EQ MARCH 2019

EQBOARDROOM Bulletin

Welcome to our monthly bulletin of what's happening within the financial services industry that impacts the share registration and employee share plans space.

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CEO, EQ BOARDROOM

The Meeting season is underway at Equiniti with many of our clients having already mailed, or preparing to mail, their Annual Reports to shareholders. This month's edition provides a timely reminder of what we may expect at this year's meetings with the Pensions and Lifetime Savings Association review of the dissenting voting trends at 2018's AGMs and their 2019 voting guidelines. We have also released our 'AGM Season Forecast' which looks over the trends we can expect to see over the course of 2019, in case you missed it a copy is available at equiniti.com/uk/news-and-views/eq-views/2019-agm-season-forecast/.

The Environmental and Social Reporting theme continues with UK Govt. issuing guidance on carbon reporting as well as its review of the modern slavery act.

As always, I hope you find this bulletin of value and if you have any feedback or would like to discuss any of the content further please contact your Relationship Manager.

ARTICLES IN THIS EDITION COVER:

- The PLSA review of voting at 2018 AGMs and 2019 Voting Guidelines
- The Financial Conduct Authority (FCA) publishes its latest Primary Market Bulletin
- UK Govt. issues energy and carbon reporting guidance
- Review of the Modern Slavery Act
- FCA consults on changes to the Handbook for Prospectus Regulation amendments and has published an update regarding its work into cryptoassets
- Companies House prepares for a no-deal Brexit

NEWS FROM ACROSS EQUINITI

- Workplace Investors celebrate as Maturing Sharesave Schemes significantly outperform FTSE 100 and FTSE 250 over past five years
- Equiniti's new Bengaluru Digital Hub lauded by senior officials as "Superb Investment Project" for India's Tech capital
- Women's Company Secretary Circle Networking Drinks

DATES FOR YOUR DIARY

- WEDNESDAY 6 MARCH

  FTSE 250 Networking
  For an invitation to this event, please speak to your Relationship Manager
- WEDNESDAY 13 MARCH

  QUARTERLY CLIENT EQUIVALENCE FORUM
  For an invitation to this event, please speak to your Relationship Manager
- WEDNESDAY 18 SEPTEMBER

  EMPLOYEE SERVICES FORUM
  Formal invitations will be issued in the coming weeks
- MONDAY 7 OCTOBER

  SHARE REGISTRATION CONFERENCE
  Formal invitations will be issued in the coming weeks

The Pensions and Lifetime Savings Association (PLSA) publishes their review of voting at 2018 AGMs along with their 2019 Voting Guidelines

Key themes cited by the PLSA for 2019 AGMs include executive remuneration, audit quality, corporate behaviour on dividend payments and climate changes.

The PLSA published its review of 2018 AGM results for the FTSE All Share Index to highlight resolutions that attracted significant levels of dissent (over 20 per cent of votes against). Key statistics of note are:

- Across the FTSE 350, there were 147 AGM resolutions across 82 different companies that attracted dissent levels of over 20%.
- Whilst the voting levels across remuneration related resolutions remained broadly consistent with those since 2015 across the FTSE 250, the FTSE100 experienced nearly 300% higher dissent levels in 2018 than 2017.
- The frequency of significant dissent for the FTSE-All Share on directors' election resolutions has almost doubled.
- There was a slight increase in the number of companies receiving 5% or more dissent votes on audit and reporting resolutions.

The PLSA also issued their own Voting Guidelines which will apply to financial years beginning on or after 1 January 2019. These have been restructured with the first section now aligned to the 2018 UK Corporate Governance Code principles and the second section now highlighting particular AGM resolutions and issues. The key changes include:

- Two new principles have been added to the preliminary section:
  - Companies should take capital structure decisions which balance the financing need of the firm with the interests of broader stakeholders
  - Pension schemes should explicitly set out their expectations for outsourced engagement and stewardship activities in their contracts or mandates
- UK voting guidelines – additional guidance:
  - Board Leadership: Shareholders should analyse the narrative used in company statements to assess the approach to the workforce and stakeholders
  - Division of responsibilities: CEO should not become chair of the company except in exceptional circumstances with reasons and timeframe explained. Shareholders should review demands on a directors' time
  - Succession, composition and evaluation: Organisations carrying out board evaluations should be able to take an independent and rigorous approach
  - *Audit, risk, internal control:* Shareholders should review the composition, skills and experience of the Audit Committee.
  - Remuneration: The requirement for pension contribution rates of Executive Directors to be in line with the workforce is noted and that fair pay policies are necessary for morale and culture. Concerns should be raised by shareholders over excessive executive pay packages

Government issues energy and carbon reporting regulations guidance

The Government has published updated guidance to assist companies to prepare for their reporting under the energy and carbon reporting regulations. These regulations apply to all UK quoted companies who are now required to include details about their global energy use in addition to greenhouse gas emissions in their Directors' report. All other companies are encouraged to report on a voluntary basis whilst there are additional reporting requirements for large unquoted companies.

Review of the Modern Slavery Act

The Home Office has published its second interim report into the independent review of the Modern Slavery Act 2015 (Act). In particular views were sought from companies on increasing transparency in supply chains.

