

REGISTRY ROUND-UP

February 2019



Welcome to your February round-up. We are bringing you highlights from the registry world, key dates for you to be aware of, all current and relevant industry updates and a market update provided by Georgeson.

This month we will cover:

Industry update

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- > Stewardship Code
- > AI and Corporate Reporting
- > Market Watch and MAR
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- > Global News

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Industry update

Confirmation Statements

In the majority of instances, supporting information in the form of shareholder records is no longer required to support any confirmation statements you lodge with Companies House. In light of the increase in digital filings and variability in filing date for a confirmation statement, we will in future provide confirmation of your issued share capital to support your filing within 24 hours of receiving any such request, rather than on a diarised anniversary of a previous filing.

For those clients who require shareholder records as part of the supporting evidence for their confirmation statement, we will of course continue to provide the necessary register information in the required format.

Stewardship Code

The Financial Reporting Council (FRC) has published their consultation on a new Stewardship Code. The new Code sets significantly increased expectations for investor stewardship and focuses on how effective stewardship delivers sustainable value for beneficiaries, society and the economy.

It aims to increase demand for effective stewardship and investment decision making which is better aligned to the needs of stakeholders.

The central changes to the Code include:

- › **Purpose, values and culture**
Investors must report how their purpose, values and cultures enable them to meet their obligations to stakeholders.
- › **Recognising the importance of ESG factors**
There are now references to environmental, social and governance factors and signatories to the Code are expected to take material ESG issues into account when fulfilling their responsibilities.
- › **Stewardship beyond listed equity**
Under the new Code it is expected that stewardship should extend across a wider range of assets where investors have influence and rights, both nationally and globally.

The Code also sees more rigorous requirements for reporting that focus on how stewardship activities deliver outcomes versus objectives. Reporting will also be subject to greater oversight by the FRC.

The consultation on the new Code can found [here](#) and is open for responses until 29 March 2019.

Connected with the consultation we have also seen the Financial Conduct Authority (FCA) publish two documents related to stewardship of investments:

1. Consultation paper on the regulatory measures to implement the provisions of the amended Shareholder Rights Directive for FCA regulated life insurers and asset managers (found [here](#)). The consultation closes on 27 March 2019.
2. Discussion paper, co-authored with the FRC, on the importance of effective stewardship (found [here](#)). You can provide the FCA comments up until 30 April 2019.

AI and Corporate Reporting

The Financial Reporting Lab has published its latest report looking at how technology might impact the production, distribution and consumption of corporate reporting. The report entitled '[Artificial Intelligence – How does it measure](#)

[up?](#) explains what Artificial Intelligence (AI) is, where it might be applied in relation to corporate reporting, and looks at some of the possible and current cases for using such technology.

The report looks at three key challenges of corporate reporting and the associated potential for AI. Those challenges are:

- > Recording and aggregating transactions, across multiple entities, and then converting the data into a meaningful communication
- > Effectiveness of providing internal or external assurance over the communication
- > Consumption of information reported by, and about, the company and translating it into insight and actions

Market Watch and MAR

The Financial Conduct Authority (FCA) has published their latest [Market Watch](#) newsletter, which outlines the FCA's findings following their review of industry implementation of the Market Abuse Regulation (MAR).

The newsletter focuses on the findings related to insider lists and market soundings, but also contains some more general observations and reminders.

- > **Processes for Identifying Inside Information**
FCA stresses the importance of issuers being able to identify and assess that they have information which meets the test for inside information. The FCA reminds the market to be conscious of the various ways that inside information can arise and ensure staff are appropriately trained to identify such information and respond accordingly.
- > **Insider Lists**
The importance of completing all fields on an insider list and ensuring lists are quickly available for review by the regulator is emphasised. The FCA also warn the market to be mindful of the number of employees detailed on permanent lists – these should be restricted to those who have access to inside information at all times.
- > **Market Soundings**
The FCA has announced that the market soundings regime does not appear to have had an impact on capital raisings in UK markets. The FCA also highlight some different models being used for receiving market soundings, such as the 'gatekeeper' model where compliance and/or front-office teams act as the first point of contact.

Single Electronic Reporting Format

The European Commission has published the final draft delegated regulation and annexes (found [here](#) and [here](#)) which set out the specifications for the single electronic reporting format for annual reports.

Under the amended EU Transparency Directive, the annual reports of companies whose securities are listed on an EU regulated market must be published in the European Single Electronic Format (ESEF) for financial years beginning on or after 1 January 2020.

The requirements of ESEF will require companies to issue their annual reports in Extensible Hypertext Markup Language (XHTML) with the consolidated financial statements being marked up using Extensible Business Reporting Language (XBRL). XBRL allows both machine and human readability in a single document; it presents information in a format which, through the use of tagging allows software analysis.

Global News

Corporate Enforcement Authority

In October 2017, the Irish Government accepted a recommendation which would cease to make the Office of the Director of Corporate Enforcement (ODCE) an office within the Department of Business, Enterprise and Innovation. It would instead become an agency in the form of a Commission.

