REGISTRY ROUND-UP

October 20

Welcome to your October 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:

UK Corporate Governance and Insolvency Act

The UK Corporate Governance and Insolvency Act 2020 allowed Issuers to hold meetings that met only minimum quorum requirements, excluded broader shareholder attendance as well as fully virtual meetings between March and 30 September. Shortly before the end of this period, the government announced that these measures have been **extended to the end of December**.

This is welcome news for Issuers planning their meetings in the later months of the year. We, and other market stakeholders, will be watching closely to see if there will be a further extension as we approach the new December deadline. It was not possible for the government to extend the emergency provisions beyond the end of December, as the drafting of the original legislation only permitted the government to only extend the measures for three months at a time.

AGM Review – An Opportunity for Change

Following the introduction of temporary measures for AGMs within the Corporate Governance and Insolvency Act, the Financial Reporting Council (FRC) announced earlier in the year that they would conduct a review of the 2020 AGM season to understand what happened during the season and what can be learnt for future AGM seasons.

The FRC has engaged with a wide range of market participants including ourselves through the ICSA: Registrars' Group and has published their report laying out a range of findings and recommendations. The report includes best practice steps to aid Issuers in planning and conducting their meetings in 2021.

Read our blog, which goes into more detail on the contents of the report and our thoughts on how we can assist Issuers.

Some of the key highlights of the report include:

- Of the 202 FTSE 350 companies who held an AGM between March and August, 30 of them provided no Q&A facility for shareholders before or during the AGM.
- There is a recommendation that upon purchasing shares, an email address is provided for the shareholder to the Issuer and/or their agent.
- If electronic communications are offered, shareholders should sign up for them.
- Increasing the use of technology is welcome and Issuers should be mindful that traditional AGMs are unlikely in 2021.
- FRC and BEIS will be working together to look at measures to allow virtual or hybrid meetings in 2021, while also seeking to clarify the concept of 'place' within the Companies Act.

Following this report and some questions we have received from our clients, we would like to know what you think about the upcoming 2021 AGM season. By gathering this information from you, we'll be able to paint a picture of the market so we can share this with you to help you inform your future decisions.

Corporate Transparency

Following the consultation issued by the UK Department for Business, Energy and Industrial Strategy in 2019 that considered ways of increasing corporate transparency and enhancing the role of Companies House, the department has now issued their response.

The response sets out the key changes that they will be pursuing.

- **Identity Verification**
  Compulsory digital identity verification checks will be introduced for directors, persons with significant control and those who are authorised to present company information. We welcome the fact that the government have listened to the industry and will not be requiring shareholders to be verified. However, companies will still be required to provide full names of shareholders in the same circumstances as they currently do.

- **Accurate and Useable Information**
  Companies House will have the discretion to query and check information prior to it being applied on the central register, and where information needs to be amended or removed the associated processes will be simplified.

- **Company Accounts**
  Further consultation is planned to consider measures related to the introduction of full electronic tagging for accounts submitted to Companies House.

These proposals are subject to further development and where necessary further consultation and the introduction of legislation when parliamentary time permits.

Modern Slavery

In response to the UK government's consultation regarding transparency in supply chains, new proposals have been made which are intended to strengthen the Modern Slavery Act 2015 and the statement on transparency required under s. 54 of the Act.

The proposed measures include:

- **Contents**
  Mandating of areas that the statement must cover, which will include the current six voluntary areas (organisations structure, business and supply chains, policies, due diligence, assessments and risk management).

- **Timing**
  All entities within the scope of the current reporting requirements (a corporate body, conducts business in the UK, supplies good or services and has an annual turnover of £36million or more) will be required to report for a period of 1 April to 31 March each year, and the reporting deadline will be 30 September.

- **Publication**
  Under the current rules, organisations can publish the statements on their website. However, under the new proposals, they will also have to publish their statement via the government's new reporting service.

- **Penalties**
  The government are considering the introduction of civil penalties for non-compliance.

Organisations should expect the government to release legislative changes when time allows, together with updated guidance and best practice approaches.

Stewardship – Early Reporting

The Financial Reporting Council has released a review into some of the early reporting that signatories to the Stewardship Code 2020 have completed.

The new Code required signatories to provide a new annual stewardship report, which requires reporting on stewardship activities carried out and the associated outcomes, rather than just stating the intention of the organisation's policies.

The Council recognise that some have made good attempts at early reporting, but they have also highlighted areas where improvements need to be made to meet the high standards expected of signatories.

Some of the key things for investors to remember while drafting their report are:

- Providing full explanations of the structures and processes that underpin their stewardship decision making.
- Ensuring they address all asset classes and locations, and where appropriate explaining if their stewardship differs due to lack of development in certain asset classes.
- Focusing on activities and their outcomes by providing specific evidence for the reporting period.

The Future of Corporate Reporting

The FRC has published a discussion paper, The Future of Corporate Reporting, which considers how the annual report can be reimagined to better address the needs of all stakeholders of an Issuer. The Council recognise that the annual report has been "pushed and pulled" to fit an ever-increasing array of demands which has resulted in a confused document trying to address a range of purposes and audiences.

As the Council don't see a way to remedy the situation without a radical overhaul, they have made a number of proposals for a new model.

- Unbundle the existing purpose, content and intended audiences of the annual report by moving to a network of interconnected reports.
- Facilitate a more holistic approach to reporting, governed by an overarching set of principles.
- Move towards an objective-driven framework focused on addresses communication with all stakeholders.
- Establish a framework that is consistent with recommendations from recent independent reviews on the FRC.
- Embrace available technology opportunities to improve access.
- Enable reporting to be more flexible and responsive to changing demands and situations.

