, as our guide has been specifically written for smaller companies and offers detailed and practical guidance on remuneration.

4. Section D – Remuneration – Voting (p. 13)

We fully support and agree with the view that investors often see remuneration policy as a litmus test for wider governance practices and therefore agree that this issue requires particular attention and analysis.

5. Section B – Effectiveness – Controlling Shareholders (B.1.17 – page 22)

We support increasing transparency in terms of controlling shareholders and the FCA's upcoming changes to the Listing Rules in this area. However, a balance needs to be struck to ensure that any minimum content requirements of relationship agreements are sufficiently flexible to take into account the differing characteristics of issuers. We believe that pressure from minority investors in this regard might actually assist directors in acting independently of controlling shareholders.

If you would like to discuss this in more detail, we would be happy to attend a meeting.

Yours sincerely,



Tim Ward

Chief Executive

Quoted Companies Alliance Corporate Governance Expert Group

Edward Craft (Chairman)	Wedlake Bell LLP
Colin Jones (Deputy Chairman)	UHY Hacker Young
Victoria Barron	Hermes Equity Ownership Services
Edward Beale	Western Selection Plc
Rob Burdett	FIT Remuneration Consultants
Anthony Carey	Mazars LLP
Richie Clark	Fox Williams LLP
Louis Cooper	Crowe Clark Whitehill LLP
Madeleine Cordes	TMF Corporate Secretarial Services Ltd
Victoria Dalby	Capita Registrars Ltd
Kate Elsdon	PricewaterhouseCoopers LLP
Nicola Evans/Julie Stanbrook	Hogan Lovells International LLP
David Firth	Penna Consulting PLC
Peter Fitzwilliam	Mission Marketing Group (The) PLC
David Fuller	CLS Holdings PLC
Clive Garston	DAC Beachcroft LLP
Nick Graves	Burges Salmon
Andrew Hobbs	EY
Alexandra Hockenhull	Xchanging plc
David Isherwood	BDO LLP
Nick Janmohamed	Speechly Bircham LLP
Dalia Joseph	Oriel Securities Limited
Claire Noyce	Hybridan LLP
Gabriella Olson-Welch	McguireWoods
James Parkes	CMS Cameron McKenna LLP
Anita Skipper	Aviva Investors
Peter Swabey	ICSA
EugeniaUnanyants-Jackson	F&C Investments
Melanie Wadsworth	Faegre Baker Daniels LLP
Cliff Weight	MM & K Limited