



Equivalence Forum

26 January 2022

Agenda



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Corporate & Governance
Reporting

02

ESG & Climate Change

03

Diversity & Inclusion

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Executive Pay

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BEIS Audit & Corporate
Governance Reform

06

Corporate Culture

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?

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

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

Remuneration Report

Average vote in favour

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

*vote within 10% of required majority

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

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	↑
Rem Policy/Report	4	↓	8	↑
14 day GMs	3	↑	5	↑
Director election	3	↓	12 [†]	↑
LTIP/Share Plan	2	↓	2	↑
Allot Shares	2	↓	1	↔
Report & Accounts	1	↑	-	↔
Purchase own shares	-	↓	5	↑
Political Donations	-	↔	-	↓
Amend articles	-	↓	3	↔
Dividend	-	↓	-	↔

* 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

Do we need to consider any restrictions?

Return to the physical meeting?
Location?
Time?

Hybrid?
Will all board members be physically present?
Virtual Microphone/telephony?
Q&A?
Remote voting?

How will AGMs be conducted this year?





Thank you