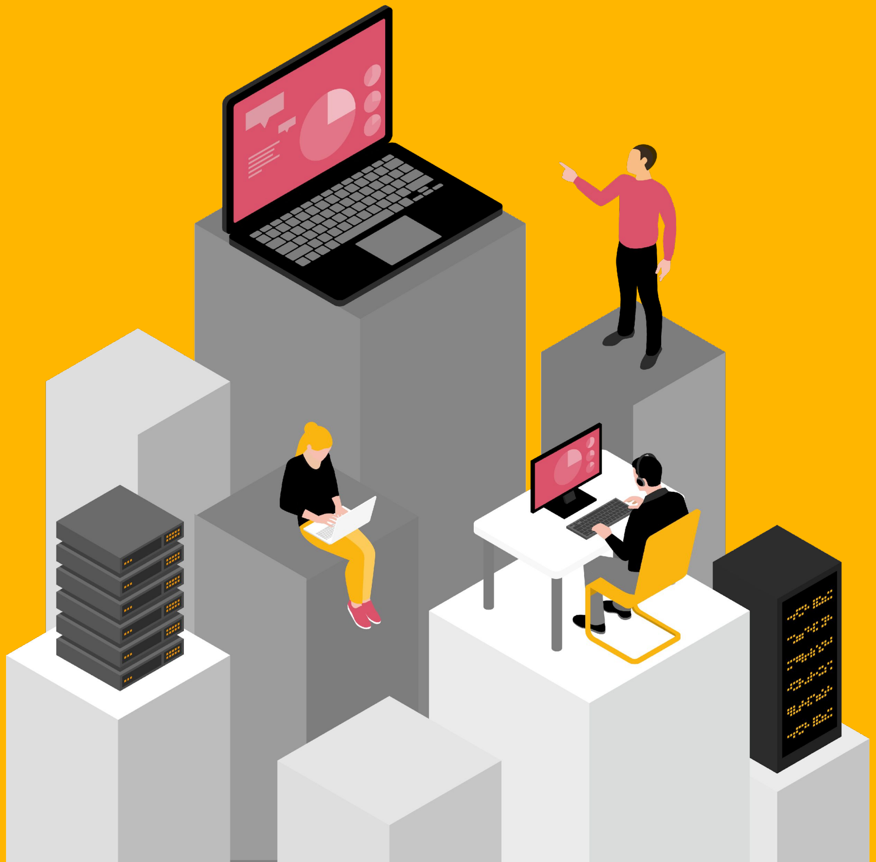
Corporate reporting and governance

January 2024



Introductions

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Agenda

- Accounting in economic uncertainty
- What’s new - narrative reporting
- FRC areas of focus
- IFRS 17 for non-insurers
- Climate change reporting update
- Looking ahead
- Q&A

1

Accounting in economic uncertainty

Recent market events and economic uncertainty

Issues and IFRS accounting considerations relating to ongoing economic uncertainty and market stresses on the AWM sector.

Credit risk	• Concentration of credit risk. • Exposure to service providers.
Liquidity risk	• Cash deposits and availability to access.
Investments and valuations	• Impact of fluctuating valuations. • Management and mitigation of the risks.

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What’s new - narrative reporting

Limited change in FTSE 350 reporting - other than ESG

Growing volume

4%
Increase in the length of the average strategic report since last year

65%
Increase in the length of the average strategic report over last 5 years

35%
Of the strategic report covers ESG matters

Telling the strategic story

60%
Link strategy and KPIs

43%
Explicitly link core strategic priorities to ESG

31%
Underpin their strategy with an ESG focus

Focusing on the future

Less than **10%**
Provide quantified strategic targets beyond 4 years

22%
Disclose no specific forward-looking strategic targets

73%
Set out targets for climate change looking out beyond 10 years

[1] Based on a review of 267 FTSE 350 companies with years ended from 30 April 2022 to 31 March 2023

Diversity & inclusion targets from the FCA


FINANCIAL CONDUCT AUTHORITY

Diversity and inclusion on company boards and executive management

Policy Statement
PS22/3

April 2022

FCA Policy Statement PS 22/3 - periods beginning on or after 1 April 2022 - applies to (almost) all equity listings

Targets Disclosure against new targets (on a **comply-or-explain basis**):

- At least **40%** of the board should be women.
- At least **one of the senior board positions** (Chair, Chief Executive Officer (CEO), Senior Independent Director (SID) or Chief Financial Officer (CFO)) should be a woman.
- At least **one member of the board** should be from a **non-White ethnic minority** background.

