

# EQ BOARDROOM

## 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

As we head into August, there has been no foot off the pedal not least for the new Prime Minister at No 10 where the Brexit clock is ticking but also for EQ Boardroom where we are pleased to announce that we have reached an agreement to acquire global investor relations consultancy, RD:IR. We would like to welcome Richard

and his team on board and we look forward to creating a powerful new force in global investor relations and corporate governance through our combined expertise and capabilities.

EQ Boardroom have also been busy successfully delivering the Marks & Spencer Rights Issue which is the first major online Rights Issue in the UK where we saw 47% of retail holders accept online.

Last month, it was great to see many familiar faces at the ICSA Conference and trust that you enjoyed this annual industry event. Equiniti was also pleased to take part in the 2nd Worthing Pride celebrations and to be a primary sponsor again.

In this month's edition, we examine the European Commission's guidelines on corporate climate-related reporting, which seems quite pertinent where we have seen many countries this year experiencing their highest ever recorded temperatures. We also look at ESMA's call for responses from their survey of short term investment which again focuses on ESG factors and the Government's 3 pillars of their green strategy, which includes robust green financial products, carbon targets and the gathering of green-related data.

Also in this month's Bulletin, Boudicca has just released our 2019 AGM Season Trends white paper which explores the 3 key trends we have witnessed this year together with our conclusions and recommendations.

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

If you do not receive Bulletin on a monthly basis, please register [here](#).

### ARTICLES IN THIS EDITION COVER:

- Guidelines on corporate climate-related reporting published
- UK Government indicates it will get tough on late payers
- ESMA asks for responses to survey on short-termism over long-term growth
- BEIS publishes proposed strategic framework for green finance strategy
- Government responds to the review of the Modern Slavery Act
- Latest reports from the Hampton-Alexander Review and Cranfield University into board gender diversity
- Audit inspections by the Financial Reporting Council reveal weaknesses in audit quality
- Risk Coalition proposals for principles and guidance to support risk committees
- Government consults on proposed radical changes to the audit market
- ProShare annual SAYE and SIP Report
- The Labour Party's 'Inclusive Ownership Fund' Proposal

### NEWS FROM ACROSS EQUINITI

- Just released... our 2019 AGM Season Trends white paper
- and our article in The Times...Why AGMs are ripe for digital disruption
- Employees investing in their own company through Sharesave schemes see £2.9k gains
- I've paid into a Sharesave plan for the full savings term – now what? Read our Money Observer article
- Record Equiniti and Client team takes on Battersea Park for the NSPCC

### DATES FOR YOUR DIARY

- **WEDNESDAY 18 SEPTEMBER**  
**EMPLOYEE SERVICES FORUM**  
If you have not received a 'Save the Date' to this event, please speak to your Relationship Manager or email [eqevents@equiniti.com](mailto:eqevents@equiniti.com)
- **MONDAY 7 OCTOBER**  
**SHARE REGISTRATION CONFERENCE**  
If you have not received a 'Save the Date' to this event, please speak to your Relationship Manager or email [eqevents@equiniti.com](mailto:eqevents@equiniti.com) or you can register directly [here](#)

## Guidelines on corporate climate-related reporting published

The European Commission has published guidelines on corporate climate-related information reporting as part of its Sustainable Finance Action Plan. The guidelines are intended to give companies practical guidance on how to improve reporting of the impact of their activities on the climate and the impact of climate change on their business. The guidelines are consistent with the Non-Financial Reporting Directive (NFRD) and supplement the NFRD guidelines published in 2017. They also indicate how companies should consider materiality in relation to climate change reporting. Recommended disclosures include:

- The impact of climate change on the business model and strategy
- Company activities which affect climate change in the short, medium and longer-term
- Climate-related risks and opportunities using scenario analysis to consider different conditions
- Principle climate-related risks and their management
- The role of the Board and its responsibilities in relation to climate change
- Relevant company policies
- Green House Gas emissions using recommended indicators

The EC guidelines are available from [here](#)





