

EQ BULLETIN



Welcome to our monthly bulletin of what's happening within the regulatory environment that impacts the share registration and employee share plans space.



PAUL MATTHEWS
CEO, EQ BOARDROOM

I hope this finds you safe, well and in good spirits as we continue to work under what seems to be a new normal.

In this month's bulletin, the focus is still very much on the impact of COVID-19. We bring you further updates from various regulatory and industry bodies with the relaxation of regulations and guidance to assist you throughout these challenging and unprecedented times. Boudicca takes a look at emerging trends during the pandemic and shares their latest updates from proxy agencies and institutional investors.

Following the proposed expansion of the Dormant Assets Scheme, hear about the consultation and the impact on issuers by listening to our latest webinar.

As always if you have any questions on the content of this month's bulletin, please contact your Relationship Manager.

ARTICLES IN THIS EDITION COVER:

- COVID-19 Pandemic - Relaxation of regulations and guidance to assist companies
 - Temporary changes to Dividend Procedure Timetable – announced by London Stock Exchange
 - Updated guidance on the preparation of financial statements to companies and auditors
 - Capital raising – Pre-emption Group and FCA guidance
 - BEIS and Companies House relax insolvency and strike off procedures
 - BEIS publishes a list of rules and regulations that have been relaxed
 - AGMs – Guidance and Q&As
 - Investors and proxy voting agency guidance during the COVID-19 outbreak
 - Corporate Governance Institute guide to holding virtual Board and committee meetings
- New National Storage Mechanism launched
- Listing Rules - Company share rights must be up to date on the NSM accountants and auditors on Brexit transition
- Investment Association's review of the 2019 AGM season

NEWS FROM ACROSS EQUINITI:

- Proposed Expansion of the Dormant Assets Scheme Webinar
- Catch up with our Equivalence Forum on-demand Webinar
- Our Top 5 Tips to maximise your employees' take-home pay during COVID-19
- Boudicca supports Women on Boards Bursary Programme



COVID-19 Pandemic – Relaxation of regulations and guidance to assist companies

Temporary changes to Dividend Procedure Timetable – announced by London Stock Exchange

The London Stock Exchange (LSE) has issued a Market Notice (N07/20) setting out temporary changes to the Dividend Procedure Timetable in light of the COVID-19 outbreak. The LSE will allow a deferral period of up to 30 business days for payment of a dividend, but no more than 60 business days after the record date. A company wishing to defer payment must contact the LSE without delay. After the deferral period, the dividend must be cancelled or paid.

[Read the Market Notice](#)

Updated guidance on the preparation of financial statements to companies and auditors

The Financial Reporting Council (FRC), Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) published guidance for companies and a bulletin for auditors on preparing financial statements during the Coronavirus crisis to ensure investors continue to receive information and to support capital markets.

The FRC has now updated the [auditor's bulletin](#)

Capital raising – Pre-emption Group and FCA guidance

The Pre-Emption Group (PEG) has announced that investors should consider supporting share issues of up to 20% of share capital on a case by case basis to help companies raise capital in the current COVID-19 crisis. The relaxation of the current PEG guidelines supports companies seeking a 5% share issue for general purposes with an additional 5% for specific acquisitions or capital projects. Companies are expected to undertake a consultation with major shareholders and fully explain the circumstances, including how they are supporting stakeholders. The company would also need to make additional disclosures in the next annual report about the consultation undertaken and efforts made to respect pre-emption rights.

The additional flexibility will be reassessed after 30 September 2020, and a review will be undertaken on how companies used the relaxation.

[Read the PEG statement](#)

The Financial Conduct Authority (FCA) has announced a series of measures to assist companies in raising new share capital in response to the COVID-19 outbreak. The note has been divided into matters for smaller share issues and matters for larger shares issues.

[Smaller share issues](#)

The Pre-Emption Group (PEG) announcement that investors should consider, temporarily, support for share issues of up to 20% of share capital is important for companies considering making use of the Prospectus Regulation which allows the issue of up to 20% of share capital without a prospectus. This will enable companies to raise amounts of new money quickly.

[Share Issues with a prospectus](#)

For larger share issues, companies may consider using the new simplified prospectus regime introduced in July 2019. Under this regime, much less demanding disclosure of information is required, including no requirement for operating and financial reviews, or information on capital resources or remuneration.

[Working Capital statements](#)

The FCA has set out in a technical supplement an approach that can be used by companies when preparing working capital statements for a prospectus.

[General Meeting requirements](#)

The FCA has proposed to modify the Listing Rules temporarily so that Premium listed companies may apply to the FCA for a dispensation from the requirement to hold a general meeting in the cases of a Class 1 or related party transaction. Companies will need to obtain or have obtained, written undertakings from shareholders that they approve the transaction and would vote in favour. A sufficient number of undertakings will need to be obtained to meet the threshold for shareholder approval.

