



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



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I hope you have been able to take advantage of the gradual ease in lockdown measures we are seeing but staying safe and well at the same time.

In this month's bulletin, we continue our focus on the impact of COVID-19, covering relaxation of regulations and guidance for companies and look at what changes the Corporate Insolvency and Governance Bill will bring to ease AGM and Insolvency regulations. We explore new and inventive ways to balance employee motivation and cash retention, and host a webinar on how to navigate a share register.

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

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- Future changes expected to insider list requirements for AIM companies
- Financial Reporting Council continues work on monitoring governance practices

NEWS FROM ACROSS EQUINITI:

- Balancing Employee Motivation and Cash Retention during COVID-19
- Managing Insider Lists securely online Webinar

DATES FOR YOUR DIARY:

• TRENDS IN SHAREHOLDER ANALYSIS EXPLAINED WEBINARS

Understanding your investors has become increasingly complex over recent years. Join Richard Davies and his colleagues from RD:IR in one of our briefing sessions, when we will explain how you can navigate your way through this.

Thursday 11th June: 12 noon – 1.00pm
[please register your attendance](#)

Wednesday 17th June: 12 noon – 1.00pm
[please register your attendance](#)



COVID-19 Pandemic – Relaxation of regulations and guidance to assist companies

Corporate Insolvency and Governance Bill to relax AGM and insolvency regulations

The Government has announced changes to legislation to assist companies for which COVID-19 restrictions make it difficult to comply with holding AGMs and meet filing deadlines at Companies House. The legislation will be passed as part of the Corporate Insolvency and Governance Bill (the Bill).

Temporary measures are expected in the Bill to enable holding AGMs online or for meetings to be postponed. These measures will apply retrospectively from 26 March 2020 until the end of September 2020. Also, while Companies House has offered extensions to filing deadlines for many corporate documents, the Bill will extend this further.

Government announcement

As a result of the proposed legislation in the Bill, the Financial Reporting Council (FRC) has updated its Q&As on AGMs to take account of the proposed changes. The Q&As set out what is expected in the Bill and guidance for companies to enable them to plan ahead until the Bill is passed.

The Q&As include:

- What companies can do if an AGM needs to be held by a certain date but the company would like to postpone the meeting. In this instance, the company should issue the AGM notice making it clear that once the legislation has been approved, the company intends to postpone the meeting.
- Confirmation that the legislation will allow companies to temporarily override certain

requirements in their Articles of Association including whether a physical AGM must be held.

- Information on the dates that the legislation will apply from, which is that companies that have postponed their AGMs since 26 March 2020, will have until 30 September in which to hold the meeting. The Government will keep the situation under review and make further extensions if appropriate.
- Confirmation that the same flexibilities that apply to AGMs will also apply to general meetings until the end of September 2020.

FRC Q&As

The Financial Conduct Authority (FCA) has issued information on temporary changes to insolvency regulations included in the Bill. Key items to note include:

- A proposed moratorium is to be introduced during which no legal action can be taken or continued against a company without permission of the court
- Introduction of safeguards to ensure suppliers continue to supply and receive payment for goods or services to companies in insolvency
- That the threat of personal liability from wrongful trading for directors will be temporarily removed if a company in difficulty continues to trade through the current crisis

FCA Further information

CGI guidance on withdrawal or amendment of dividend resolutions

The Corporate Governance Institute (CGI) has published a guidance note for companies on the withdrawal or amendment of dividend resolutions that may be required due to the COVID-19 outbreak at an AGM. The guidance addresses issues such as the steps a company needs to take to withdraw the resolution, how proxy votes that have already been submitted should be treated and whether it is necessary to issue a trading statement if a dividend resolution is withdrawn.

[CGI guidance](#)

Law Society note on the use of e-signatures

The Law Society has issued a guidance note on the use of virtual execution and e-signatures during COVID-19. The note brings together established guidance with views as to best practice.

