

EQ BULLETIN



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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As the gradual easing of lockdown continues, our latest EQ Bulletin is beginning to feel a little more normal this month, covering topics such as climate change and auditor scrutiny.


You may have seen forthcoming changes to the Shareholder Rights Directive, which is covered in this bulletin. We have been working closely with Government over the last few months to ensure that these regulations are appropriately applied. We are currently reviewing our processes to ensure the changes are implemented as efficiently as possible for you and your shareholders, and we will keep you updated regularly on how this progresses.

Finally, this month will see the launch of the Capital Analytics survey, an industry review of registrars. As always, we would welcome your feedback through this survey as it provides us with valuable insight on how we can provide the very best service to you.

If you have any questions on the content of this month's bulletin, our approach to the SRD changes or the Capital Analytics survey, please contact your Relationship Manager.

ARTICLES IN THIS EDITION COVER:

- Relaxation of regulations and guidance to assist companies during the COVID-19 pandemic
 - The Corporate Insolvency and Governance Act extends filing deadlines
 - Guidance on the use of virtual execution and e-signatures
 - Updated guidance on holding AGMs published
 - Companies House updated guidance in response to COVID-19
 - Review of the response of audit firms in evaluating going concern assessments
- Shareholders gain the right to obtain confirmation of voting
- Latest Employment Related Securities Bulletin
- Climate Financial Risk Forum issues guidance on climate-related financial risks
- Operational separation of the audit practices of the Big Four audit firms
- Call for participants to take part in stakeholder reporting project
- Annual audit quality reports into the seven largest audit firms published
- Government considering legislation and reform as a result of Thomas Cook enquiry
- How to ensure All-Employee Share Plans remain relevant
- Share plans and long-term financial wellbeing - is now the time to promote share plans?



COVID-19 Pandemic – Relaxation of Regulations and Guidance to assist Companies

The Corporate Insolvency and Governance Act extends filing deadlines

The EQ Bulletin has previously reported on the relaxations to AGM arrangements that companies may benefit from introduced by the Corporate Insolvency and Governance Act (the CIG Act). The CIG Act also introduced temporary extensions to filing deadlines for annual accounts and other documents.

For public companies, the deadline for filing accounts has been extended from 6 to 9 months and 9 to 12 months for private companies.

Also, the current 14-day deadline for filing a company's annual confirmation statement has been extended from 14 days from the end of the review period to 42 days. Companies will also have 42 days in which to notify Companies House of event-driven notifications such as changes to directors or the registered office.

[Government published guidance](#)

Guidance on the use of virtual execution and e-signatures

Updated guidance on the use of virtual execution and e-signatures issued by the Law Society now includes tips on how to operate in practice if virtual execution and/or e-signatures are to be used to formalise documents.

[The updated guidance](#)

Updated guidance on holding AGMs published

The Chartered Governance Institute (CGI) has updated its guidance note on holding AGMs under the Corporate Insolvency and Governance Act 2020. Prepared in conjunction with the City of London Law Society, the guidance is supported by the GC100, the Investment Association and the Quoted Companies Alliance. The guidance considers the sort of meetings companies may hold, limiting shareholder attendance, rights members have, how members may vote and whether a company that has already issued a notice of meeting may change its format and whether a physical meeting can now be held.

[The Chartered Governance Institute updated guidance](#)

Companies House updated guidance in response to COVID-19

Companies House has updated its guidance in response to the COVID-19 outbreak, in particular, its temporary upload service of documents which now includes the ability to upload amended articles of association.

[Companies House guidance](#)

Also, Companies House has notified that it will re-start the voluntary strike-off process from 10 September 2020.

[Further information](#)

Other matters

Shareholders gain the right to obtain confirmation of voting

The Companies (Shareholders' Rights to Voting Confirmations) Regulations 2020 (the Regulations) have been published. The Regulations apply to traded companies and implement certain provisions of the Shareholder Rights Directive, which are:

- An obligation to confirm a receipt of votes which are cast electronically.
- A right of shareholders to request information from the company so they can determine that their vote has been validly recorded and counted.

Companies will need to ensure that their Registrars can provide this information to shareholders.

[The Regulations](#)

Latest Employment Related Securities Bulletin

HMRC have published their latest ERS bulletin, providing information and updates on employee share schemes. In their latest bulletin, they cover:

- The impact COVID-19 has had on EMI schemes
- How the 12 month extended payment holiday for SAYE participants will apply

[ERS bulletin](#)

Review of the response of audit firms in evaluating going concern assessments

The Financial Reporting Council (FRC) has reviewed the seven largest audit firms into their response in evaluating the going concern assessments produced by companies. The review shows that audit firms have introduced a range of measures to help in their evaluation of going concern and sets out nine key messages. Not surprisingly, all of the firms reviewed have enhanced their consultation requirements on going concern assessments and increased communications to staff on COVID-19 issues. Audit firms have recognised that the assumptions used in going concern assessments should differ between companies. Firms have issued some guidance concerning stress testing, but the FRC would like to see an extension of this. Audit Firms have reported some delays to audit reports but are generally unable to provide numbers, and the FRC would like to see this information being monitored.

