REGISTRY ROUND-UP

February 2020

Welcome to your February round-up, where we bring you key dates and the latest industry highlights from the world of registry, along with a market update provided by Georgeson.

This month we cover:

Computershare

A Focus on Dormant Assets

During January we held an event for clients and interested parties focusing on the potential expansion of the dormant assets scheme into the securities sector. The event consisted of two panel session, with the first looking at the work of the Dormant Asset Commission and Securities Sector Working Group ahead of an anticipated Government consultation, expected in the first quarter of 2020. The second panel session provided practical insight from Issuers who have or are in the process of conducting a share forfeiture scheme under the powers afforded to them by their Articles of Association.

For more information you can view our short video here, and you can read the Industry Update we have published here.

Annual Corporate Governance Code Review

The Financial Reporting Council (FRC) have conducted their annual review of the Corporate Governance Code (found here) and assessed companies' reporting with respect to the 2016 Code.

The FRC also considers its expectations regarding the 2018 Code which applied to accounting periods beginning on or after 1 January 2019, by looking at some of those companies who have been early adopters.

In conducting their review, they have found that reporting on practical aspects of the Code is far from perfect and needs to improve to truly demonstrate effectiveness. Going forward under the 2018 Code, the FRC would expect to see a greater focus on activities and outcomes from implementing the principles of the new Code, especially in the areas of board effectiveness and decision making, including how they have led to sustainable benefits for stakeholders.

It was felt that during this review, companies were concentrating on accomplishing strict compliance with the Code's provisions and so there was little insight into governance practices.

As for those early adopters of the 2018 Code, the aspects dealing with workforce engagement were the most frequently discussed areas, followed by recognition that many companies would be proposing new remuneration policies in 2020 and so the new Code and its changes related to remuneration committees will manifest this year.

Some other notable takeaways included:

- Where companies discussed their purpose, they tended to conflate mission and vision with purpose, and that some even substituted what appeared to be a slogan or marketing line for their purpose.
- While the report noted that many companies identified their key stakeholders in their annual report and included information on their engagement activities, few discussed the issues that were important to or even raised by stakeholders and so did not disclose the extent to which this impacted the company's strategy.
- The report also makes clear that the FRC expects companies to view abstentions together with votes against when considering if there has been any significant minority dissent on a resolution as this will allow companies to engage fully with shareholders.

AIM and MAR

Both the Market Abuse Regulation (MAR) and the Prospectus Regulation have been amended for Issuers on SME growth markets in an attempt to reduce the administrative burden. These changes will impact all Issuers on Euronext Growth in Ireland and may impact issuers on AIM, as it is the designated SME growth market for the UK.

While the changes for the Prospectus Regulation are minimal, the changes for MAR include:

- Insider lists

Issuers will have to maintain a list that only includes those persons who, due to the nature of their function or position have regular access to inside information. Member States, however, can mandate that full insider lists be maintained where there are specific national market integrity concerns.

- Delay in disclosure

Where an Issuer delays the disclosure of inside information, they will not have to provide a written explanation on how they met the grounds for the delay when notifying their national competent authority (e.g. the FCA). An explanation will only be required where a request has specifically been made.

- PDMR dealings

The timelines for market notification of PDMR transactions are being amended. Under current rules, notification by the PDMR to the Issuer and the Issuers disclosure to the market must be made within three days of the dealing. In future, where an issuer has been notified by the PDMR of a trade, the Issuer will have three days to notify the market from the date they received the notification.

These changes apply from 1 January 2021 for EU Member States, but UK adoption may depend on agreements with the EU as this date falls just outside the end of the transition period. Full details of the amendments can be found here.

Workforce Reporting

To provide some practical guidance on how to improve company workforce reporting, the Financial Reporting Council's (FRC) Financial Reporting Lab have published a report on the matter (found here).

With an increasing investor focus since the introduction of The Companies Act (Miscellaneous Reporting) Regulations 2018 and the 2018 Corporate Governance Code, the report indicates that there remains a gap between what investors want to see and what companies are disclosing.

The report tries to encourage companies to report on matters including:

- Oversight of workforce-related matters, such as board engagement and how board considerations on such matters impacts their strategic decisions
- Who is considered the workforce, how each aspect creates value and the opportunities to grow that value
- Risk and opportunities related to the workforce
- How the company's culture is being driven from the top down and how, together with the company's values, the long-term strategy is being achieved; and
- How the workforce is being enhanced and incentivised

Global News

The 2020 Corporate Landscape

PwC America have published a report on the 2020 corporate landscape and what boards should expect.

The report considers the familiar themes of corporate purpose, environmental, social and corporate governance (ESG), talent management, corporate culture and crisis management. Each theme is reinforced with data to demonstrate the need for a board to focus on these in 2020.

This report reflects not just a seismic shift in the conversation around the purpose of a company in the United States, but also those conversations being had in many developed markets including the UK and Ireland.

The report speculates that 2020 will see the 'social' of ESG being more prominent with a focus on privacy, human rights, diversity and inclusion and workers health and safety being hot topics. When it comes to corporate culture, the report sees that the growing calls from investors for boards to demonstrate their oversight on such matters as conduct and workforce ethics will continue long into 2020.

The full report can be found here.

Upsides of ESG Benchmarking

The international law firm, White & Case, have published a report which considers the benefits companies may see by participating in or consulting with ESG benchmark ratings such as Know The Chain, Corporate Human Rights Benchmark, Raking Digital Rights and BankTrack Human Rights Benchmark among others.

Some of the upsides can include the facilitation of risk identification by obtaining access to data-based insights and peer comparisons. This can be across a variety of practices and processes and aiding companies in their positioning to respond to increased investor demand for ESG disclosures.

White & Case's full report can be found here.

UK

Increase 'skin in the game'

The Financial Times reports that Shareholders demand British bosses increase 'skin in the game'

"Pressure builds for chief executives to top up their company shares pot."

Review of 2019 Activities

The Investor Forum has published its Review of 2019 Activities

"There is an inescapable sense that the business agenda has changed and that there is a vital need for investors to respond. Society and regulators are asking questions, many of which call for urgent responses and radical changes in approach. As the pressure for a change in behaviour increases, not least from those outside the corporate world, the focus must be on creating solutions."

20 Things to Watch in 2020

The FT's Moral Money has published 20 things to watch in 2020

"Your guide to the investment and business revolution you can't afford to ignore."

International

Socially Responsible Investment Observatory Code Green

Georgeson and the Club de Excelencia en Sostenibilidad have presented their report entitled 5th Edition of the Socially Responsible Investment Observatory

"Since the publication in 2014 of the first report on the 'Expectations of institutional investors in social, environmental and ethical matters regarding Spanish listed companies', prepared by Georgeson, the Club de Excelencia en Sostenibilidad and Funds People, one can see that the inclusion of environmental, social and corporate governance (ESG) criteria has ceased to be a marginal issue, becoming part of the mainstream of capital markets, becoming a key and decisive aspect in the processes of investment of asset managers at national and international level."

Fundamental Reshaping of Finance

The Wall Street Journal reports that BlackRock to Hold Companies and itself to Higher Standards on Climate Risk

BlackRock has published Larry Fink's Annual Letter to CEOs entitled A Fundamental Reshaping of Finance which explains how BlackRock is seeking to regain lost ground in the climate fight.