

Equivalence Forum

26 January 2022

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EQ

Corporate & Governance Reporting



FRC Review of Corporate Reporting

- No decline in reporting quality due to Covid
- Improvement in strategic report and use of APMs
- Key findings:
 - S172 & stakeholder engagement ensure all s172 aspects are addressed
 - Cash flow statements concern over errors
 - Financial statements hot topics include:

- Judgements & estimates	- Revenue recognition policies
- Asset impairment	- APMs
- Use of financial instruments	- Provisions & contingencies
- Leases	- Income taxes

2022 focus on climate-related risks and disclosures

FRC Review of Corporate Governance Code Reporting

- Overall improvement in reporting
- Key messages:
 - Better "comply or explain" reporting
 - Purpose statements
 - More rigour in approach to monitoring and assessing culture
 - Schedule of shareholder meetings & outline discussion points
 - Provision 5 explain why "alternative arrangements" are effective
 - More insight into succession planning
 - Audit effectiveness, tenure and tenders
 - Risk management & internal controls detailed description of review process and actions to be taken
 - How principal risks are determined
 - How Exec remuneration aligns with purpose and values

Corporate & Governance Reporting



Other Reporting Guidance

- FRC thematic review on alternative performance measures
- FRC Financial Reporting Lab report on viability and going concern disclosures
- FRC Financial Reporting Lab report on disclosures on stakeholders and decisions

ESEF Reporting

- DTR requirement to publish annual report in structured electronic reporting format
- Financial years beginning on or after 1 January 2021:
 - Annual reports in XHTML web browser format
 - Financial statements electronically tagged
- Financial years beginning on or after 1 January 2022:
 - Notes to financial statements electronically tagged
- XHTML version to be filed at NSM
- Considerations
 - XHTML conversion/production process and timeline (liaise with design agency/other service provider
 - Choose taxonomy for tagging (finance team/external provider)
 - Test approach using prior year report?
 - Plan ahead (and early)
- Directors' sign off does not extend to tagging

ESG & Climate Change



TCFD Recommendations & Disclosure

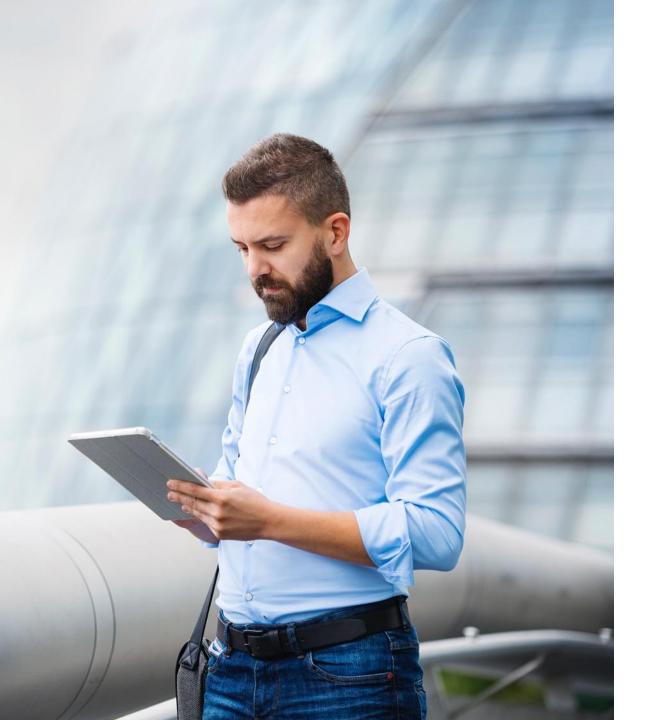
- 11 recommended disclosures under four headings:
- Governance
- Strategy
- Risk management
- Metrics and targets
- 7 principles for effective disclosure
- Scenario analysis

Listing Rule 9.8.6R(8)

- Mandatory climate related financial disclosures from 1 January 2021
- Comply or explain against TCFD
- Location of disclosures?
- Non-compliance?
- FRC Lab guidance (October 2021)
- Questions to consider against each TCFD pillar & disclosure recommendation
- Examples of better reporting practice
- Key messages:
- Impact on Financial statements
- Pledges and 'net-zero' references
- Metrics & targets
- Scenarios

Mandatory Climate Disclosures

- Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2021
- In force from 6 April 2022
- Applies to quoted companies, large private companies & LLPs
- Will include all relevant PIEs and UK registered AIM companies with +500 employees
- Based on TCFD recommendations
- Non-mandatory guidance expected



Corporate & Governance

- Board and Audit Committee focus
- Carbon reduction strategy/action plan
- Training/knowledge sharing
- Climate risk assessment
- Scenario analysis
- External support?