A review conducted by the Law Commission published in 2019 confirmed that an electronic signature is capable in law of being used to execute documents including deeds. A review of the law was recommended in order to codify the law around the use of e-signatures although the Justice Secretary has said that he did not see the need for legislation and stated:

'the existing framework makes clear that businesses and individuals can feel confident in using e-signatures in commercial transactions'; and that 'electronic signatures [...] are permissible and can be used in confidence in commercial and consumer documents'.

Two practice notes issued by the Law Society on the execution of documents by virtual means released in 2010 and on the execution of documents using electronic signatures issued in July 2016 set out the current legal position which has not changed. The specific Land Registry requirements for executing and witnessing documents are also set out in the Law Society note.

[Law Society note](#)

Companies House update on emergency filing service

Companies House has issued an update to its COVID-19 guidance for companies notifying that an emergency filing service is available for a selection of documents.

[Companies House guidance](#)

Financial Reporting Lab's key questions from investors

The Financial Reporting Lab has published an Infographic setting out five key questions that investors are seeking information on from companies in the current crisis and the disclosures that companies may consider making. These are:

- How much cash does the company have?
- What cash and liquidity could the company obtain in the short term?
- What can the company do to manage expenditure in the short term?
- What other actions can the company take to ensure its viability?
- How is the company protecting its key assets and value drivers?

[Financial Reporting Lab Infographic](#)

Modern Slavery statements

The Government has published a new webpage setting out what companies should be doing on modern slavery matters during the COVID-19 outbreak. The Government states that businesses should continue to identify and address risks of modern slavery at this time and that companies should be aware that the additional pressures on businesses at this time may lead to new risks of labour exploitation. The Government has also said that those companies which need to delay publication of their modern slavery statements by up to 6 months due to current circumstances will not be penalised. Businesses must, however, state the reason for the delay.

[Government guidance](#)

Views from investor relation and governance bodies

The Investment Association (IA) has set out shareholder expectations on executive remuneration during the COVID-19 crisis. This is in response to requests from companies to provide information on how remuneration committees should be acting to take account of the impact of COVID-19.

The IA points out that every company and circumstances that they face will be different and remuneration committees should consider in particular the impact on their stakeholders. Key issues addressed in the guidance are:

- Whether annual bonus outcomes should be djusted if a company has had to suspend or cancel a dividend
- Will shareholders support performance conditions being adjusted to take account of the impact of COVID-19 on results?
- What are the expectations of shareholders for forthcoming long-term incentive grant sizes and performance conditions?
- How should events such as seeking additional capital from shareholders or furloughing employees impact on executive remuneration?
- What should companies whose remuneration policies are up for renewal be considering in the current circumstances?

[IA's guidance on executive remuneration](#)

The Pensions and Lifetime Savings Association (PLSA) has issued a statement on its position on governance during the COVID-19 outbreak. It asks investors to hold directors to account on the decisions they make during the crisis and on executive remuneration. The PLSA state that shareholders should consider voting against directors who they believe do not behave appropriately towards their workforces and state that one of the most effective ways of using a vote is to hold individual directors to account.

[PLSA statement](#)

The International Corporate Governance Network (ICGN) has published various statements on governance during the COVID-19 outbreak. This includes its position on AGMs and virtual AGMs globally and its position on governance priorities during the pandemic for both companies and investors.

[ICGN statements](#)

Other news...

The Financial Reporting Lab's newsletter provides guidance to companies

The Financial Reporting Lab has published its first newsletter for 2020. Content includes:

- Information on how the Lab is prioritising its work to take account of the COVID-19 pandemic
- The Lab's report on workforce reporting where it recommends the disclosure of more information on the workforce as a strategic asset
- Information on the climate thematic review being undertaken
- The FCA consultation on including in the listing rules, on a comply or explain basis, reporting under the Task Force for Climate-Related Financial Disclosures recommendations
- A reminder that late in 2019, digital reporting for listed companies came into effect and how to find out more information on reporting in XBRL
- The International Accounting Standards Board discussion document on improving the way financial information is reported in financial statements
- A summary of and links to COVID-19 related reporting guidance including an infographic on five questions investors seek answers on in the current crisis

[Financial Reporting Lab's newsletter](#)

The Financial Reporting Council's transformation programme

The Financial Reporting Council (FRC) has issued a statement on its progress to becoming the new Audit Reporting and Governance Authority (ARGA) following the recommendations from various reviews including the Kingman review of the FRC. The creation of ARGA will ultimately require primary legislation, but work is continuing in the meantime by the FRC in readiness.