Read the FCA's press releases notifying the temporary changes below:

[Additional primary market measures to aid listed companies](#)

[Listed companies and recapitalisation issuances](#)

The London Stock Exchange (LSE) has issued a Market Notice (N09/20) in support of the Financial Conduct Authority's policy statements on measures to assist companies in raising capital during the COVID-19 crisis.

[Read the LSE's Market Notice](#)

BEIS and Companies House relax insolvency and strike off procedures

The Department of Business, Energy and Industrial Strategy (BEIS) announced its intention to relax insolvency law to allow companies to continue trading while they seek rescue plans. Also, wrongful trading provisions will be suspended from 1 March 2020 to 1 June 2020.

BEIS has also signalled its intention to introduce legislative changes to give companies greater flexibility when holding AGMs online or postponing meetings.

[Read the proposals contained within a statement on NHS supplies](#)

The Government has announced that Companies House will stop the strike-off process temporarily during the COVID-19 outbreak to give businesses time to update records and help them being struck off the register. They will also treat companies issued with a late filing penalty sympathetically.

[Read the Companies House announcement](#)

Companies House has updated its guidance on filing documents and other matters during the coronavirus outbreak and says that it is working on providing online filing for the few numbers of documents that cannot currently be filed online.

[Read the Companies House guidance](#)

COVID-19 Pandemic - Relaxation of regulations and guidance to assist companies

BEIS publishes a list of rules and regulations that have been relaxed

The Department for Business, Energy and Industrial Strategy (BEIS) has published a list of relaxed rules and regulations due to the COVID-19 outbreak. The list is alphabetical and includes everything from how to deal with annual leave to gender pay gap reporting and filing of accounts.

[View the BEIS list](#)

AGMs – Guidance and Q&As

The Department for Business Energy and Industrial Strategy (BEIS) has announced that it is working on urgent legislation to give companies flexibility with holding AGMs and other statutory obligations during the coronavirus pandemic. Until this is available, it has developed a set of Q&As to provide companies information to help them plan activities over the next few months.

[Read the BEIS Q&As](#)

Investors and proxy voting agency guidance during the COVID-19 outbreak

Most of the large proxy voting agencies and investor groups have published information about their approach to governance matters during the COVID-19 crisis, including Glass Lewis, the Investment Association, ISS, Legal & General Management and PIRC.

Glass Lewis's approach includes:

- Support for virtual shareholder meetings
- Using discretion and pragmatism on voting proposals
- Highlighting that sensible remuneration and justification for executive pay proposals will be key
- Noting that Boards with lack of age and gender diversity may be at risk given that men over 65 are more at risk
- Requesting shareholders to act responsibly to consider challenges that many companies now face
- Noting that companies should not use the current crisis to dismiss or hamper shareholder concerns
- Highlighting that effective disclosure and reporting will be critical to use of discretion by Glass Lewis

[Read the Glass Lewis statement](#)

The **Investment Association** (IA) has issued a press release setting out their stance to dividends and executive remuneration during

the coronavirus pandemic. The IA makes three points concerning dividends:

- Boards should take decisions on their dividends based on what is best for the business over the long term. Is any dividend payment sustainable in light of current market conditions?
- Investment managers expect companies to follow the guidance of the regulator and have supported companies that have stopped their dividends to retain cash for the business.
- Dividends play a crucial role in the wider economy, and therefore, the current situation isn't an opportunity to reduce the dividend unnecessarily.

With executive pay, the IA remind companies that pay should always be linked to long term company performance and take account of shareholder experience, not just financial performance. If dividends are impacted, then companies need to consider how this impacts on pay.

[Read the IA press release](#)

The IA has also issued updated guidance outlining shareholders expectations on how Remuneration Committees should be reflecting the impact of COVID-19 on executive pay.

[Read the IA updated guidance](#)



Investors and proxy voting agency guidance during the COVID-19 outbreak (continued)

The Investment Association (IA) has also written to all FTSE 350 chairs, setting out how they intend to support companies during the current crisis, including the IA's stance on:

- Engagement and communication: support of management teams. Companies should look to maintain an open dialogue with investors
- AGMs: support for the focus of AGMs on most material issues and CGI guidance on holding AGMs
- Dividends: companies should assess the suitability of dividend payments but should restart them as soon as prudent to do so.
- Executive pay: companies should continue to align pay with company performance.
- Financial reporting: the IA welcomes support for auditors to take the necessary time to prepare accounts
- Additional capital: shareholders will look to support companies seeking additional capital due to the crisis and welcomes Pre-emption Group's statement on additional flexibility.

[Read the IA's letter to FTSE 350 chairs](#)

Institutional Shareholder Services (ISS) has published guidance on how it intends to apply its voting policies in light of the COVID-19 pandemic. Key highlights of the ISS guidance are:

- AGMs: ISS acknowledges that many AGMs have had to be postponed but will remark positively when companies use webcasts, conference calls, and other methods of communication to engage with their shareholders.
- Virtual AGMs: ISS does not have a blanket policy against virtual-only AGMs. But where it does discourage virtual-only meetings, it will alter voting recommendations to recognise that many companies may have to go down this route. It expects companies to set out the reasons for holding a virtual-only AGM.

