EQUINITI

OCTOBER 2018

EQ BOARDROOM
Bulletin

Welcome to our monthly bulletin of what's happening within the financial services industry that will impact our EQ Boardroom clients.

Dates for your diary

WEDNESDAY 3 OCTOBER 2018
ProShare Conference
One not to miss! Graham Bull and Jennifer Rudman from EQ Boardroom will be presenting on the topic of "To be, or not to be, a shareholder".

After joining their company's share plan, employees will need to make a series of decisions on their savings and share entitlements. In their break-out session Graham and Jennifer will explore through Sharesave and SIP case studies when, what and how you can communicate with employees to help their decision to be, or not to be, a shareholder.

Then come and see us on Stand 9 and join in our brain training game to be in with a chance of winning an Amazon Echo.

THURSDAY 4 OCTOBER 2018
Remuneration & Governance Reporting Seminar

LSE, together with Prism Cosec and AON New Bridge Street, will hold their final event in its annual series of semina on 4 October in London.

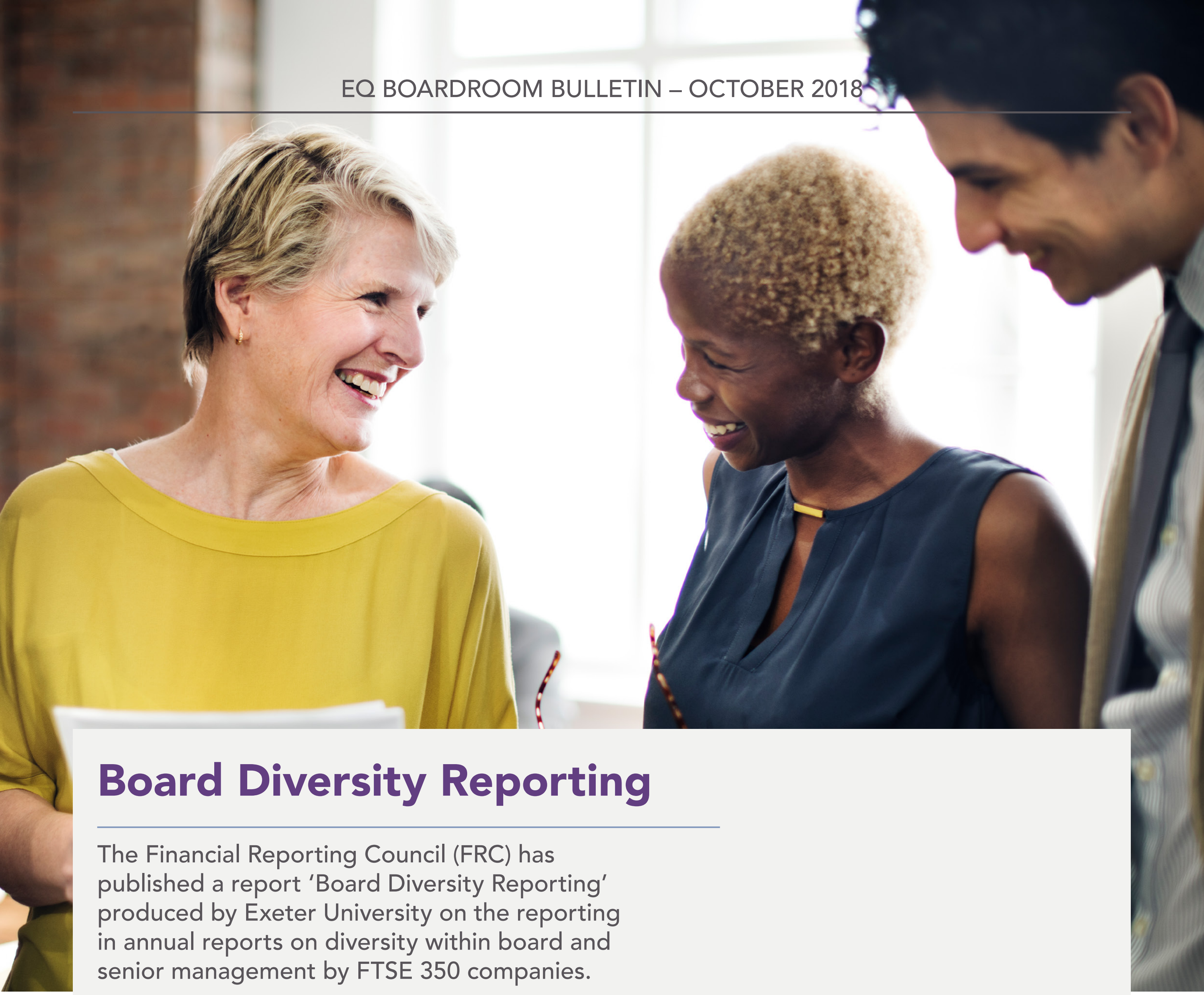
TUESDAY 20 NOVEMBER, 2018
IR Society Best Practice Awards Dinner

