



EQ Boardroom Bulletin

Welcome to your bulletin of what's happening within the financial services industry that will impact our EQ Boardroom clients receiving Share Registration and Employee Share Plans Services

With AGM season almost upon us, this month we share our views on the topics that we feel will be most important that UK PLCs give careful consideration.

Recent high profile corporate governance failings underpins the recent calls from government, the regulators and the Financial Reporting Labs for a review of risk and liability reporting.

It is also likely to lead to more scrutiny from the investor community who will be seeking firm assurances and potentially further evidence that the company's financial predictions are attainable.

This month we cover...

- The **Investment Association** (IA) has now published the register of shareholder dissent
- **Financial Reporting Council** (FRC) has published a series of publications in respect of audit and good corporate governance
- The **Institute of Chartered Secretaries and Administrators** (ICSA) publish their report on the usefulness and quality of board packs
- **Sharesave Scheme** – Great for you, great for your employees
- **ProShare** has published research on 'Attitudes to Employee Ownership'

FINANCIAL REPORTING COUNCIL (FRC) HAS PUBLISHED A SERIES OF PUBLICATIONS IN RESPECT OF AUDIT AND GOOD CORPORATE GOVERNANCE

The first report is a revised bulletin for auditors when agreeing to publication of preliminary announcements, the second a review of policies and practices of audit firms to make comparisons and identify good practice.

Audit committees have concluded that lengthy compliance driven reports can hide key information and that a 'comply or explain' format is preferred.

The FRCs report on preliminary announcements also details revisions made following a consultation earlier in the year with stakeholders. The guidance supports the view that preliminary announcements are largely effective and have been updated to reflect the need for all price sensitive communications to be 'fair, balanced and understandable' including guidance on use of alternative performance measures. It also

In addition, the FRC has set out the following key messages for audit firms and committees:

- Recommendations adopted by audit firms since the last materiality report in 2013 include an emphasis on the application of judgment when determining overall materiality, providing industry-specific guidance for many sectors and demonstrating the consideration of risk in setting performance materiality.
- Audit firms should provide audit teams with guidance on setting component materiality, including both how to address the relative size of particular risks arising in components and how they can better explain the concept of performance materiality in their reports.

The reports also include good practice examples of reporting on the following topics:



External audit – independence, effectiveness and objectivity



Reporting on significant issues



Risk management and internal control

The report is available [here](#).

suggests a new voluntary report may be included by the auditor within the preliminary announcement, which sets out the respective responsibilities of the directors and the auditors; procedures performed by the auditor to agree to its publication and the status of the audit of the related statutory financial statements.

The bulletin is available [here](#).

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- Audit Committees should understand and challenge the judgments underlying the setting of materiality and how it affects the audit work performed.
 - Ensure that component materiality is properly explained and justified to them by the auditor.
 - Consider how best to engage with investors on materiality and adjusted and unadjusted differences. They should also ensure that their own reporting provides sufficient information on the discussions held with auditors regarding these differences.

The FRC report is available [here](#).

The Investment Association (IA) has now published the register of shareholder dissent with the largest, not surprisingly, relating to executive remuneration. This is followed by the re-election of company directors.

The aim of the register is to understand the process used by companies to help identify and address the concerns of their shareholders, it also shows which companies have made a statement at the time of the meeting and afterwards. Currently, levels of publishing such statements are low with only a third of companies providing a public response as to how they are addressing shareholders concerns.

The IA's press release and Register are available [here](#).

THE INSTITUTE OF CHARTERED SECRETARIES AND ADMINISTRATORS (ICSA)

Report on the usefulness and quality of board packs

The report entitled "**Challenges to Effective Board Reporting**" is based on a survey of governance professionals.

The research concludes that board packs can often prove a barrier to the decision making process. This is due to content typically being backwards looking with a vast amount of information that makes it unlikely they can all be read and absorbed. They are also time consuming to produce. The ICSA together with Board Intelligence intend to produce guidance to help company secretaries and others to address some of the issues raised by the research.

The ICSA report is available [here](#).

SHARESAVE

Great for you, great for your employees

Sharesave is a savings-related share plan where employees have the opportunity to buy shares with their savings, at a fixed price.

The plan is an easy way to save, invest and share in the future success of the company the participant works for.

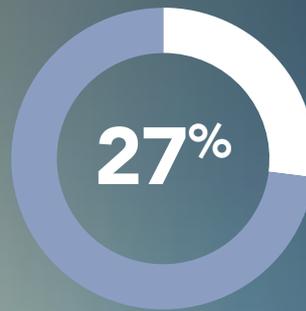
It also has the added benefit of providing tax advantages for UK employees and can also be structured tax efficiently in some other jurisdictions. In our second article in this series, we take a detailed look at the financial and non-financial benefits of Sharesave schemes. Further information is detailed in Equiniti's article [here](#).

PROSHARE RESEARCH

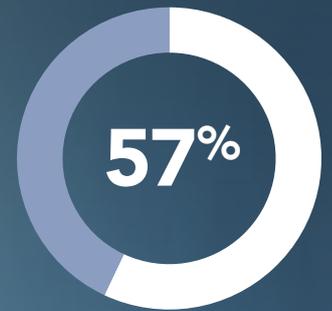
Proshare have released an insightful piece of research **Attitudes to Employee Share Ownership**, focusing on millennials (those born from 1980 to 2000).

The fact that millennials currently form 27% of the UK workforce, which is projected to rise to 57% in 2020 highlights that millennials have an overwhelming effect on the future of share plans*. You can view the research [here](#).

* Source – The Kings Fund



Percentage of millennials in workforce in 2018



Percentage of millennials in workforce by 2020

