EQ APRIL 2020

EQBOARDROOM

Bulletin

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

PAUL MATTHEWS
CEO, EQ BOARDROOM

With the world rapidly adjusting to the reality of COVID-19, where the country is in lockdown, we are in a period of uncertainty as the nation changes its way of life. We will protect the delivery of our services to all our clients and we are now issuing a new weekly newsletter in order that we can share timely information with you about the actions and plans we are taking.

We understand the current challenges and risks attached to holding your AGM, and in this month's bulletin, we have provided some countermeasures to help you run a safe and compliant meeting during this pandemic including guidance from various regulatory and industry bodies. We have also published special briefings on managing your employee share plans which will help you to tackle the key concerns and navigate your way through a rapidly shifting landscape.

There is also a spotlight this month on climate change reporting from the Financial Reporting Council, the Investment Association and the Financial Conduct Authority.

I'm pleased to announce that we have acquired MonIdee, a global share plans business that has 20 years' operating experience in continental Europe. This acquisition will expand our global Boardroom capabilities, where we will be able to support our clients across EMEA with Global Share Purchase Plans.

We would like to welcome a new client on board, Inspecs Group plc, who have recently floated on the AIM market.

We wish all of our clients well in these challenging times and will work to ensure that we continue to provide vital services to you, your shareholders and employees.

As always if you have any questions on the content of this month's bulletin, please contact your Relationship Manager.

ARTICLES IN THIS EDITION COVER:

NEWS FROM ACROSS EQUINITI:

Coronavirus guidance and advice issued from various regulatory bodies

FRC guidance for companies and auditors during COVID-19 crisis

Issued 26.3.20

The Financial Conduct Authority (FCA), Financial Reporting Council (FRC) and Prudential Regulation Authority (PRA) have announced a series of actions to ensure that information continues to flow to investors and to support the continued functioning of the UK's capital markets.

The FRC has published guidance for companies preparing financial statements and a bulletin for auditors covering factors to be taken into account when carrying out audits during the current COVID-19 crisis.

The guidance is available here

Companies House guidance during the COVID-19 outbreak

Last updated 25.3.20

Companies House has published guidance for customers, employees and suppliers in order to continue to provide services during the COVID-19 outbreak. The guidance includes information on what to do if a company thinks it will not be able to file its accounts in time. Companies House has closed its offices in London, Belfast and Edinburgh.

The guidance is available here

Gender pay gap reporting for 2019/20 will not be enforced

Issued 24.3.20

The Government has announced that due to the Coronavirus outbreak, the enforcement of the gender pay gap reporting for the year 2019/20 will be suspended. The decision means there will be no expectation on employers to report their data.

Further information is available here

FCA requests companies to delay announcement of Preliminary Financial Statements

Last updated 22.3.20

The Financial Conduct Authority (FCA) issued a statement on 21 March 2020 saying that it is writing to all listed companies requesting those who are due to publish a preliminary financial statement, not to do so for at least two weeks. This is due to the uncertainty caused by the Coronavirus outbreak. The FCA believes that this may also relieve pressure on companies and the audit profession facing challenges at this time. The FCA is in talks with the Financial Reporting Council (FCA) and Prudential Regulation Authority about measures to ensure companies take time to consider appropriate disclosures. Disclosure requirements under the Market Abuse Regulation remains in force. The FCA's statement does not apply to AIM companies.

The FRC supports the FCA's statement and in a press release issued on 23 March 2020 encourages companies to delay financial reporting for two weeks except where necessary to meet legal or regulatory requirements.

The FCA statement is available here

Advice from the Financial Conduct Authority on the impact of coronavirus

Last updated 17.3.20

The Financial Conduct Authority (FCA) has published Primary Market Bulletin No. 27, which addresses the issue of the coronavirus outbreak and impact on companies and financial markets. The key points to note from the Bulletin are:

- Companies should continue to comply with their disclosure obligations under the Market Abuse Regulation (MAR) and FCA rules
- If the position of the company is badly affected by coronavirus, the company may have to make relevant disclosures under MAR
- Requests from companies to suspend trading will continue to be considered by the FCA in line with existing rules and need for suspension will be challenged if it is felt it may be addressed by a market announcement.
- Persons discharging managerial responsibilities (PDMR) notifications under MAR within the required time frame should continue to be met.
- Companies will be expected to put contingency plans in place to minimise the impact of coronavirus on producing accounts.
- If a company thinks it cannot continue to meet its continuing obligations, it should take appropriate advice and contact the FCA.
- The FCA recognises that as a result of coronavirus AGMs may need to have some aspect of using virtual methods.