Comments to the paper can be submitted to a dedicated email address or using an online form by 5 February 2021.

Global News

Board Evaluation

EY has published a review of Fortune 100 company proxy statements (i.e. Annual Report disclosures) and what they revealed about board evaluation processes and disclosure practices.

- **Disclosure** – 95% of companies provided some form of disclosure regarding their board evaluation processes.
- **Process** – 31% of companies confirm that they use third parties to facilitate evaluations.
- **Scope** – 48% disclosed that individual director self-evaluations were included together with board and committee evaluations.
- **Coverage** – Over half of respondents provided information on the general topics covered within their evaluations.
- **Method** – Just over 30% advised that they used both questionnaires and interviews.
- **Action Plan** – Significant levels of companies provided high-level action plans as a result of the evaluations which included changes to committee structures, expanding INED responsibilities and addressing deficiencies in board and committee agendas.

Race and Ethnicity Data

ISS has confirmed that they are now offering race/ethnicity data on 33,000 Directors, 6,800 Non-Executive Officers at more than 6,000 companies.

This data has reportedly been sourced directly from the companies (such as filings or responses to ISS data requests) and where not sourced directly it has been obtained from other public sources including investment relation websites, LinkedIn, media sources and connections with relevant associations.

Institutional investors wishing to use this information can discuss purchasing the data from ISS.

Pandemic Long-Term Shifts
KPMG has conducted a survey of 315 global CEOs who have revealed how views are changing as the pandemic continues to shape their business. Things considered by CEOs as now 'normal' include internal changes necessitated by lockdowns and remote working conditions.

CEOs see the pandemic as an opportunity to rethink the way we work and communicate:

- 77% - We will continue to build on our use of digital collaboration and communication tools.
- 73% - Working remotely has widened our potential talent pool.
- 69% - We will be downsizing office space.
- 68% - My communications with employees have improved during the crisis.

Respondents came from a wide range of jurisdictions including Australia, Canada, China, France, Germany, India, Italy, Spain, the USA and the UK.

Climate Based Divestments
Storebrand Asset Management who is Norway's largest institutional asset manager has divested itself from 27 companies. Five of these divestments were due to the Issuer's lobbying activities, whereas 22 related to the Issuer's coal and oil revenues which were reportedly exceeding the asset managers policy of '5% threshold'.

The asset manager has a new climate policy which state they will no longer invest in companies that:

- derive more than 5% of their revenues from coal
- derive more than 5% of their revenue from oil sands bases activities
- are involved in severe and/or systematic unsustainable production of palm oil, soy, cattle and timber
- deliberately and systematically work against the goals and targets enshrined in the Paris Agreement.

The companies who have been impacted include US-based Chevron and Exon Mobil, and UK-based Rio Tinto and Evraz as listed in the asset manager's press release.

European AGM Season Review

On 9 September, our colleagues at Georgeson published their industry-leading European AGM Season Review. In conjunction with its release they held an insightful webinar looking at the specifics of the UK market. With the help of Kirsten van Rooijen, MD of Computershare Netherlands and our global lead on AGMs it considered the impact of COVID on the 2020 season.

WATCH THE WEBINAR

If you have any questions or feedback you can get in touch with Georgeson.

US Corporate Governance Review – Part 1

The report provides a comprehensive review and analysis of 2020 proxy season data and trends and investor voting outcomes, including: ESG shareholder proposals, director elections, say-on-pay proposals, M&A, proxy contests and investor activism.

READ THE REPORT

UK

Keen to Cut Dividends Rather Than Executive Pay

The Financial Times reports that European companies were keener to cut dividends than executive pay.

Following the release of Georgeson's European AGM Season Review, The Financial Times reports that the "AGM review shows disparity between protection of top salaries and dividend reductions."

Still Too Many Jobs for the Boys!

The Financial Times reports on Still too many jobs for the boys.

"Precious few women chair the boards of FTSE 100 companies."

International

ESG Reporting Standards

The Financial Times reports that Big Four account firms unveil ESG reporting standards.

"At the 2020 Annual Meeting in Davos, 120 of the world's largest companies supported efforts to develop a core set of common metrics and disclosures on non-financial factors for their investors and other stakeholders. This report presents the conclusions of our six-month open consultation process to define common metrics for sustainable value creation. The core and expanded set of "Stakeholder Capitalism Metrics" and disclosures can be used by companies to align their mainstream reporting on performance against environmental, social and governance (ESG) indicators and track their contributions towards the SDGs on a consistent basis. The metrics are deliberately based on existing standards, with the near-term objectives of accelerating convergence among the leading private standard-setters and bringing greater comparability and consistency to the reporting of ESG disclosures."

See the full document.

Birth of the Frankenfirm

The Economist reports about Multinational companies and protectionism – Birth of the Frankenfirm.

"On August 6th, when the White House told TikTok that it had 45 days to shut down or find an American buyer, there was a risk that the Chinese-owned video app would disappear from America, infuriating its 100m users there and destroying billions of dollars of investors' wealth. Now a last-minute fudge seems to have been found. TikTok has said it will enter a complex partnership with Oracle, an American tech giant, that is designed to show it is more under American sway. The day before Nvidia, an American semiconductor company, bid $40bn for Arm Holdings, a British-based chip-design firm, triggering a storm in Britain about how to stop its tech champion from being dragged into America's trade war. Far from being oddities, the two episodes offer a preview of how the new age of nationalism will change the way multinational firms are run – for the worse."