TUESDAY 27 NOVEMBER 2018
ICSA Awards

TUESDAY 4 DECEMBER 2018
Equiniti end of year Drinks Reception at St Pauls Cathedral

WEDNESDAY 5 DECEMBER
ProShare Awards

This month we cover...



Board Diversity Reporting

The Financial Reporting Council (FRC) has published a report 'Board Diversity Reporting' produced by Exeter University on the reporting in annual reports on diversity within board and senior management by FTSE 350 companies.

Key findings of the report are:

- Overall the quality of reporting on diversity of boards has improved since it was included in the UK Corporate Governance Code (Code) in 2012.
- In 2012, 56 FTSE 100 companies stated that they had a board diversity policy, all of which focused on gender.
- By 2017/2018, 98% of FTSE 100 and 88% of FTSE 250 companies stated that they had a diversity policy – approximately one third refer to ethnicity as well as gender.
- 15% of FTSE 100 companies discussed all four elements of reporting on diversity required by B.2.4 of the Code (a description of the nomination committee's process in relation to board appointments, the board's policy on diversity, any measurable objectives it has set and progress on achieving these objectives). Only 6% of FTSE 250 companies discussed all four elements.
- Reporting varies within annual reports from an understanding of diversity and its significance as a strategic issue to a minimalistic tick-box approach.
- Figures for reporting on diversity in senior management were substantially lower. Approximately one third of FTSE 100 companies refer to targeted initiatives for gender diversity in senior management compared to 10% of the FTSE 250.

The report estimates that roughly 20-30% of the FTSE 100 and 10% of the FTSE 250 have best practice and quality reporting on diversity. These companies are also encompassing ethnic as well as gender diversity. Examples of best practice reporting included in the FRC's report on one or more aspects of diversity reporting are Tate & Lyle, Aviva, Standard Life Aberdeen, BAE Systems, Man Group, Marks & Spencer Group, Equiniti Group and Associated British Foods.

The report is available here.

AIM Rules

AIM companies must ensure that they follow the AIM Rules even in the most challenging circumstances on price sensitive information, releasing information via social media and keeping their nominated advisor informed at all times.

The London Stock Exchange (LSE) has announced the censure and fine of three AIM companies for breaches of the AIM Rules.

In the first case the AIM Disciplinary Committee determined that the company breached:

- AIM Rule 11 by failing to notify without delay information which was price sensitive (a significant deterioration in financial performance) and which was not disclosed until 14 days after it became aware of the information.
- AIM Rule 10 by omitting to include information in an announcement regarding the deterioration of the financial performance of its subsidiaries.
- AIM Rule 31 by failing to seek advice from its nominated adviser regarding the AIM Rules disclosure implications of relevant information.
- AIM Rule 31 by failing to ensure that it had sufficient procedures, resources and controls to enable it to comply with the AIM Rules.

It was recognised that the failure to disclose the relevant information was not intentional and the board was operating under challenging circumstances. However, the company should have ensured it had sufficient resources and controls to meet its AIM obligations. The fine was reduced from £125,000 to £75,000 for early settlement.

