REGISTRY ROUND-UP

July 2019

Welcome to your July 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

- Corporate Climate-Related Reporting
- Shareholder Rights Directive - Directors' Remuneration
- Shareholder Engagement and Stewardship
- Payment Practices
- Short Term Pressures
- Suspicious Activity Reporting
- Intermediated Securities
- Global News

Georgeson market update

- Proxy Monitoring 2019
- 30% Female Directors

Corporate Climate-Related Reporting

Guidelines on reporting climate-related information to stakeholders have been released by the European Commission. These are accompanied by an FAQ document and factsheet.

The documents follow the Commission's non-binding guidelines on reporting non-financial information which was published in 2017. This accompanied updates to the Companies Act 2006 and DTR 7 to ensure compliance with the EU Non-Financial Reporting (NFR) Directive.

The guidelines include:

- **Recommended disclosures**
  It is proposed that companies include climate-related disclosures for each of the reporting areas under the NFR Directive (business model, policies, outcomes, risks and key performance indicators). The guidelines contain recommended disclosures that companies should consider using and provides suggestions for more detailed disclosures.
- **Interaction with other recommendations**
  An explanation of reporting requirements under NFR Directive can be combined with recommendations of the Task Force on Climate-related Financial Disclosures.
- **Financial services companies**
  Further guidance can found in the annex for banks and insurance companies.

The Commission states that companies should be using this guidance for reports published in 2020.

The guidelines can be found here, the FAQs can be found here and the factsheet here.

Shareholder Rights Directive – Directors' Remuneration

Part of the amended Shareholder Rights Directive which came into force on 10 June 2019 introduced changes to the reporting requirements for directors' remuneration. In order to aid companies, the Department for Business, Energy and Industrial Strategy (BEIS) has published a set of frequently asked questions (found here).

The key changes introduced in the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 include a requirement for additional director remuneration disclosures by quoted companies, as well as extending the requirements on remuneration policies and remuneration report to UK incorporated traded companies.

The FAQs not only summarise but also discuss the following aspects:

- **Remuneration policies**
  These policies must clearly set out the decision-making process by which the policy has been determined. Companies have the flexibility to decide what would be helpful to shareholders. Requirements covering preparation and content of the policy will apply to any new policy brought to the shareholder on or after 10 June 2019. For unquoted traded companies that don't have a policy in place on 10 June 2019, they must put a policy to a shareholder vote no later than 1 January 2020.
- **Director's remuneration comparison**
  The report must disclose the annual percentage change of each director's remuneration compared to the annual remuneration percentage change of the company's employees, over a rolling five year period. Remuneration of each director should be included and the comparison should be against all employees (not

just UK employees). As the new requirements apply to financial years beginning on or after 10 June 2019, the first report will be required to include the new content for financial years on or after 9 June 2020.

Shareholder Engagement and Stewardship

The Financial Conduct Authority (FCA) has published a policy statement entitled 'Proposals to promote shareholder engagement' (found here).

The statement contains final rules and feedback following an earlier consultation seeking to implement aspects of the amended Shareholder Rights Directive. These rules will require life insurers and asset managers to disclose information concerning their engagement policies and investment strategies.

The FCA has stated that they believe that the new disclosures could be contained in the same document as disclosures required by firms under the revised Stewardship Code, but organisations need to consider whether their Stewardship Code disclosures will meet FCA rules. Initially, firms can be seen as compliant by explaining that they are developing an engagement policy due to the rapid nature that the rules have come into force.

Payment Practices

Following their October 2018 call for evidence on the subject of how to create a responsible payment culture for small businesses, BEIS has published their response (found here).

The response details the measures that it will take to tackle late payment:

- **Board level responsibility**
  Announced in the Chancellor's 2019 Spring Statement, the government will be requiring large companies' audit committees to review payment practices and report them within their annual accounts. It is preferred that this is introduced via guidance but if deemed necessary it will consider legislating to ensure the requisite level of attention is paid by boards.
- **New stakeholder reporting**
  Large companies must include a statement in their directors' report summarising how they have had regard to the need to foster the company's business relationships with suppliers, customers and others. The FRC has been tasked with reviewing how well payment practices are reflected in the first year of the new requirement and will apply for financial years beginning on or after 1 January 2019.
- **Prompt payment code**
  Responsibility for the voluntary code will move to the Small Business Commissioner and be reformed. There is intended to be a consultation on the merits of strengthening the Commissioner's powers against large businesses which don't comply with information requests or found to have poor/unfair payment practices.