[The FRC's review](#)

Climate Financial Risk Forum issues guidance on climate-related financial risks

The Climate Financial Risk Forum (CFRF) has published an extensive guide to help companies approach climate-related financial risks. The CFRF was set up by the Prudential Regulation Authority and Financial Conduct Authority (FCA) to share best practice and promote the financial sector's response to financial risks from climate change.

The risks faced by companies are both physical risks from climate change and transition risks from the move to a net-zero carbon economy. The guide covers chapters on risk management, scenario analysis, disclosures and innovation with best practice examples. Although targeted at the financial services industry, the guide may be of use to other companies in their response to climate change.

[The CFRF's guide](#)

Operational separation of the audit practices of the Big Four audit firms

The Financial Reporting Council (FRC) has set out its principles and objectives for the operational separation of the audit practices of the Big Four audit firms. This follows the recommendations of the review into the statutory audit market carried out by the Competition and Markets Authority published in April 2019. The FRC has consulted extensively with the firms involved who will now need to agree to the operational separation of their audit practices based on the principles. An implementation plan is due to be submitted by the firms to the FRC by 23 October 2020 and a transition timetable for completion no later than 30 June 2024. Anticipated legislation on the audit market will likely include a backstop to ensure that audit firms conform.

[The FRC's document on the principles for operational separation](#)

Call for participants to take part in stakeholder reporting project

The Financial Reporting Council's Financial Reporting Lab has issued a call for participants to take part in a project on corporate disclosures about stakeholders, including Section 172 statements. The project will consider how information about stakeholders can be reported most effectively by looking at best practice and understanding shareholders' needs. Views are sought from companies, investors and other interested parties.

[Further information](#)

Annual audit quality reports into the seven largest audit firms published

The Financial Reporting Council (FRC) has published its annual audit quality reports into the seven largest UK audit firms. The main finding of the 88 reviews carried out was that only two-thirds of the audits were of a good standard or only required limited improvement. The FRC states that the number of audits requiring more than limited improvements remains unacceptable. The reviews set out steps the FRC will take to ensure audit quality is improved, including increasing focus on proactive supervision and requesting firms to implement specific actions.

[The individual reviews of all seven firms](#)

Government considering legislation and reform as a result of Thomas Cook enquiry

A BEIS Committee enquiry into the collapse of Thomas Cook reported to the Government in October 2019. Amongst other things, the report included recommendations on corporate governance, executive remuneration and audit reform. The Government's response to the report was published on 14 July 2020. Highlights of the Government's response include:

- The Government will bring forward legislation to replace the Financial Reporting Council with a new body, the Audit, Reporting and Governance Authority (ARGA), as soon as parliamentary time allows. ARGA will have stronger powers to scrutinise and enforce compliance with reporting requirements.
- Support for the alignment of executive and employee pension contributions was indicated by the Government who expect to see further progress in this area during 2020.
- Consideration will be given to the recommendation to have performance measures for executive remuneration schemes subject to audit.
- The Government expects companies to comply with the UK Corporate Governance Code's recommendations on malus and clawback provisions in remuneration policies.
- The Government does not agree with the recommendation to introduce a statutory 30 day limit for paying suppliers.
- Strong support is given to increasing leadership and board diversity, and the Government acknowledges that further action is needed in this area.
- The Government will respond on comprehensive proposals for audit reform and will bring in legislation as soon as parliamentary time allows.

[The Government's response](#)

How to ensure All-Employee Share Plans remain relevant

In a recent Webinar hosted by the FS Club and Esop Centre, EQ's Graham Bull and Jennifer Rudman discuss how to ensure all-employee plans (Sharesave and SIP) continue to provide benefits to today's workforce.

They looked at:

- how popular these tax-advantaged share schemes are now
- what the current challenges are
- top tips to help make your plans successful

[Watch the Webinar](#)

Share plans and long-term financial wellbeing - is now the time to promote share plans?

In this article from our industry partners, REBA (Reward & Employee Benefits Association) Andrew Woolnough, Director, EQ (Equiniti) HR Solutions interviews Jennifer Rudman on how all-employee share plans have supported both employees and employers through COVID-19.

[Read the article](#)