[FRC statement](#)

The Financial Reporting Council's report into the use of Audit Quality Indicators

The Financial Reporting Council (FRC) has published a major thematic review into the use of Audit Quality Indicators (AQIs). AQIs are quantitative and qualitative measures of external audit quality used by audit firms to monitor audit quality. The key messages of the report for the UK's six largest auditors are that firms should:

- Continue to develop and embed monitoring of AQIs
- Improve the reporting and governance of AQIs
- Increase the extent of AQIs monitored at an audit engagement level and consider the type and range of AQIs used
- Increase the use of AQIs used before and during the audit as currently, the majority are after the audit
- Improve the reporting of AQIs in the firm's annual Transparency Report

Currently, audit firms do not report AQIs on individual audits to Audit Committees, and few Audit Committees are aware of them. Auditors should consider the types of AQIs that would help assess audit quality and begin reporting them to Audit Committees. The FRC also plans to consult on proposed standards for disclosure of AQIs by audit firms.

[AQI report](#)

Gender pay gap case studies from the Investment Association

The Investment Association (IA) has published a report on initiatives by the investment management industry to close the gender pay gap. The report sets out what the industry has been doing over the last year to increase diversity, including case studies. The three main areas of action are attraction and recruitment, retention and advancement and measuring and monitoring.

Some of the initiatives by the industry to address gender pay gap issues include returner programmes, working with schools, using anonymous applications, mentoring and addressing recruitment bias.

[IA report](#)

Update to the 2018 Guidance on the Strategic Report

The Financial Reporting Council has published an update to its 2018 Guidance on the Strategic Report. This is to make it clear in the Appendices that a public company must include a section 172(1) statement in its Strategic Report even if it meets the medium-sized company size criteria.

FRC update

Future changes expected to insider list requirements for AIM companies

The European Securities and Markets Authority (ESMA) has issued a consultation on the operation of Small and Medium Enterprises Growth Markets (SMEs) which includes AIM. The consultation includes the proposal that SME companies will now be required to keep an insider list rather than just being able to produce one on request. However, the insider list will be restricted to those persons whom, due to the nature of their function or position in the company, have regular access to inside information. In addition, the format of the list will be simpler with the elimination of the requirement to include birth surname, company name and address and home address.

The consultation closes on 15 July 2020.

The Financial Reporting Council continues work on monitoring governance practices

The Financial Reporting Council (FRC) has issued a statement on its proposed activity to monitor corporate governance, AGM reporting and practices with the intention of publishing an assessment of good practice in the summer. An annual review of corporate governance will take place later in the year focussing on quality and practice around main changes made to the UK Corporate Governance Code.

FRC's announcement



News from across Equiniti

Balancing Employee Motivation and Cash Retention during COVID-19

A big concern for many companies at the moment is how to continue to reward and motivate their employees while preserving cash. In our article, we explore how share plans can help you strike the right balance between employee motivation and cash retention.

We look over:

- How to reward employees with share plans
- The benefits and limitations of these plans
- How to defer pay or bonuses using share plans

[EQ article](#)

Managing Insider Lists securely online Webinar

Over the last few months, we have been looking at ways to digitally transform various workflow processes, making it easier for our clients to perform everyday tasks such as governing the permission to deal process and Insider Management. At a time when the majority of us are working from home, our new EQ Insider platform could help you manage this process, providing you with clear visibility and a full audit trail throughout.

We recently held a number of webinars for our clients demonstrating EQ Insider and the functionality it provides. If you missed these, then please feel free to view our on-demand webinar.

[EQ Insider on-demand webinar](#)