

# 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 many of us all return from well-earned breaks over the summer, we're looking forward to catching up with you at our upcoming Equiniti flagship events. These events are set to be full of great insight and lively debates with guest speakers from Glass Lewis, London Stock

Exchange, Clifford Chance and AON to name a few. We would like to extend our thanks to some of our clients who will be joining us on stage to talk through some of the exciting projects we have been working on together this year.

I am pleased to announce that Anthony Hall has been appointed as the new Managing Director of EQ Boardroom Relationship Management. I am sure many of you will already know Anthony who has been a member of our relationship team for over 18 years where he has worked closely with a large number of our clients.

We would also like to extend a warm welcome to Petrofac and Marshall of Cambridge whose share registers were successfully transferred to us last month, we look forward very much to working with you both.

Finally, this month, remuneration becomes the focus, with updated guidelines from the GC100 and Investor Group and a new report from BEIS on the use of share purchases to meet executive remuneration targets.

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:

- FRC Consultation into Ethical and Auditing Standards
- Updated Remuneration Reporting Guidance from the GC100
- Are share buybacks used by companies in order to meet remuneration targets?
- FCA 60th edition of Market Watch
- The Financial Reporting Lab publish latest update report
- Updated best practice principles for proxy advisers published

### NEWS FROM ACROSS EQUINITI

- Guest speakers announced for Equiniti's Share Registration Conference
- Not long until the Employee Services Forum 2019
- AGM Discussion Forum

### DATES FOR YOUR DIARY

- **WEDNESDAY 11 SEPTEMBER**  
**EQUIVALENCE FORUM**  
Join likeminded professionals and hear the latest updates and industry news impacting Company Secretaries.
- **WEDNESDAY 18 SEPTEMBER**  
**EMPLOYEE SERVICES FORUM**  
If you have not received an invitation to register for this event and would like to attend, please speak to your Relationship Manager or email [eqevents@equiniti.com](mailto:eqevents@equiniti.com)
- **WEDNESDAY 25 SEPTEMBER**  
**AGM DISCUSSION FORUM**  
Hosted by Lisa Graham, Head of Meeting Management, Equiniti's AGM Forum looks over the 2019 AGM season.
- **MONDAY 7 OCTOBER**  
**SHARE REGISTRATION CONFERENCE**  
If you have not received an invitation to register for this event and would like to attend, please speak to your Relationship Manager, email [eqevents@equiniti.com](mailto:eqevents@equiniti.com) or you can register directly [here](#)

# FRC Consultation into Ethical and Auditing Standards


The Financial Reporting Council (FRC) has published a consultation on proposed changes to its Ethical and Auditing Standards. This is in response to recent audit enforcement cases and audit inspections. The FRC also proposes to enhance the quality and content of the auditor's report in annual accounts in order to improve transparency.

Key changes proposed to the standards include:

- Simplifying and restructuring the Ethical Standard in order to achieve higher levels of understanding and compliance;
- Re-defining the 'objective, reasonable and informed third party' test which is a core element of the Ethical Standard;
- The introduction of a list of permitted services that auditors of Public Interest Entities (PIEs) can provide, limiting these to those which are closely related to the audit and/or required by law and regulation;
- Expanding the scope of certain ethical requirements to cover entities which may not be formally designated as PIEs, but are clearly of significant public interest;
- Strengthening certain ethical prohibitions and requirements which relate to auditor independence, including the provision of non-audit services, for the auditors of all listed entities;
- Clarifying and enhancing requirements in the Auditing Standards including:
  - Group audit procedures;
  - Auditor reporting;
  - Enhanced work effort in respect of irregularities in law and regulation, including fraud;
  - Greater clarity over the auditor's work effort on 'other information' included within annual financial reports.

The consultation closes on 27 September 2019 and is available [here](#)





## Updated Remuneration Reporting Guidance from the GC100

The GC100 and Investor Group have published amended Remuneration Reporting Guidance. The guidance has been updated to reflect new requirements introduced by the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 which came into force on 10 June 2019. The main amendments introduced include:

- Extension of the requirement to disclose the percentage change in remuneration to all directors (executive and non-executive). Previously this had just been for the CEO.
- A regulatory definition for the employee comparator group required when calculating percentage change in pay.
- Disclosure of measures taken to avoid or manage conflicts of interest in relation to formulating remuneration policy.
- Extension of disclosure to cover those individuals considered to be CEO or deputy CEO even when they are not appointed as directors.

The GC100 Guidance is available from the Thomson Reuters Practical Law [here](#)



## Are share buybacks used by companies in order to meet remuneration targets?

The Department for Business, Energy and Industrial Strategy (BEIS) has published a report commissioned in 2017 and prepared by PwC, exploring whether share purchases are used by companies in order to meet executive remuneration targets and the effect of such share purchases on investment in companies. The effect of share buybacks on earnings per share (EPS) in particular was considered as this is a performance criteria used in the majority of executive remuneration incentive schemes.