Recommendations made in the report include:

- Clarifying which companies are in scope of reporting under the Act
- Improving the quality of statements: for example by not allowing companies to report that they have taken no steps to address modern slavery in their supply chains, making the six areas of reporting mandatory and producing a template of information that companies are expected to provide
- Embedding modern slavery in to business culture: introduce a requirement for companies to refer to their statements in their annual reports and to have a named board member responsible for producing the statement
- Increasing transparency: introduce a central government repository accessible to the public to which companies must upload modern slavery statements
- The Anti-Slavery Commissioner should monitor compliance and the approach to non-compliance should be gradual using warnings, fines, courts summons and directors' disqualification
- Reporting requirements should be extended to the public sector

The Financial Conduct Authority (FCA) publications

The FCAs Primary Market Bulletin No. 20 contains a number of reminders and information for companies.

Key items to note are:

- Phasing out the use of the name UK Listing Authority or UKLA. The former UKLA department has already been reorganised into two departments – the Primary Market Oversight and Listing Transactions Departments. Companies are requested to phase out their use of 'UKLA' when they update any procedural documents or policies
- Some companies have neglected to file interim accounts at Companies House resulting in the distributable reserves shown in the last annual report not being sufficient to cover the dividends paid. Whilst companies subsequently use a resolution at their AGM to rectify the situation the FCA highlights that companies should be aware of Listing Rule 11 (on related parties and directors) when proposing such resolutions
- A review of the disclosures made by companies under DTR4.3A (payments to governments)
- Brexit updates on proposed changes to the FCA's Handbook are included as are various changes made to the FCA's Knowledge Base

FCA Taskforce publishes update of its work into cryptoassets

The FCA has also published an update of the work of its Taskforce set up in March 2018 into the use of cryptoassets (including Bitcoin). The Taskforce categorises these assets into exchange tokens, security tokens and utility tokens, depending on their structure and designed use. Security tokens are the only ones likely to fall within the remit of the FCA to regulate as they are regarded as 'specified investments'.

The Taskforce conclusions are that:

- Cryptoassets are at an early stage of development but have potential to deliver significant benefits
- Certain types of cryptoassets have the potential to deliver future benefits when used for example as a capital raising tool
- There are risks in the current cryptoasset market including of financial crime, risks to consumers who may buy unsuitable products and risks to financial market

FCA consults on changes to the Handbook for Prospectus Regulation amendments

The FCA has also consulted on changes to their Handbook with regards the EU Prospectus Regulation. These changes set out the information required to be disclosed to investors in a prospectus during a capital raising exercise is due to apply from 21 July 2019, currently scheduled after the UK's departure from the EU. In the case of a transition period where EU law will continue to apply in the UK past this this date then the UK will adopt the regulations.

Comments are required on the consultation by 28 March 2019.

Companies House prepares for a no-deal Brexit

Companies House has published information for companies in the event of a no-deal Brexit.

After this time a company may need to change its company registration if it's:

- a European entity formed under EU law
- a UK company with an EEA corporate officer
- a UK company involved in a cross border merger
- an EEA company

In addition, Companies House has said that it will publish updated forms in connection with:

- Corporate officers
- Societas Europaea (SEs)
- European Economic Interest Grouping (EEIGs)
- Confirmation statement
- Cross border mergers
- Overseas companies

These changes would come into effect at 11pm on 29 March 2019 in the event of a no deal Brexit.

News from across Equiniti

Workplace Investors celebrate as maturing Sharesave Schemes significantly outperform FTSE 100 and FTSE 250 over past five years

New research from Equiniti finds that Save-As-You-Earn (or Sharesave) plans which matured in 2018 considerably outperformed FTSE 100 and FTSE 250 trackers over same period.

Over a quarter of five-year schemes more than doubled in value plus one in ten of those investing in three-year plans made triple figure gains through the saving period. The recent bumper performance of the plans has left thousands of employees with potentially significant cash reserves at maturity.

Equiniti's new Bengaluru Digital Hub lauded by senior officials as "Superb Investment Project" for India's Tech capital

Equiniti has announced its creation of a specialist IT powerhouse in Bengaluru, India's equivalent of Silicon Valley.

'Electronic City' where the digital hub will be located is home to many multinational IT companies, and will provide Equiniti with access to a large and sophisticated talent pool. The new venture will create around 350 jobs, the majority of which will be highly skilled roles in specialist business process outsourcing and IT development, testing and infrastructure.

Boudicca hosted the Women's Company Secretary Circle at the Sky Garden in London. Over 50 talented female Company Secretaries and Corporate Governance Managers (plus a couple of honorary men!) joined Sheryl Cuisia and the Boudicca team to discuss topical subjects from board diversity to rising ESG issues.

To complement the evening a whitepaper was issued to attendees, the '2019 Season Forecast' forming part of the 'Preparing for your AGM' campaign that looks to provide information on the upcoming AGM season.

To find out more about the Women's Company Secretary Circle (WoCoS) contact Boudicca: cosec@boudiccaproxy.com

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