EC





Diversity & Inclusion

- Hampton-Alexander Final Review
- Parker Review
- New Listing Rule targets
 - 40% women on Boards
 - At least one senior board role held by a woman (Chair, CEO, SID, CFO)
 - At least one director from non-white ethnic minority background
 - Additional ethnicity date disclosure requirements
- Investor expectations
 - IA
 - ISS
 - Glass Lewis & others
- Policies, data
- Nomco composition



Executive Pay

- Ongoing impact of Covid on Rem decisions
- IA Principles of Remuneration
- ESG targets in bonus/LTIP
- NED Fees
- Remco appetite for adverse votes







"Restoring Trust in Audit & Corporate Governance"

- BEIS White paper Government response awaited
- Key areas for Co Secs
- Resilience statement
- Audit & assurance policy (shareholder vote?)
- Distributable profits
- Internal control framework/attestation
- Minimum standards for Audit Committee



EO

Corporate Culture

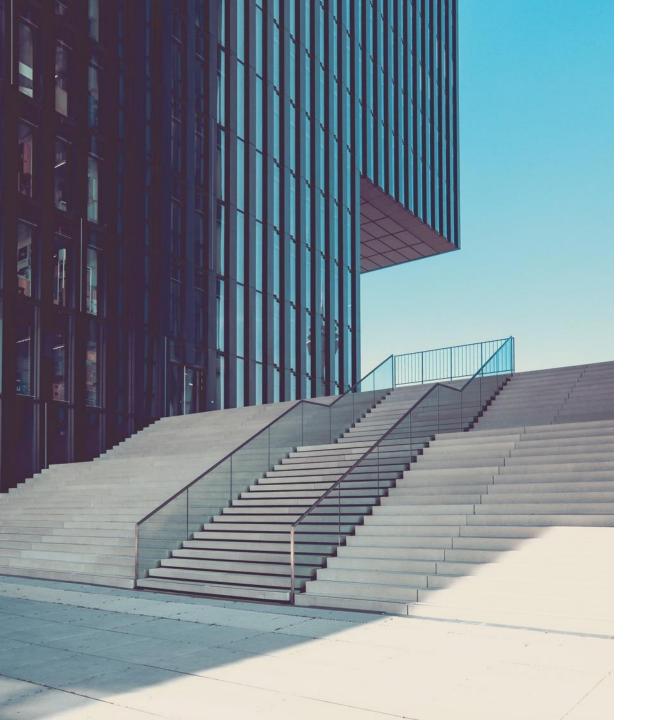
FRC Report - "Creating Positive Culture: Opportunities and Challenges"

- Builds on 2016 Report
- Impact of Covid
- Change in investor/stakeholder priorities
- Importance of ESG matters
- Workforce matters (flexibility, wellbeing etc.)
- Some conclusions:
- Leadership/tone from top
- Cross functional data analysis
- Positive culture should improve performance
- FRC to monitor culture disclosures