Short Term Pressures

The European Securities and Markets Authority (ESMA) has issued a survey (found here) with the aim to gather evidence on the potential for short-term pressures on corporations stemming from the financial sector. ESMA invites investors, issuers, UCITS management companies, self-managed UCITS investment companies amongst others to respond to the questionnaire.

Lodged responses will contribute to ESMA's analysis of potential sources of undue short-termism on corporations with the aim of identifying areas in which existing rules may mitigate pressures.

The survey closes on 29 July 2019, and respondents are invited to read the explanatory note (found here) which provides background information and definitions for each section.

Suspicious Activity Reporting

The Law Commission has published their report (found here) looking at the potential to reform the existing Suspicious Activity Reporting (SAR) regime. The review was requested at the behest of the Home Office.

The UK Government continues to see large increases in reporting. Between April 2017 and March 2018 they saw a 9.6% increase for the same period when compared with the year before. This equated to nearly 500k reports being filed.

The Commission's report found that a large number of the SARs are of low quality and cause increases in work for them. They have tied this to a number of factors including board definitions located in existing legislation such as s.340 of the Proceeds of Crime Act (POCA), and also the criminal liability imposed on reporting officers which are producing defensive reporting.

The Commission's recommendations include:

- **Advisory board**
  Create an advisory board to oversee the drafting of guidance and to continue to monitor the effectiveness of the reporting regime.
- **Guidance**
  An amendment to POCA to impose the obligation on the Secretary of State to issue guidance covering the operating of Part 7 of the legislation, so far as it relates to organisations within a regulated sector. The guidance should cover a number of key statutory concepts such as assisting reporters in understanding and applying the Da Silva test, clarify the effect of consent and reduce existing confusion around terminology.
- **Prescribing the form**
  To enhance the quality of reporting it is recommended that the Secretary of State use their existing powers to prescribe the form of a SAR. It is also recommended that an online form should be developed.

Intermediated Securities

The Law Commission, following a request from BEIS, is beginning a review into intermediated securities to identify potential issues for stakeholders. The Commission will be issuing a call for evidence later in the summer, followed by a scoping study in summer 2020.

BEIS has supplied the Commission with their report from 2016 entitled 'Exploring the Intermediated Shareholding Model' (found here). However, following the original publication of this report both Computershare and the ICSA Registrars Group raised a number of issues with BEIS on some factual inaccuracies that were found within the document. We have therefore already engaged with BEIS and the Law Commission on this review and will keep you informed as it progresses.

If you have any questions or would like us to include your views on intermediated securities then please contact your Client Manager in the first instance.

Information on the Commission's review can be found here.

Global News

Corporate Governance Factbook

The Organisation for Economic Co-operation and Development (OECD) has published the Corporate Governance Factbook (found here) which aims to provide accessible and up-to-date information about the corporate governance frameworks across 49 global jurisdictions.

The Factbook is designed to complement the G20/OECD Principles of Corporate Governance and can be used by governments, regulators and the private sector to compare their own frameworks with those of other countries and also to get information on practices in specific jurisdictions.

Proxy Monitoring 2019

The Manhattan Institute reports: [Proxy Monitor 2019: Social Activists More Active Than Ever This Proxy Season].

"By the end of May, 199 of America's largest 250 companies, by revenues, had held their annual meetings. 17 more will have met by the end of June. Proxy Monitor shows that a total of 231 shareholder proposals will have appeared on the proxy ballots of those 216 companies. Although the average company faced but one shareholder proposal, some of the largest and most recognisable companies received many-led by Amazon with 12 and Alphabet (Google) with 11."

30% Female Directors

The Australian Council of Superannuation Investors (ACSI) has announced that [ASX200 reaches 30% women directors].

"The ASX200 has broken through the 30 percent barrier for women on boards, according to the Australian Council of Superannuation Investors (ACSI). ACSI CEO Louise Davidson said, 'This milestone represents the culmination of years of work by ACSI and others to increase the number of women appointed to listed company boards. Investors have long recognised the value of board gender diversity. ACSI and our members adopted a 30 percent target in 2015. To have corporate Australia achieve and, in many cases, now exceed this target is a good outcome.' More than 40 ASX200 companies currently have 40 percent women directors and 20 companies have 50 percent or more women on their boards."