REGISTRY ROUND-UP

January 2020

Welcome to your January 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:

Industry update

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Georgeson market update

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Industry update

Brydon Review

September 2018 saw the introduction of changes to the AIM Rules which require companies on that market to publicly state which code of corporate governance they were following and provide a statement on their adherence.

In compliance with the AIM Rule 26, 90% of the 900 companies on AIM stated that they had adopted the Quoted Companies Alliance (QCA) Corporate Governance Code. As a consequence of this large-scale adoption of the QCA's Code, they have conducted a survey to understand what organisations felt about the process and how it might have helped or even hindered them.

The resulting report (found here) discovered that 39% of respondents felt that adopting the QCA code helped their business by formalising new processes and prompting the board to consider other views. The report also identifies that 40% of respondents found that since adopting the code they have increased their transparency to the market around board evaluations and the strategy of the organisation.

Overall, the QCA see that the results of their survey support their published governance framework that was designed to give small and medium-sized companies sensible guidelines based on the size their organisation and resources available to them.

AIM Good Governance

The Quoted Companies Alliance (QCA) together with UHY Hacker Young and input from some fund managers have published their review of the corporate governance disclosures of 50 AIM listed companies and practical guidance for quoted companies.

The review (found here) focuses on 5 key areas including stakeholder engagement, board expertise and succession planning. Generally, the QCA have found that where companies have adopted their Code, it has led to more transparency in corporate governance with specific areas on company websites dedicated to the subject. However, the QCA has noted that more work still needs to be done in the sphere of succession planning, and results relating to board performance.

Listing Rule Changes

The Financial Conduct Authority (FCA) has published a consultation (found here), which proposes several changes to the FCA handbook including changes to the Listing Rules:

Documents on display

Listing Rule 13 will be amended to make clear that, on class 1 transactions, a share purchase agreement doesn't need to be available online. Since the introduction of the EU Prospectus Regulation, there has been a requirement to put all display documents online. Prior to this, a level of discretion was allowed and the FCA is proposing to reintroduce the previous practice in relation to share purchase agreements. The consultation on this rule change closed on the 6 January 2020.

Rights attaching to shares

A new continuing obligation is being proposed for all issuers on the Official List to keep publicly available on the National Storage Mechanism at least one of the following:

- The securities' approved prospectus;
- A document setting out the securities' terms and conditions; or
- A description of the rights attached to the securities and how to exercise them.

This rule is intended to bring transparency to investors and holders of securities and increase stakeholders understanding of the associated rights. The consultation on this rule change closes on the 6 February 2020.

Proxy Advisor Regulations

The FCA has published a policy statement (found here) in relation to changes it will be making to the Decision Procedure & Penalties manual (DEPP) and the Enforcement Guide to take account of the new powers given to the regulator by the Proxy Advisors (Shareholders' Rights) Regulation which came into force on the 10 June 2019.

The regulations gave the FCA powers to discipline and investigate proxy advisors, who through the revised Shareholder Rights Directive (SRD II) had new obligations to be more transparent in the way they carry out their work and provide their services.

Chapter Zero

The UK non-executive director network, 'Chapter Zero – the Directors' Climate Forum' have recently released their boardroom toolkit to aid directors worldwide to understand and meaningfully engage in relation to business risks and opportunities related to climate change. The toolkit (found here) includes a climate action self-assessment tool and provides a one-click access to numerous other resources.

Punish Directors

The Guardian reports Punish directors who don't make climate disclosures, says hedge fund

"The activist hedge fund TCI plans to target directors of companies that fail to disclose their carbon emissions, in the latest sign that investors are putting more pressure on boardrooms to step up their disclosure on climate risks."

Code Green

Financial News reports about Code Green: Activist investors target environmental offenders

"As the focus on ESG grows in the minds of investors and the wider public, ESG performance has now clearly entered the sights of activist investors. This compelling link between ESG ratings and the likelihood of activist targeting should serve as a wakeup call to boards across Europe," said Malcolm McKenzie, A&M's head of European corporate transformation services.

A Force in Investing

The Economist reports that Climate change has made ESG a force in investing – but the figures behind ESG rating systems are dismal

"Labelling based on incomplete information, public shaming, and shunning - wrapped in moral rhetoric…" said Hester Peirce, a straight-talking commissioner at America's main financial regulator, the Securities and Exchange Commission, in June. She was taking aim at the scoring systems that purport to assess firms' performance based on environmental, social and governance (ESG) factors.

Yet love them or hate them, ESG scores are becoming ever more important in the world of investing and capital markets. At least $3trn of institutional assets now track ESG scores, and the share is rising quickly. In America and

Europe some politicians, bosses and investors want to shift away from measuring corporate performance based mainly on shareholder returns.

Climate change is another catalyst. Christine Lagarde, the new head of the European Central Bank, thinks the institution should consider using monetary policy and bank supervision to fight climate change – a shift that would involve assessing which firms are dirtier than others. Mark Carney, the governor of the Bank of England, has championed better disclosures by firms on climate change. Chris Hohn, the head of TCI, a London-based hedge fund famous for its hard-headed approach, has outlined plans to vote against the directors of companies that fail to reveal their carbon emissions.

Code Green

Responsible Investor reports that Shareholders could get vote on firms' non-financial statements

"European Securities and Market Authority issues report on short-termism." A full ESMA report can be found here.