The research concluded that over the period of the study (2007-2017) no significant relationship was found between share repurchases and the existence of an EPS condition or proportion linked to an award. This was supported by evidence showing that no companies in the sample would have been below the EPS target had they not repurchased shares or above the EPS target with the share repurchase. In other words, if it was ever the intention, no company successfully used share repurchases to beat its EPS target.

In addition, between 2007 and 2017 no relationship was found between share repurchases and investment. This is consistent with the survey findings that investment decisions were taken independently of share repurchase decisions. Repurchases are driven by factors (for example excess cash or undervalued equity) which are largely unrelated to investment opportunities.

It is proposed that the report is followed by research into whether there is a direct link between executive remuneration targets and investment in companies and whether pay incentives cause executives to focus on the short-term in their decision making.

The BEIS report is available [here](#)



## FCA 60th edition of Market Watch

The Financial Conduct Authority (FCA) has published its 60th edition of Market Watch. This edition is focused on insider lists and controlling access to inside information.

The FCA highlight the case of a senior compliance officer who was found guilty of five counts of insider dealing. Her name was on the relevant insider lists but she had no business need to access the information concerned. She was found to have used access to electronic compliance systems to gain information and pass this on to a private individual who then traded on the basis of this knowledge. The FCA have warned against allowing widespread access to inside information to individuals who do not require the inside information to do their job.

The FCA also state that they frequently encounter:

- Insider lists which omitted the names of people who were provided with or who had access to inside information.
- Evidence of individuals not named on relevant insider lists accessing inside information

The FCA recently reviewed the systems and controls used by a sample of investment banks, legal advisers and other consultancies to manage access to inside information. Their findings included:

- Instances of large numbers of support staff having access to documents containing inside information and failures to restrict access to inside information to those who need it for the proper fulfilment of their role
- An absence of regular reviews of access rights
- Insider lists including individuals who did not have access to inside information, rendering them not fit for purpose
- Electronic files containing deal specific inside information stored in general team folders

The FCA state that they view an inability to respond to a regulatory request with accurate records of who had access to inside information, as an indication of underlying weaknesses in systems, procedures and policies.

Market Watch is available [here](#)

## The Financial Reporting Lab publish latest update report

The Financial Reporting Lab (the Lab) has published its most recent newsletter giving updates on the Lab's most recent projects: Climate and Workforce reporting, sources and uses of cash disclosures and the digital annual report trial. These are still works in progress and the Lab is expecting to publish reports into these areas later in the year.

The newsletter is available [here](#)

## Updated best practice principles for proxy advisers published

The Best Practice Principles for Shareholder Voting and Analysis Group (BPPG) has published an updated version of its Best Practice Principles for Providers of Shareholder Voting Research and Analysis. BPPG was formed in 2013 to promote greater understanding of corporate governance and environmental support services provided to professional investors. The first principles were published in 2014 and are aimed at proxy advisers. The main changes to the Principles include:

- The Principles and guidance apply on an 'apply and explain' basis rather than 'comply and explain'
- The conflicts of interest principle has been amended to include procedures for avoidance not just management of conflicts
- New governance, monitoring and reporting arrangements have been introduced.

The updated best practice principles are available [here](#)



# News from across Equiniti

## Guest speakers announced for Equiniti's Share Registration Conference

Equiniti's annual Share Registration Conference is a great opportunity to hear about the latest industry updates impacting share registration in 2019 and beyond.

We are pleased to confirm that it will again be hosted by broadcaster and journalist Steph McGovern and we have a fantastic line up of panellists and speakers. We will hear from Glass Lewis, Barclays and the London Stock Exchange on what they have seen in the proxy voting season so far this year, as well as an update from industry champions on the latest developments for the Dormant Assets Commission.

**If you have not received an invitation to register for this event and would like to attend, please speak to your Relationship Manager, email [eqevents@equiniti.com](mailto:eqevents@equiniti.com) or you can register directly [here](#)**

## AGM Discussion Forum

Hear about the 2019 AGM season at our annual AGM Discussion Forum. This forum will be hosted by Lisa Graham, Head of Meeting Management at Equiniti and Chris Stamp, Director at Prism CoSec.

Speakers will include Sheryl Cuisia from Boudicca talking about the rise of shareholder activism over recent years and Rob Burdett from Korn Ferry on the concerns of investors and difficulties for Remuneration Committees.

**Find out more [here](#) and if you would like to attend, please speak with your Relationship Manager or email [eqevents@equiniti.com](mailto:eqevents@equiniti.com)**

## Not long until the Employee Services Forum 2019

Our other flagship annual conference is the Employee Services Forum. This event is a full day conference with a line-up of over 30 expert speakers and panellists, with a packed agenda and sessions on:

- corporate governance and practical considerations
- board and stakeholder engagement
- international share plan and off-shore trust updates
- corporate transactions
- Share plan design

The line-up includes names such as Aon, Deloitte, Clifford Chance and many more.

Delegates will also hear from Dr Hannah Fry, Associate Professor in the Mathematics of Cities at UCL, who is our key note speaker. Hannah studies the patterns in human behaviour, is a published author and regularly appears on the radio and television. She will also participate in a panel session discussing the analytics of reward.

This is a fantastic chance to hear from industry experts, network with your peers and even do a bit of wine tasting.

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