- Board and senior management changes: If boards need to fill vacancies due to incapacity of a director then ISS will consider on a case by case basis such issues as potential overboarding or independence to ensure that the company can continue with proper management at this time.
- Dividends: ISS will analyse proposals to reduce or cancel dividends and whether companies will use preserved cash from such reductions to support the business and workforce.
- Share buybacks: ISS will generally continue to support share buybacks, but repurchases made in 2020 will be reviewed to consider if directors responsibly managed risks.

[Read the ISS guidance](#)

The **Pensions & Investment Research Consultants (PIRC)**, has issued a letter to Company Secretaries urging companies to consider their approach to executive remuneration in light of the coronavirus outbreak. In particular, PIRC asks companies to suspend all payments to executives other than basic salary from 1 April until the end of the company's financial year. Given that, if the company has to cut dividends and the workforce, then it would be difficult to justify any bonuses or LTIP awards.

Legal & General Investment Management (LGIM) have issued a statement to companies setting out their stance on issues such as executive remuneration and AGMs during the coronavirus pandemic. LGIM encourage companies to focus on all of their stakeholders, not just shareholders, most importantly, employees and suppliers to ensure that supply chains remain in force. LGIM is in favour of companies holding virtual AGMs, although they would not normally do so.

[For more information, our team at Boudicca from Equiniti have provided further updates here](#)

Corporate Governance Institute guide to holding virtual Board and committee meetings

The Corporate Governance Institute (CGI) has published a guide to holding virtual board and committee meetings to assist companies during the coronavirus crisis. The key points covered by the guide are:

- Choosing the right technology and communication channel

- Structuring the meeting and avoiding complexity
- The value of preparation
- Establishing ground rules for the meeting
- Clear instructions for joining the meeting
- The necessity for good boardroom practices

[Read the CGI guidance](#)

Other news...

New National Storage Mechanism launched

The new National Storage Mechanism (NSM) was launched by the Financial Conduct Authority (FCA) on 6 April 2020. Each uploader wishing to file information on the NSM needs an Electronic Submission System (ESS) account and be able to provide evidence that they are authorised to file regulated information on behalf of the company they represent. Email uploads and the existing Morningstar portal are now closed.

Read further information about the [New Storage Mechanism](#)

Listing Rules - Company share rights must be up to date on the NSM

Under a change to the Listing Rules companies are required to provide information to investors on share rights via the National Storage Mechanism (NSM) by 27 April 2020. The information may be provided by one of the following documents:

- the approved prospectus or listing particulars;
- a document with the securities' terms and conditions (such as in the Articles); or
- a description of the securities' rights, limitations on those rights and how to exercise them, prepared following the Prospectus Rules Regulation.

Where a description of the share rights is provided, the information must include (in line with the Prospectus Rules Regulation):

- details of dividend rights and restrictions
- voting rights
- pre-emption rights
- profit-sharing rights
- rights to share in surplus on a winding-up
- redemption provisions and conversion rights.

If the current information on share rights held on the NSM, for example, in the prospectus, is accurate then no further action is required. The information on share rights must be up to date, and new information filed if the information changes either by submitting a new document or a document which sets out the changes that have occurred.

Read the [notice implementing the amendments to the Listing Rules](#)



News from across Equiniti

Proposed Expansion of the Dormant Assets Scheme – Webinar

The UK Government has opened a consultation on the sector working group's proposals to expand the Dormant Assets Scheme across multiple asset types within the financial services industry.

Joined by the Reclaim Fund and the Department for Culture Media and Sport (DCMS,) we discuss the key principles recommended to the Government, the content of the consultation, the impact on issuers and the required next steps.

Listen to the [Dormant Assets Scheme on-demand Webinar](#)

Catch up with our Equivalence Forum on-demand webinar

If you missed our Equivalence Forum Webinar, we have made this available to you on demand. Hear from Simon Maynard, Client Director at our Prism Cosec team, who provides updates on both COVID-19 and other regulatory and governance issues affecting companies and company secretaries.

Listen to the [webinar](#)

Our Top 5 Tips to maximise your employees' take-home pay during COVID-19

As the COVID-19 crisis continues, many people are concerned about what the financial effects will be for themselves and their families. We have put together five recommendation that you can implement to maximise your employees' take-home pay during this difficult time.

Read our [Top 5 Tips](#)

Boudicca from Equiniti supports Women on Boards Bursary Programme

Boudicca is pleased to be able to support Women on Boards with the launch of their second Bursary Programme.

Sheryl Cuisia, MD and founder of Boudicca from Equiniti: 'We're proud to sponsor such an important programme that supports more talented women into the Boardroom at NED level'.

Congratulations to the successful applicants.

You can find out more about them [here](#)