The Bulletin is available here

Updated guidance for auditors from the FRC on the impact of coronavirus

Issued 16.3.20

The Financial Reporting Council (FRC) has published updated guidance for auditors given the current situation with the spread of coronavirus. Restrictions on travel, meetings and access to buildings may mean that auditors need to consider how they will gather audit evidence. The FRC stresses that audits should continue to comply with required standards but recognises that more time may be needed to prepare the audit even if this means delaying reporting. Auditors will also need to consider the impact of coronavirus ongoing concern and company prospects.

The updated guidance is available here

London Stock Exchange will use discretion on certain AIM rules

Issued 16.3.20

The London Stock Exchange has issued an Inside AIM article on the Coronavirus which sets out measures to be implemented by AIM Regulation to support companies and nominated advisers during the outbreak. AIM Regulation will be using discretion when assessing compliance with certain AIM Rules. Key points to note are:

- Companies should continue to disclose information as required under the AIM Rules. However, if a company requires extra time in order to make a compliant notification, the nominated adviser should discuss with AIM Regulation whether a temporary suspension of trading is needed
- In the case of AIM companies that are already suspended for other reasons, it is usual that the securities are cancelled after six months. AIM Regulation will use discretion to extend this period of time to 12 months
- Nominated advisers will not be required to undertake a site visit before taking on a new client. This may be done by virtual meetings

Inside AIM is available here

Spotlight on climate change reporting

The Financial Reporting Council (FRC) has announced a major review of how companies and auditors assess and report on the impact of climate change.

The FRC will review the extent to which UK companies and auditors are responding to the impact of climate change on their business to ensure reporting requirements are being met.

The announcement of the review is available here

The Investment Association (IA) has issued a press release stating that investment managers will, in particular, be focusing on companies' efforts to manage climate change in the 2020 AGM season. This is alongside remuneration, audit quality and diversity. The Investment Association would like to see how climate change will impact on their business model and how these risks are being measured. Companies' progress on reporting by 2022 in line with the recommendations of the Task Force for Climate-related Financial Disclosures will be monitored by IVIS, the IA's voting service.

The IA's press release is available here

The Financial Conduct Authority (FCA) has published a consultation on proposals to enhance climate-related disclosures and clarify existing disclosure requirements. A new rule will be introduced for premium listed companies requiring them to state whether they comply with the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) and to explain non-compliance. The FCA also proposes to publish a Technical Note to clarify and bring together different regulatory requirements that impact on environmental, social and governance reporting, for example under the Listing Rules.

The consultation proposes that the new disclosure requirements will be effective for financial years beginning on or after 1 January 2021.

The consultation closes on 5 June 2020, and the consultation document is available here

Pensions and Lifetime Savings Association publishes 2020 Voting Guidelines

The Pensions and Lifetime Savings Association (PLSA) has published its Stewardship Guide and Voting Guidelines for 2020.

The PLSA states that this year the stewardship guidelines have been amended to support investors to understand 'how to do' stewardship, engage with companies and use their votes effectively. The voting guidelines assess each key area of interest to investors (for example audit, remuneration, accountability of directors and climate change) and suggest the behaviours that investors should look for from companies as well as how they should consider voting on particular issues. Of the 38 voting recommendations, key items to note are that the PLSA will recommend a vote against where:

- The company fails to provide a fair and balanced explanation of the composition, stability, skills and capabilities and engagement levels of the company's workforce
- The Chair is a director of more than four companies and/or Chair of two or more global and highly complex companies – unless there is a compelling explanation
- A diversity statement is not disclosed or is unsatisfactory
- The board is consistently failing to move closer to the Davies Report target of women on boards or Parker report ethnic diversity target.
- The tenure of the auditor is more than ten years, and there has not been a recent tender process, and no plans for a tender are disclosed, or the auditor has been in place for more than 20 years
- If remuneration policy fails to meet standards outlined by the PLSA
- Pension payments for new executive director appointments are not in line with the majority of the workforce
- If there is insufficient disclosure (level and quality) on how a company intends to monitor and manage risks and opportunities from climate change
- There are no plans to align executive remuneration to performance against relevant sustainability metrics within a reasonable timeframe.

In addition, the guidelines suggest that investors may wish to consider supporting relevant climate change resolutions put forward by shareholders.