In the second case the AIM company was fined £75,000 (reduced to £50,000 for early settlement) for breaching AIM Rules 10 and 31. The company breached AIM Rule 10 by making public relevant information via social media before it was disclosed in a regulatory notification. By failing to have sufficient controls, procedures and resources in place to monitor its disclosures made through social media, the AIM company also beached AIM Rule 31. It was also pointed out that the company's failure to monitor its social media output may have implications under the Market Abuse Regulation.

In the last case the AIM company was fined £75,000 (reduced to £50,000 for early settlement) for breaches of AIM Rules 11 and 31. In breach of AIM Rule 31 the AIM company did not keep its existing nominated adviser informed as to its progress in appointing a successor nominated adviser, notwithstanding frequent requests for updates. As a consequence the AIM company delayed notifying the market when i) the impending departure of its existing nominated adviser and appointment of another became price sensitive ii) it could no longer withhold this information under guidance to AIM Rule 11.

AIM Disciplinary Notices are available here

Insolvency consultation response

The government has published its response to the consultation on proposals to improve the corporate governance of firms that are in or approaching insolvency.

Actions proposed by the government include:

Action to strengthen the UK's corporate governance framework by:

- Improving transparency requirements around group structures.
- Strengthening shareholder stewardship.
- Reforming the UK's framework relating to dividend payments.
- Bringing forward proposals to improve boardroom effectiveness, directors' training and guidance. This includes proposals to increase access to training and guidance for directors, tailored to different sizes of company, and consideration of whether some level of training should be mandatory for directors of large companies. In addition the Government is asking the ICSA to convene a group including representatives from the investment community and companies to identify further ways of improving the quality and effectiveness of board evaluations including the development of a code of practice for external board evaluations.

Action to improve the insolvency framework in cases of major failure by:

- Taking forward measures to ensure greater accountability of directors in group companies when selling subsidiaries in distress.
- Legislating to enhance existing recovery powers of insolvency practitioners in relation to value extraction schemes.
- Legislating to give the Insolvency Service the necessary powers to investigate directors of dissolved companies where they are suspected of having acted in breach of their legal obligations.

The consultation document is available [here](#)