The Irish Government has published legislation to change the ODCE into the Corporate Enforcement Authority. The change looks to build on reforms already enacted by the ODCE and provide it with more autonomy and flexibility when facing challenges during investigations and the prosecution of increasingly complex company law breaches.

The legislation and a Regulatory Impact Assessment can be found [here](#).

Disclosures of ESG Matters

The International Organisation of Securities Commissions has published a statement stressing the importance of issuers considering the inclusion of environmental, social and governance (ESG) matters in their disclosures to investors.

The statement encourages issuers to consider the materiality of ESG matters to their business, and to assess risks and opportunities in light of their business strategy and risk assessment methodology. Issuers should disclose the impact of potential impacts on their financial performance and value creation.

The statement can be found [here](#).



UK

Standard ESG Definitions

Investment & Pensions Europe reports that [ESG: UK fund management body proposes standard definitions](#)

"The trade body representing UK asset managers has launched an industry-wide consultation on sustainability and responsible investment in a bid to bring more clarity to the growing area of activity. The Investment Association (IA) is seeking its members' views on proposals for industry-agreed definitions and a product labelling system for UK retail investors. It also asks managers about their disclosure practices. According to the trade body, asset managers had been practising responsible investment 'for many years' with the intention of delivering better long-term returns for clients, but expectations had evolved."

2018 AGM Review and 2019 Voting Guidelines

The Pensions and Lifetime Savings Association (PLSA) has published their [2018 AGM Voting Review](#) and [2019 Corporate Governance Policy and Voting Guidelines](#)

"Remuneration-related voting dissent remained a key area of concern in 2018. While the figures for the FTSE 250 remain broadly consistent with those from 2015-2017, the number of resolutions attracting significant dissent on FTSE 100 remuneration-related votes in 2018 versus 2017 has nearly tripled. The 2018 AGM season also saw shareholders become more vocal regarding concerns about 'over-boarding' of directors, where directors hold multiple appointments. This investor frustration seems to be borne out in the PLSA report figures. The analysis has been published in PLSA's AGM Voting Review alongside the updated PLSA Corporate Governance Policy and Voting Guidelines for the 2019 AGM season. The guidelines set out voting best practice for pension funds or their asset managers to use and support positive progress on the issues highlighted in the report. The PLSA guidelines provide practical advice on how to approach common issues such as the conditions under which pension funds should support or oppose the typical resolutions at AGMs, including the approval of the report on executive remuneration, the re-election of directors or the appointment of the auditors."

International

Corporate Governance World

ISS has published a report entitled [The Corporate Governance World in 2019](#)

"1) Regulatory Change: Most countries conduct regular reviews of their corporate governance regulatory frameworks, with many countries revising their corporate governance codes every three-to-four years. 2) Focus on Boards: Board composition remains a key focus items for most markets. Board diversity maintains its momentum as a hot topic, with new U.S. legislation mandating gender diversity for the first time for California-headquartered companies. 3) Executive Compensation: Pay-for-performance alignment will be closely watched, especially as we may be facing a downward market. 4) ESG Disclosures and Climate Risk: Initiatives to improve disclosure and monitoring of environmental, social, and governance risks are taking place globally. Climate change risk remains a key priority issue for many investors, as an increasing number of companies report on emissions reductions targets and risk management programs."

Preparing for the 2019 AGM Season

Georgeson and Cuatrecasas have published a report entitled [Corporate Governance and Institutional Investors – Preparing for the 2019 AGM Season](#)

"Once again, Georgeson and Cuatrecasas have analyzed the behavior of foreign institutional investors and their proxy advisors in the IBEX-35 companies and the top 40 companies on the Spanish continuous market during the proxy season, to help these companies to prepare for their next shareholders meeting and anticipate the investors' demands. The report, 'El Gobierno Corporativo y los inversores institucionales – Preparando la Temporada de Juntas 2019,' was presented this morning at the Cuatrecasas Madrid headquarters. [...] The 2018 proxy season has been characterized by the growing effort of Spanish listed companies to engage in dialog with the institutional investors active in the field of corporate governance and with the proxy advisors that have most influence over these shareholders. These engagement activities should be a priority for companies, and it is recommended that they are carried out outside the proxy season, i.e., between November and February. [...] In the words of Claudia Morante, corporate governance director of Georgeson in Spain, 'as foreign investors active in corporate governance are increasingly participative in the share capital of Ibex-35 companies, these companies must adopt a more active role in their dialog with the main foreign shareholders of reference, and align their corporate governance, operational, and information-disclosure structures with the investors' growing demands'."

Review of Shareholder Activism

Lazard has published their [2018 Review of Shareholder Activism](#)

"Key observations from the 2018 report include: 1) 2018 was a record-breaking year for shareholder activism; 2) More investors are using activism as a tactic; 3) Activism Is Reshaping Boardrooms; 4) Activism Has Global Reach; and, 5) Traditional Active Managers Are the 'New Vocalists'."

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