## UK Government indicates it will get tough on late payers

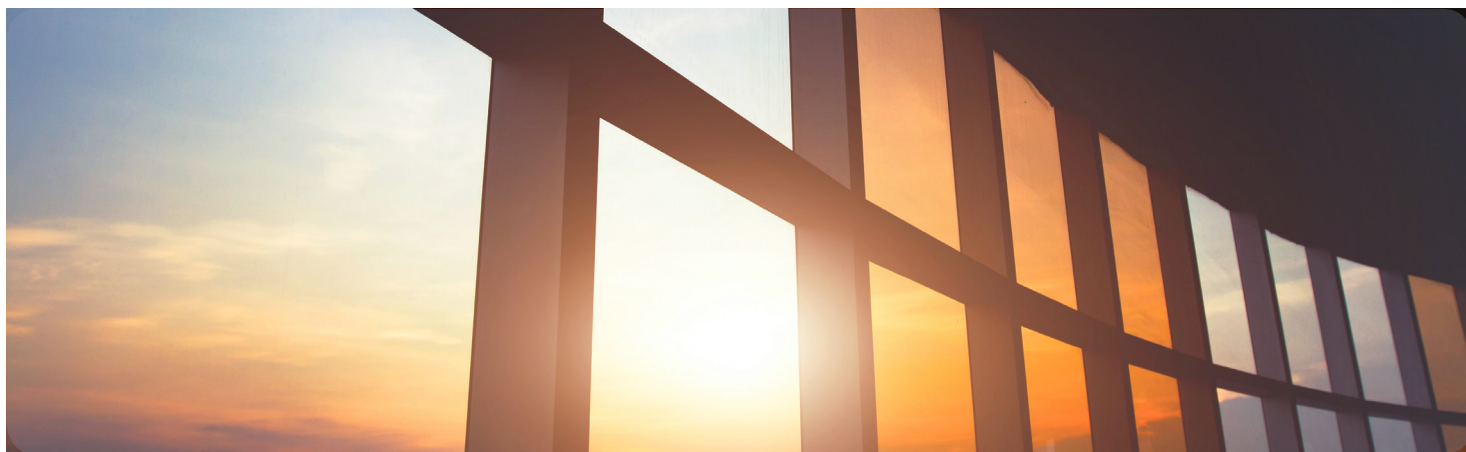
The Government has published its response to a Call for Evidence, launched in 2018, that the level of late payment in the UK is far too high. This was supported by 97% of the respondents who indicated that they had experienced late payments from companies.

The Government sets out in its response proposed actions including:

- The merits of strengthening the Small Business Commissioner's ability to assist small business in the area of late payments through the provision of powers to compel the disclosure of the information.
- The merit of providing the Commissioner with powers to activate enforcement mechanisms against large businesses who do not comply with information requests or who are found to have poor or unfair payment practices towards small businesses.
- Whether sanctions should be imposed by the Commissioner under certain specific circumstances, such as the undertaking of binding payment plans and financial penalties where payment fails to take place.
- Responsibility of the voluntary Prompt Payment Code is to move to the Commissioner and be reformed.

The Government states in the response that it will take a tough compliance approach to large companies who do not comply with the Payment Practices Reporting Duty including, where prosecutions are successful, fines. The Government also wants to bring greater transparency to how supply chain finance is reported in company accounts and assessed in audits, by working with the Financial Reporting Council (FRC) to develop guidance on reporting. The response supports the announcement made in the 2019 Spring Statement that will require the audit committees of large companies to review their payment practices and report on them in their annual accounts.

The Government's response is available from [here](#)



## ESMA asks for responses to survey on short-termism over long-term growth

The European and Securities Markets Authority (ESMA) has published a survey on possible undue short-termism by financial institutions. Short-termism has been defined as “the focus on short time horizons by both corporate managers and financial markets, prioritising near-term shareholder interests over long-term growth of the firm”.

The survey considers, in particular, the adoption of the Non-Financial Reporting Directive which requires large companies to disclose information on the environment, social and employee aspects, respect for human rights, anti-corruption and bribery issues. The questionnaire asks how and to what extent public disclosures on ESG factors enable investors to use this information in their decision-making on a company’s current and future ability to create long-term sustainable value. It also asks whether changes are needed to the non-financial information provided to allow investors to take long-term investment decisions. The engagement of institutional investors with their investee companies is also examined to see if investors do raise potential concerns with the companies they have invested in as well as whether remuneration policies of fund managers can be a driver of short-termism.

ESMA will deliver a report to the European Commission based on its findings and the Commission will consider ways to follow up on the report’s findings.

Further information about the survey is available from [here](#)

## BEIS publishes proposed strategic framework for green finance strategy

The Department for Business, Energy and Industrial Strategy (BEIS) has published a policy paper setting out a strategic framework for the Government’s green finance strategy. The objectives the Government sets out for green finance are to:

- align private sector financial flows with clean, environmentally sustainable and resilient growth, supported by Government action.
- strengthen the competitiveness of the UK financial sector.

