

## News round-up

### Corporate finance

#### Introduction

Welcome to the latest in our series of regular alerts containing a round-up of news from our capital markets practice. Among other things, we bring you news of the latest developments in the area of corporate governance.

#### Corporate governance: directors: induction: ICSA publishes up-dated guidance

The Institute of Chartered Secretaries and Administrators ('ICSA') has issued a revised edition of its guidance note on the induction of directors to help companies devise an effective induction programme for newly-appointed directors.

ICSA Guidance on induction of directors available at: <http://www.icsa.org.uk/assets/files/pdfs/guidance/Guidance%20notes%202012/Induction%20of%20directors.pdf>

#### Corporate governance: directors' report: greenhouse gas emissions

Following the Government's announcement in June this year<sup>1</sup>, the Department for Environment, Food and Rural Affairs has now launched a consultation on the draft regulations, the Greenhouse Gas Emissions (Directors' Reports) Regulations 2013, which will require quoted companies to report on their greenhouse gas emissions in the directors' report. Among other things, the draft regulations provide that the directors' report must include details of the company's yearly amount of carbon dioxide emissions resulting directly from any of the statutorily specified activities of the company, including the use by the company of any means of transport that it owns or controls. It is currently proposed that the draft regulations will apply for reporting years ending after 6 April 2013, although the Government is also consulting on whether their implementation should be deferred until reporting years ending after 1 October 2013. Comments on the consultations are requested by 17 October 2012.

<sup>1</sup> Please see the June 2012 edition of this publication (issue 6/2012) for more details.

Consultation paper: Greenhouse gas emissions reporting draft regulations for quoted companies: July 2012: available at:

<http://www.defra.gov.uk/consult/files/consult-ghg-regulations-document1.pdf>

#### Corporate governance: engagement with institutional investors: ICSA launches new initiative

On 25 July 2012, ICSA announced that it will be working with the 2020 Stewardship Working Party<sup>2</sup> to prepare a good practice guide for engagement between companies and institutional investors. ICSA will begin the consultation process in September with the aim of publishing the guide, which will supplement the UK Stewardship Code<sup>3</sup>, in March next year.

ICSA Press Release: 25/07/2012 available at: <http://www.icsaglobal.com/about-icsa/latest-from-icsa/article/icsa-to-lead-on-new-investor-engagement-initiative>

#### Listing Rules and the Disclosure and Transparency Rules: the FSA announces changes and confirms the end of guidance on a 'no-names' basis

On 27 July 2012, the Financial Services Authority ('FSA') issued Handbook Notice 122 announcing, among other things, changes to the Listing Rules and the Disclosure and Transparency Rules. The changes include the following:

*Listing Rules: related party transactions:* the changes, which came into force on 1 August 2012, relate to the definition of 'substantial shareholder' and provide that a person's voting rights will be disregarded if the relevant securities are held only for a period of five trading days or less, provided that no voting rights have been exercised and no attempt made to influence the company's management.

*Listing Rules (Related Party Transactions) Instrument 2012* available at: [http://media.fsahandbook.info/Legislation/2012/2012\\_41.pdf](http://media.fsahandbook.info/Legislation/2012/2012_41.pdf)

<sup>2</sup> The 2020 Stewardship Working Party consists of six major institutional investors: Aviva Investors, BlackRock, Governance for Owners, RPMI Railpen Investments, Spinnaker Trust and USS, supported by Tomorrow's Company. It aims to enhance the effectiveness of the UK Stewardship Code and the quality of stewardship of institutional investors.

<sup>3</sup> The UK Stewardship Code, published by the Financial Reporting Council in 2010, sets out good practice for institutional investors when engaging with the companies in which they invest.

*Listing Rules: contact with the FSA:* the changes, which come into force on 30 September 2012, mean that the helpdesk of the United Kingdom Listing Authority ('UKLA') will not accept requests for advice on a 'no names' basis. (The UKLA has, in fact, been operating this policy since March of this year). Submissions to the FSA must be made in writing, except in cases of exceptional urgency or if the submission comes from a sponsor and relates to the provision of a sponsor service.

*Listing Rules (Contact with the FSA) Instrument 2012 available at:* [http://media.fsahandbook.info/Legislation/2012/2012\\_42.pdf](http://media.fsahandbook.info/Legislation/2012/2012_42.pdf)

*FSA handbook Notice 122 available at:* <http://www.fsa.gov.uk/static/pubs/handbook/hb-notice122.pdf>

### **Takeovers: EU Takeovers Directive: the European Commission publishes review of the EU takeovers regime**

The European Commission has published a review of the operation of the Takeover Directive (2004/25/EC). Although the Commission believes that the existing regime is, in general, working satisfactorily, it suggests that certain areas need further consideration. These include the following:

- whether the concept of 'acting in concert' needs clarification;
- whether there is adequate protection for minority shareholders;
- whether provisions are needed to ensure better engagement with employee representatives;
- whether there should be changes to the provisions regarding takeover defences; and
- whether steps should be taken to discourage bidders from circumventing the mandatory offer rule.

The Commission invites comments on the review but has not indicated a dead-line date for submission of comments.

*Report from the European Commission on the application of Directive 2004/25/EC available at:* [http://ec.europa.eu/internal\\_market/company/docs/takeoverbids/COM2012\\_347\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/takeoverbids/COM2012_347_en.pdf)

### **United Kingdom Listing Authority: consultation on UKLA Technical and Procedural Notes**

In the second edition of its Primary Market Bulletin, the United Kingdom Listing Authority ('UKLA') has launched a consultation on its revised Technical and Procedural Notes on the Listing Rules, Prospectus Rules and Disclosure and Transparency Rules. The UKLA has up-dated the Notes, which were first published in October 2010, to reflect changes in law, regulation and market practice. It also proposes to re-organise the Notes on a topic related basis.

The new Notes comprise eight Technical Notes and three Procedural Notes. The topics covered by the Technical Notes include equality of treatment, certain aspects of smaller related party transactions and guidance on the approval of circulars. The new Procedural Notes include an explanation of the UKLA's approach to block listings. The finalised version of the new Technical and Procedural Notes will have the status of formal Financial Services Authority guidance under section 157 of the Financial Services and Markets Act 2000.

Responses to the consultation were requested by 24 August 2012.

*UKLA Primary Market Bulletin, Edition no. 2 available at:* <http://www.fsa.gov.uk/pubs/ukla/ukla-bulletin-no2.pdf>

### **How Squire Sanders can help**

We would be pleased to discuss with you in more detail any of the matters raised in this article.

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