Data tables Companies to publish numerical data on the sex or gender identity and ethnic diversity of their board, senior board positions (Chair, CEO, SID and CFO) and executive management in a specified format of table.

Diversity policy now needs to be disclosed for key board committees, not just board

2023 update on Parker review

New objective for FTSE 350
By December 2023 set own target for the percentage of senior management from an ethnic minority by December 2027.

Disclosure encouraged in annual
Report on development plans to achieve diverse pipeline.

Audit committees and the external audit: Minimum standard

Applicability and status

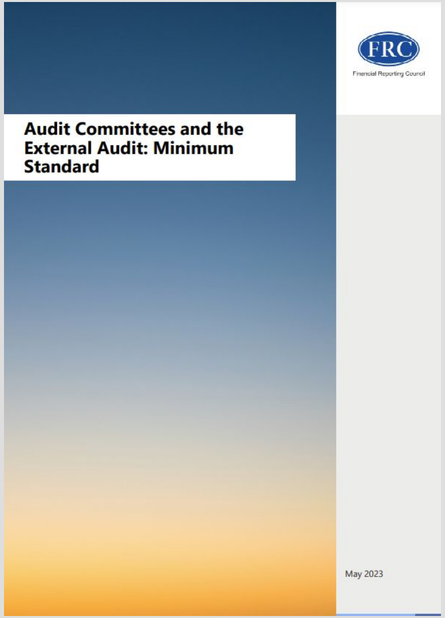
- New kind of standard issued by FRC - issued as a “shadow” standard until ARGA is established and new powers to enforce such standards are provided
- Applicable to companies in the FTSE 350 with immediate effect - on a “comply or explain” basis (until the above powers make it mandatory)

What does the standard involve?

- Largely brings together existing Code provisions and Guidance
- Emphasis on audit committee responsibilities around tendering, appointment and monitoring the audit - and reporting on this work - so not all of the AC’s responsibilities
- Some limited new content and expectations on, for example:
  - Achieving audit market diversity
  - Engaging and responding with shareholders on the audit scope
  - Application of entity’s accounting policies

Key message - much of the content was not previously covered by comply-or-explain

FTSE 350 companies should therefore check the extent to which they have addressed the content of the existing FRC Guidance, Practice Aids and other materials on which the standard is based because there may be elements that they should now look at again and consider reporting against on a comply-or-explain basis.



Reporting likely to get more scrutiny from the regulator

Non-financial and sustainability information statement (NFSIS) disclosure requirements

Mandatory disclosures

a. a description of the company's **governance** arrangements in relation to assessing and managing climate-related risks and opportunities;
b. a description of how the company identifies, assesses, and manages climate-related **risks and opportunities**;
c. a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall **risk management process**;
d. a **description** of:
   - the **principal climate-related risks and opportunities** arising in connection with the company's operations, and
   - the **time periods** by reference to which those risks and opportunities are assessed;

Subject to materiality considerations

e. a description of the actual and potential **impacts** of the principal climate-related risks and opportunities on the company's **business model and strategy**;
f. an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related **scenarios**;
g. a description of the **targets** used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and
h. a description of the **key performance indicators** used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.