Three pillars of green finance strategy are set out which are to:

- Ensure current and future financial risks and opportunities from climate and environmental factors are integrated into mainstream financial decision making, and that markets for green financial products are robust in nature.
- Accelerate finance to support the delivery of the UK’s carbon targets and clean growth, resilience and environmental ambitions.
- Ensure UK financial services capture the domestic and international commercial opportunities arising from the ‘greening of finance’, such as climate-related data and analytics, and from ‘financing green’, such as new green financial products and services.

In order to promote transparency in reporting the Government will be setting out its expectations for all listed companies to make disclosures in line with the Financial Stability Board’s Task Force recommendations on climate-related financial disclosures by 2022. The Government will also be considering whether to make some of these disclosures mandatory.

The policy paper is available from [here](#)



## Government responds to the review of the Modern Slavery Act

The Government has published its response to the independent review of the Modern Slavery Act 2015 commissioned in July 2018 and published in May 2019. The review report considered in particular the role of the Independent Anti-Slavery Commissioner, transparency in supply chains, Independent Child Trafficking Advocates and the legal application of the Modern Slavery Act. It made a total of 80 separate recommendations.

In relation to the requirement for large companies to produce modern slavery statements, the Government has committed to revising the statutory guidance provided by 2020 and to produce a template of the information that companies are expected to provide. The recommendation to introduce a central registry for filing statements has also been accepted. The Government has, in addition, launched a consultation on transparency in supply chains which will include proposals to introduce a single reporting deadline for companies as well as on proposals to introduce strengthened enforcement measures and sanctions against companies that fail to comply.

The Government's response is available [here](#)

The consultation into transparency in supply chains will close on 17 September 2019 and is available from [here](#)

## Latest reports from the Hampton-Alexander Review and Cranfield University into board gender diversity

The Department for Business, Energy and Industrial Strategy (BEIS) has published a statement in relation to the latest figures released by the Hampton-Alexander Review into board gender diversity. The highlights are:

- The FTSE 100 is on track to reach the target of 33% of board positions going to women by 2020
- 27.5% of FTSE 250 board positions are now held by women, up from 24.9%
- There are 4 FTSE 350 all-male boards, down from five

The Investment Association and the Hampton-Alexander Review has written to the 69 companies in the FTSE 350 who have one woman or less on their boards and since then 20 of these boards have appointed women. 14 companies have not responded to the letter.

The government's statement is available from [here](#)

The Financial Reporting Council has published a statement on new research which it supports, from Cranfield University. The research highlights that many FTSE 100 companies are implementing a tick box attitude to diversity. The percentage of women on FTSE 100 boards has risen to 32% and is on track to reach 33% by 2020. However, women serve shorter tenures than men (on average, female non-executive directors serve 3.8 years – with men serving 5 years) and are less likely to get promoted into senior roles, while just 11% of women on boards are from Black, Asian or other Minority Ethnic backgrounds.

The statement is available from [here](#)



## Audit inspections by the Financial Reporting Council reveal weaknesses in audit quality

The Financial Reporting Council (FRC) has released a statement on the latest FRC audit inspections. This highlights:

- 75% of FTSE 350 audits have been assessed as good or requiring limited improvements. The FRC's target is 90%. Overall there has been no improvement on last year.
- 25% of assessed audits are below an acceptable standard.
- The FRC found cases in all seven firms assessed where auditors had failed to challenge management sufficiently on judgemental issues. This has been a recurring finding over a number of years. Contributory factors include the mindset of audit teams, especially an absence of professional scepticism in evaluating evidence presented by company management, tight reporting deadlines and the complexity of the judgements involved.
- Two firms, Grant Thornton and KPMG, remain subject to increased scrutiny from the FRC.

The FRC's statement is available from [here](#)

## Risk Coalition proposals for principles and guidance to support risk committees

The Risk Coalition has launched a consultation on the principles and guidance it is preparing for board risk committees and risk functions. The Risk Coalition is formed of a group of not-for-profit professional organisations with the aim of raising standards in risk governance and management. In 2018 it launched its Risk Guidance Initiative to develop a framework for UK financial services firms in order to develop best practice. It believes that the guidance and principles it is preparing, although focused on financial services, will be relevant to other sectors.

The consultation closes on 20 September 2019 and is available from [here](#)





## Government consults on proposed radical changes to the audit market

In April 2019 the Competition and Markets Authority (CMA) published its report into the statutory audit market. The Government has now issued a consultation on the CMA's recommendations with the intention of improving audit quality and competition in the market.

The CMA's main recommendations were to:

- enhance regulatory oversight of audit committees;
- mandate 'Joint Audits' of FTSE 350 companies;
- give the new regulator powers to design an 'operational split' between the audit practices and non-audit practices of the 'Big Four' firms; and to
- require a five-year review of progress by the new regulator.