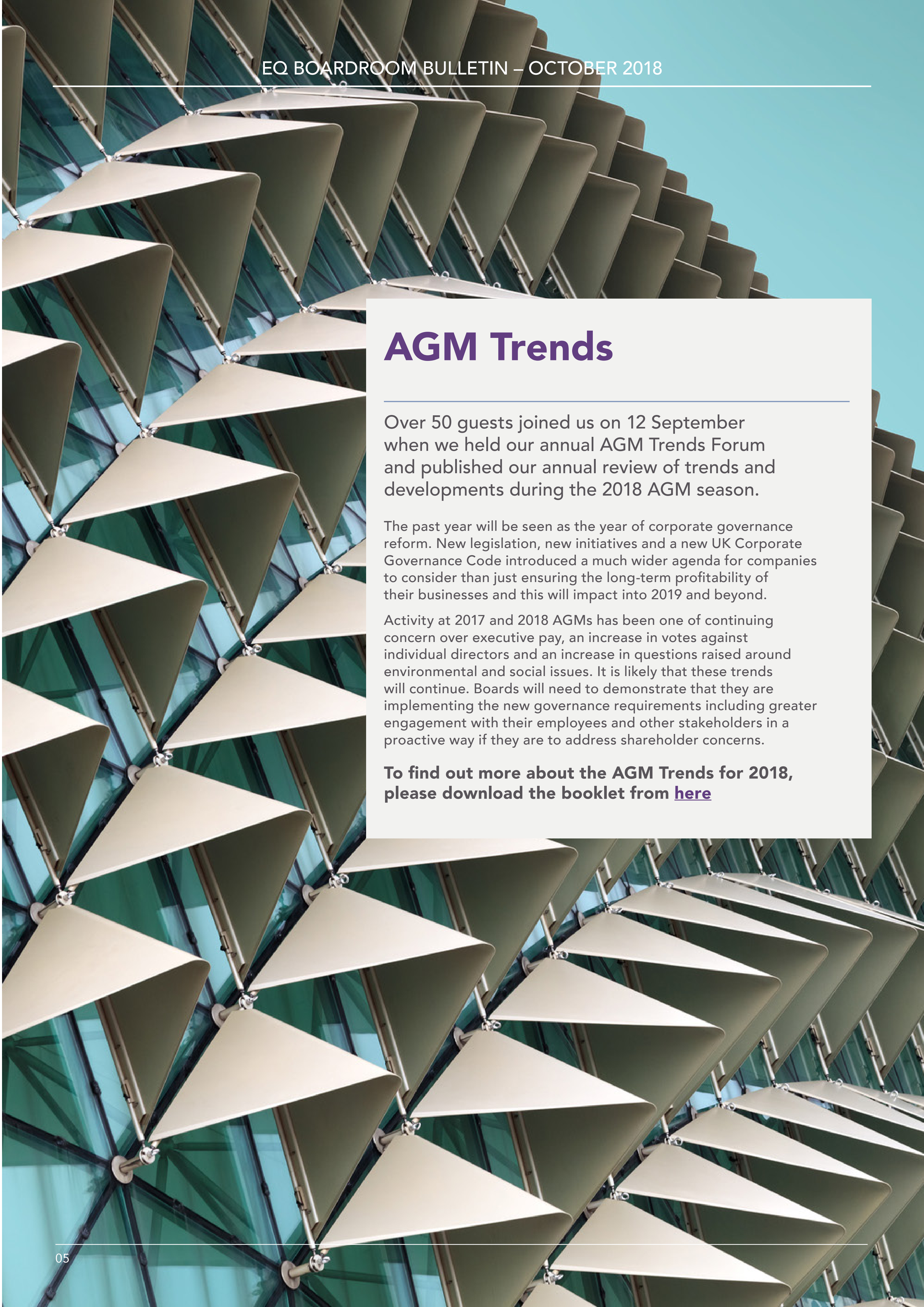
Public Register update

The Investment Association (IA) has published its latest update on the Public Register for the 2018 AGM season.

The Public Register records companies in the FTSE All-Share who have received significant shareholder opposition to proposed resolutions (20% or more of votes against), or who have withdrawn resolutions prior to the vote. Key items of note are:

- The number of companies appearing on the register rose to 120 companies to the end of July 2018 compared to 110 companies over the same period in 2017.
- 237 individual resolutions were added to the register in 2018 – an increase of 25% over 2017.
- In 2018 there were 29 companies who appeared on the register for exactly the same resolution as in the previous year.
- The number of resolutions appearing on the register for the re-election of individual directors rose substantially from 38 in 2017 to 80 in 2018. This reflects disquiet in particular about board composition and time commitments of directors.
- Remuneration declined overall as an issue, the number of resolutions falling from 68 to 61. However, for FTSE 100 companies 18 pay resolutions appeared on the register compared to 9 in 2017.

The IA's Public Register is available [here](#).



AGM Trends

Over 50 guests joined us on 12 September when we held our annual AGM Trends Forum and published our annual review of trends and developments during the 2018 AGM season.

The past year will be seen as the year of corporate governance reform. New legislation, new initiatives and a new UK Corporate Governance Code introduced a much wider agenda for companies to consider than just ensuring the long-term profitability of their businesses and this will impact into 2019 and beyond.

Activity at 2017 and 2018 AGMs has been one of continuing concern over executive pay, an increase in votes against individual directors and an increase in questions raised around environmental and social issues. It is likely that these trends will continue. Boards will need to demonstrate that they are implementing the new governance requirements including greater engagement with their employees and other stakeholders in a proactive way if they are to address shareholder concerns.

To find out more about the AGM Trends for 2018, please download the booklet from here

Employee Services Forum 2018

Over 130 clients and colleagues joined us at the Employee Services Forum on 11 September 2018, in the historic Capability Brown-designed grounds of Luton Hoo.

This year's Forum featured big picture discussions on Executive Remuneration, Corporate Governance reform, technology trends and Brexit and we delved deep into the details of international share plans and the latest LTIP rules.