The PLSA's voting guidelines are available here

Examples of directors' duties under section 172 of the Companies Act in action

The Institute of Chartered Accountants of Scotland has published a collection of real-life case studies to support the application of directors' section 172 duties. These have been gathered from Chartered Accountants who are board members and sets out how the boards used judgement and considered their section 172 duties. The case studies cover the following topics:

- managing cost reductions;
- investment and growth;
- stakeholder and reputation management;
- supporting longer-term success;
- effective governance – managing challenges to exert influence; and
- environment, social and governance issues (ESG)

The case studies are available here

FRC and BEIS provide information for accountants and auditors on Brexit transition

The Financial Reporting Council (FRC) and the Department for Business Energy and Industrial Strategy (BEIS) have published joint letters for accountants and auditors with information on relevant accounting and auditing standards during the transition period following Brexit.

The letters are available here

Investment Association's review of the 2019 AGM season

The Investment Association (IA) has published its review of the 2019 AGM season and analysis of the Public Register of significant votes against (the Public Register). The Public Register records those resolutions which receive more than 20% of votes against at an AGM or General Meeting. For 2019 the Public Register shows that:

- 158 companies and 298 resolutions were added to the register for 2019, slightly up from 2018.
- The top concerns of investors continue to be executive remuneration and director re-elections. 62 companies were on the register for pay-related resolutions, and 103 individual director re-election resolutions appeared.
- 39 companies appeared on the register for the same resolution in 2018 and 2019.
- 80% of companies added to the register are complying with the UK Corporate Governance Code requirements by making a public statement acknowledging shareholder concerns and outlining how they plan to address these.

Further information is available here

News from across Equiniti

Handling the AGM process through COVID-19

In our recent AGM briefing, we explored the ways in which you can hold a safe and successful AGM, mitigating risk to your shareholders, employees and suppliers.

As the coronavirus continues to evolve at a rapid rate, we now look over how the latest Government guidance has impacted AGMs, and how Crest Nicholson successfully held their AGM during this time.

You can find our special briefing here

In addition, the Chartered Governance Institute published on 17 March new guidance, produced jointly with Slaughter and May, with the support of the Financial Reporting Council, GC100, the Investment Association and the Quoted Companies Alliance. The guidance has also been reviewed by the Department for Business, Energy and Industrial Strategy.

On 27 March, the Institute published supplementary guidance on contingency planning for AGMs during the current coronavirus (COVID-19) epidemic. This builds on the initial guidance published on 17 March to reflect the subsequent Government ban on public gatherings of more than two people.

You can view both original guidance note and supplementary guidance here

Managing your Employee Share Plans through COVID-19

During these exceptionally challenging times, you're probably thinking carefully about how to keep your workforce safe, informed and financially supported. Clearly, all employee share plans (SAYE/Sharesave and SIP/Share Incentive Plan) and discretionary plans are a key part of the picture, contributing to employees' savings, morale and their engagement with the business.

We have published two special briefings, the first for All Employee Plans and the second for Discretionary Plans, which will help you to tackle the key concerns and navigate your way through a rapidly shifting landscape.

All Employee Share Plan Special Briefing here

Discretionary Share Plan Special Briefing here

Equiniti's acquisition of MonIdee

We are excited to announce our acquisition of MonIdee, which is a highly complementary share plans business that currently services more than 200,000 employees across 210 corporate clients in 50 countries. Its proprietary 'tOption' technology will give Equiniti the capability to offer new Global Share Purchase Plan products. Both Equiniti and MonIdee have worked within the employee share ownership market for well over 20 years, and we look forward to welcoming MonIdee colleagues and clients to EQ.

The full release and full details are here

Clients' Recognition at the ESOP Awards

We are thrilled that so many of our clients were recognised at the recent ESOP Awards where their achievements as companies offering employee share plans hold up best practice models for others to follow.

Awards are made where a company has made a notable contribution to employee share ownership, issued an inspirational share plan, showed excellence in its communication and presentation, been creative in overcoming problems, increasing participation and using technology.

As well as having a list of winners and commendations, the Centre awards Star Status where the starred companies entered employee equity plans which, in the eyes of the judges, contained outstanding features of one kind or another.

- **easyJet** – Winner + Star of Best Share Plan Communications
- **M&S** – Winner + Star of Best Use of Technology
- **Dixons Carphone** – Winner of Best Creative Solution
- **Airbus** – Highly Commended + Star of Best International All-Employee Share Plan
- **Tesco** – Highly Commended + Star of Best Share Plan Communications
- **Derwent London** – Finalist + Star of Best Share Plan Communications
- **Imperial Brands** – Commended + Star of Best International All-Employee Share Plan

Many congratulations to all our clients that stood out and we are very proud to call ourselves your partner and look forward to working with you this coming year and for many years to come.