The consultation closes on 13 September 2019 and is available from [here](#)



## ProShare annual SAYE and SIP Report

For many years Equiniti, along with a number of other share plan administrators, have worked with ProShare to provide SIP and SAYE data in order to deliver market information that can be used for analysing trends and participation. In June, the 2018 report was unveiled at a reception at the House of Commons, followed by a discussion seminar in July hosted at ProShare with Gabbi Stopp (ProShare), Sharon Storey (M&S), Matt Appleton (Vodafone) and Kristy Foster (BP) presenting and commenting on the key findings.

The annual survey, which has been running for over 13 years, provides detailed data and analysis and is a valuable source of information for benchmarking. The report has evolved over this time, and this is the second year it has included gender-related breakdowns of contribution and take-up rates, and the first year to include data for industry sectors.

The report shows that in 2018 the number of SAYE accounts was 1,332,342 (2017 = 1,327,389), with average monthly savings of £162.45 (2017 = £153.06), the number of employees participating in SIP was 987,826 (2017 = 976,784), with an average holding value per participant of £12,030 (2017 = £7,648) and average monthly Partnership contributions of £98.52 (2017 = £87.70).

**The report is available for all ProShare members, non-members wishing to obtain a copy should contact ProShare directly – [team@proshare.org](mailto:team@proshare.org)**

## The Labour Party's 'Inclusive Ownership Fund' Proposal

Following concerns raised at a recent meeting of the ICSA Company Secretaries' Forum, ProShare has prepared a briefing note. This references ProShare's initial public response to Labour's proposal, issued in September 2018 the week after their announcement at their Party Conference, and the content of an email sent by ProShare's Executive director to the Shadow Chancellor John McDonnell.

Since then ProShare has on two occasions met with members of Labour's Shadow Treasury Team to explain their position and discuss concerns, and a member of their team attended the recent Parliamentary launch of ProShare's Annual SAYE & SIP Report. These conversations have been constructive, if non-committal. Their dialogue with Labour (and all other mainstream political parties) remains open and ongoing as part of their Westminster stakeholder engagement programme.

**The full briefing is available [here](#)**



# News from across Equiniti

## Employees investing in their own company through Sharesave schemes see £2.9k gains

Equiniti has conducted its own analysis of HMRC data and found that 120,000 participants exercised their company's Sharesave options through 2017-18, gaining an average of £2,917 which marks a small increase from the gains made on realised options in the previous year when employees would have seen an average return of £2,571 – still significant in the current low-interest rate environment.

Our media release can be found [here](#)

## Why AGMs are ripe for digital disruption

EQ Boardroom has been featured in a Digital Transformation report in The Times looking at what "digital transformation" really means to businesses and what this looks like for shareholders.

Our article on hybrid AGMs in the report in The Times can be found [here](#)

## What options are available to employees when their sharesave plan matures

Graham Bull, Head of Employee Share Plans at Equiniti explains what options employees have when they reach the end of their share plan term in his article prepared for the Money Observer.

The full article is available [here](#)

## Just released... our 2019 AGM Season Trends white paper

Following on from our 2019 AGM Season Forecast published earlier this year, we have just released our 2019 AGM Season Trends white paper. With the peak of the 2019 AGM season behind us, Boudicca reviews what happened in the proxy voting arena and how our earlier predictions played out. These included toughening up of investor policies with Boards being made to feel more accountable for the decisions they have made.

The white paper looks at the three key areas that Boudicca have identified as the 2019 AGM trends which are Board Accountability, Shareholder Activism and Socio-Political Concerns and explore the trends under each of these, as well as providing conclusions and recommendations.

The full AGM Season Trends white paper is available [here](#)

## Record Equiniti and Client team takes on Battersea Park for the NSPCC

A staggering (not literally) record 262 colleagues and clients, descended on Battersea Park for the annual J.P. Morgan Corporate Challenge on the evening of 4 July. Thousands of the City's financial services professionals swap suits for running gear to take on the 5.6km course and support a chosen charity. Following on from our CEO Guy Wakeley's London Marathon fundraiser, Equiniti decided to pick up the baton and use the event to raise even more cash for his special charity, the NSPCC. Over £800 was raised during the evening with the total on the Just Giving page now nearing £3,000 (and is still rising). Thank you to everyone for your generosity. If you wish to donate, please click [here](#).

Equiniti's team was captained once again by Senior Director for Investor Intelligence and Business Development, Rob Hemming who said; *"This was yet again another fantastic event and amazing that we had one of the largest teams this year. Congratulations to all our runners, particularly those who ran for the first time"*