The key takeaway this year was the importance of telling a compelling, cohesive corporate narrative – for shareholders, employees, investors, customers and the media.

'The Numbers Are The Numbers: How to adopt the Corporate Governance Code in a meaningful way' is an article based on the two plenary sessions on Corporate Governance and the Employee Engagement in the Boardroom breakout session. Read the article here.

Further information and all the presentations from the event can be found here.

Share Registration Conference

Rapid change was the big theme at this year's Equiniti Share Registration Conference – changes in technology, consumer expectations and best practice in governance.

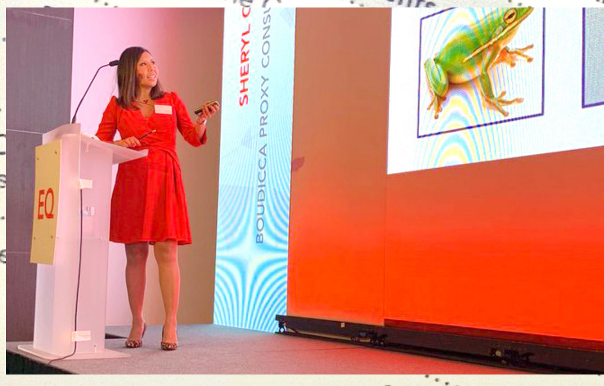
Long before the arrival of almost 200 delegates for this year's Equiniti Share Registration Conference, the Courthouse Hotel in Shoreditch had opened its doors to many other notable guests. Oscar Wilde, the Kray Twins and Mick Jagger are among those to have featured in its previous life as a court of law.

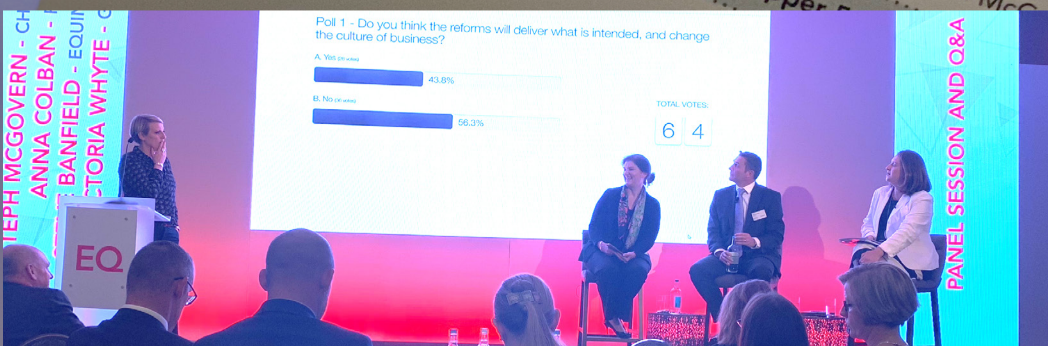
But while the shackles of compliance and governance can often feel like a punishment for corporate misdemeanours, this was an event with a far more liberated and forward-looking outlook.