AGM Update

Lisa Graham Head of Meeting Management



Average Issued Share Capital Voted

- FTSE 100 73.84%
- FTSE 250 69.65%
- Other 56.37%

Voting Methods

• Electronic (CREST/Online) favoured over paper

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Equiniti Group - 2022

Remuneration



Remuneration Report

Average vote in favour

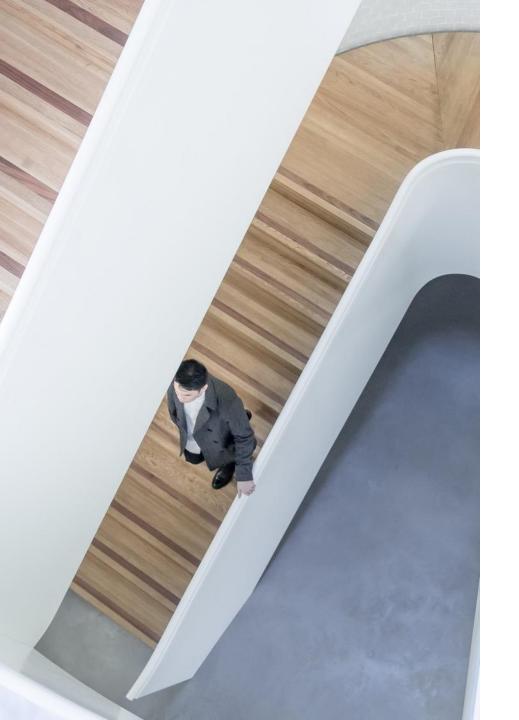
- FTSE 100 91.95%
- FTSE 250 94.39%
- Other 94.63%
- 3 defeated resolutions
- 6 close calls*

Remuneration Policy

Average vote in favour

- FTSE 100 89.75%
- FTSE 250 91.93%
- Other 94.52%
- 1 defeated resolution
- 2 close calls*
- 1 withdrawn

*vote within 10% of required majority



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Amendments to Articles of Association

161 article change resolutions proposed

- Up from 87 in 2020 and 45 in 2019
- >80% proposing changes to allow Hybrid AGMs
- A small minority seeking to allow fully virtual

Other common changes include;

- additional flexibility around the holding/adjourning of general meetings
- Untraced shareholders/unclaimed dividends
- Increase in cap on aggregate Director fees

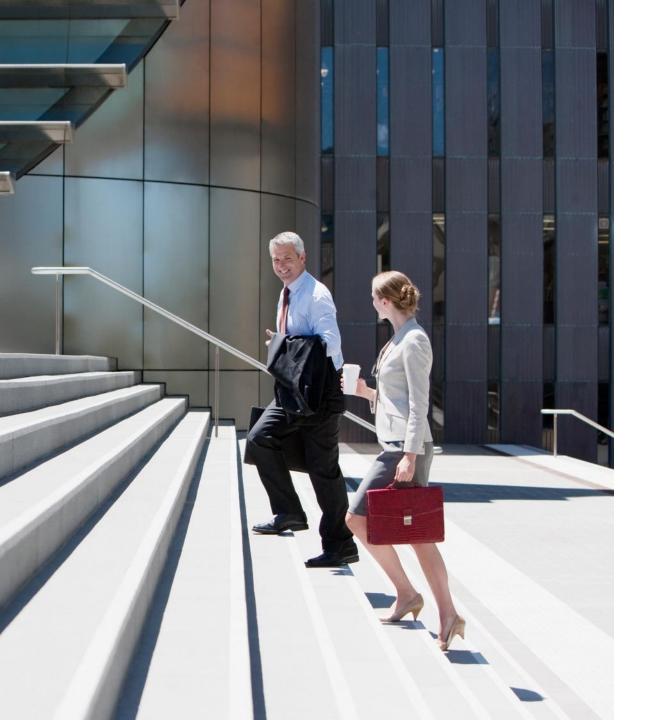
Lost and Contentious Resolutions



Resolution	No. Lost	Up/Down	No. Close Call*	Up/Down
Pre-emption rights	12	•	21	1
Rem Policy/Report	4	+	8	
14 day GMs	3		5	1
Director election	3	•	12 ⁺	1
LTIP/Share Plan	2	•	2	1
Allot Shares	2	•	1	$ \Longleftrightarrow $
Report & Accounts	1	†	-	$ \Longleftrightarrow $
Purchase own shares	-	•	5	
Political Donations	-	$ \Longleftrightarrow $	-	+
Amend articles	-	•	3	$ \Longleftrightarrow $
Dividend	-	•	-	$ \Longleftrightarrow $

* Vote is within 10% of the required majority

+ 9 of these resolutions related to one Company



Top Shareholder Questions

- Company performance/Impact from pandemic
- Environmental & Employee welfare
- Dividend payments/Remuneration
- Board diversity
- AGM arrangements







How will AGMs be conducted this year?