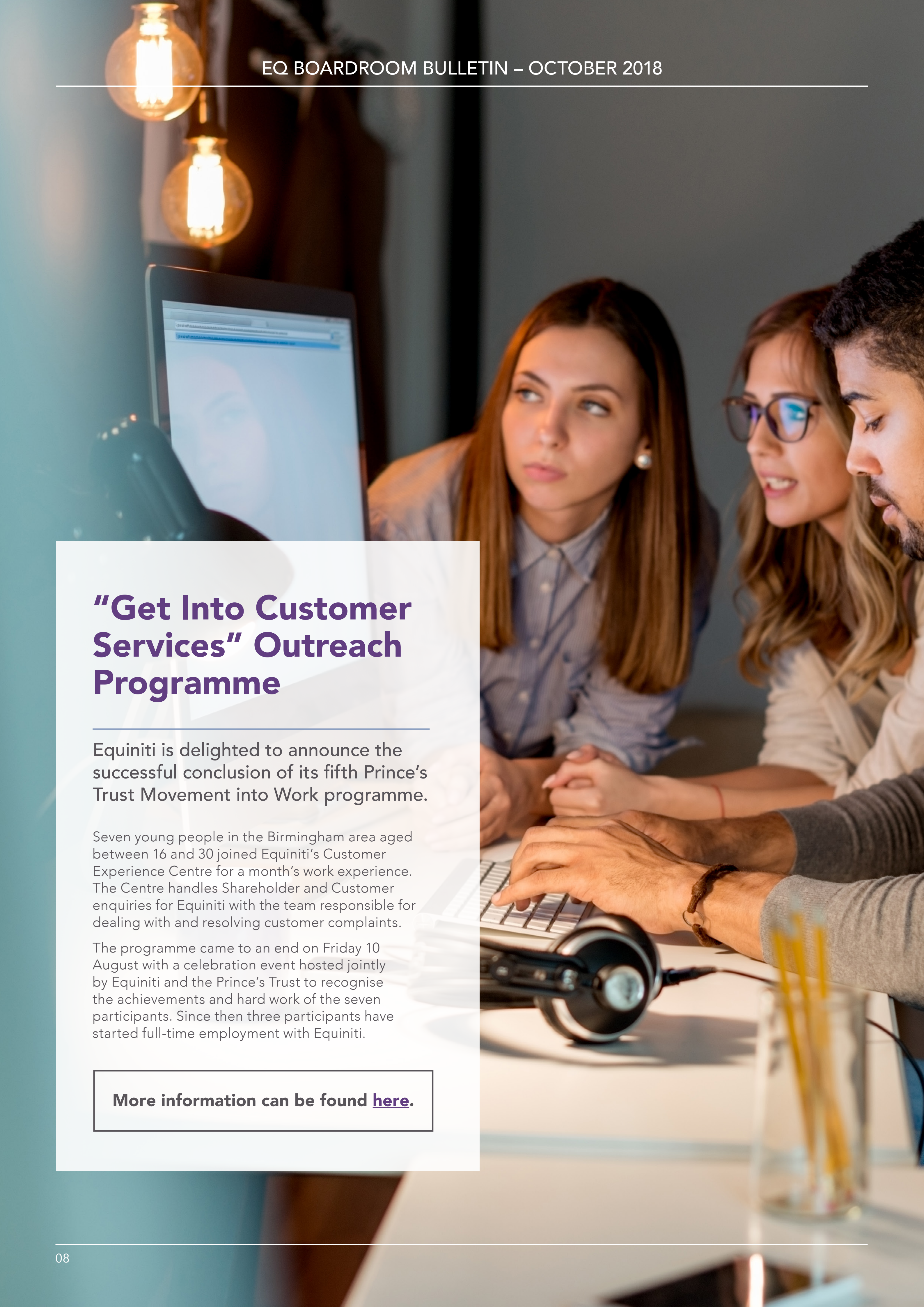
Once again hosted by journalist and television presenter Steph McGovern, we heard from Anna Colban from the FRC about the recent changes to the UK Corporate Governance Code and discussed the planned expansion of the Dormant Assets scheme with Securities Champion Robert Welch, Group Company Secretary of Tesco.

Sheryl Cuisia from Boudicca talked through proxy solicitation with help from some animals, Mark Taylor from Equiniti gave an energetic presentation about customer service and Tony Langham from PR Agency Lansons shared his top tips for handling a corporate crisis.

Further information and all the presentations from the event can be found here.







"Get Into Customer Services" Outreach Programme

Equiniti is delighted to announce the successful conclusion of its fifth Prince's Trust Movement into Work programme.

Seven young people in the Birmingham area aged between 16 and 30 joined Equiniti's Customer Experience Centre for a month's work experience. The Centre handles Shareholder and Customer enquiries for Equiniti with the team responsible for dealing with and resolving customer complaints.

The programme came to an end on Friday 10 August with a celebration event hosted jointly by Equiniti and the Prince's Trust to recognise the achievements and hard work of the seven participants. Since then three participants have started full-time employment with Equiniti.

More information can be found here.