Impacts for corporates

- Requirements reflect TCFD closely
- Now applies beyond listed companies
- NFSIS needed in the strategic report
- Applicable to listed companies on top of Listing Rules, though many of those will extend the approach taken to the NFIS
- Non-binding government guidance, *"if a company reports against TCFD then it is normally likely to meet the requirements of the Regulations"*
- FCA expectations of TCFD reporting reduce risk of differences arising

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FRC areas of focus - corporate reporting

FRC 2023 thematic and other reviews

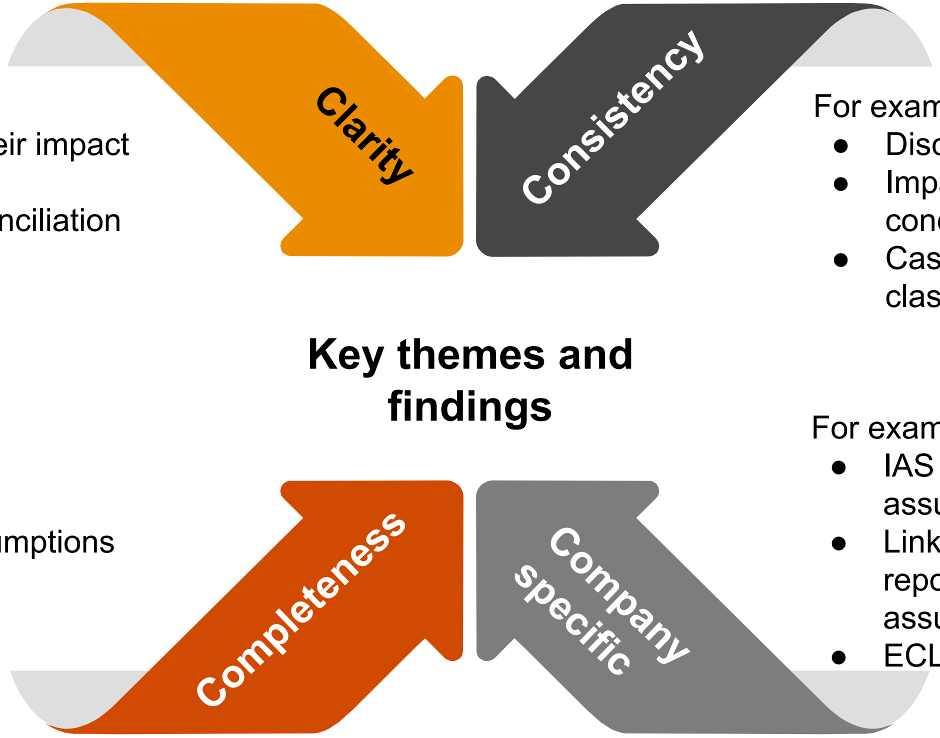
IFRS 17, Insurance Contracts

Climate-related metrics and targets

IFRS 13, Fair Value measure-ment

Annual Review

Focus areas for December 2023 year end reporting - common themes and areas of focus



For example:
- Business risks and their impact
- Determining of CGUs
- Effective tax rate reconciliation

For example:
- Discount rates used
- Impairment assumptions vs going concern and viability assessments
- Cash flow descriptions and classifications

For example:
- Significant accounting judgements
- Sensitivity to key assumptions
- Material inflationary assumptions

For example:
- IAS 36 Key inputs and assumption
- Linkage between narrative reporting on uncertainties and assumptions made in FS
- ECL provisions and credit risk

FRC key disclosure expectations for 2023/24

Ensure disclosures about uncertainty are sufficient to meet the relevant requirements and for users to understand the positions taken in the financial statements

Give a clear description in the strategic report of risks facing the business, their impact on strategy, business model, going concern and viability, cross-referenced to relevant detail in the reports and accounts

Provide transparent disclosure of the nature and extent of material risks arising from financial instruments

Provide a clear statement of consistency with TCFD

Perform sufficient critical review of the annual report and accounts

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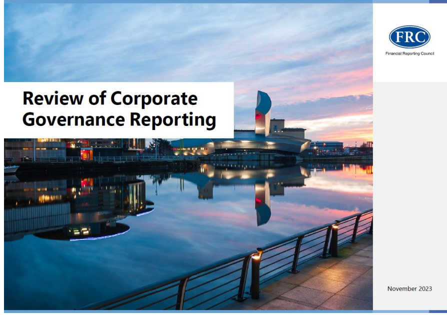
FRC areas of focus - narrative reporting

FRC annual review of corporate governance reporting

Overview



"We are encouraged that in line with previous years, companies are more **transparent in reporting departures** from the Code. This is a positive development, although explanations sometimes lack clarity…".

"We urge all companies to pursue a goal of strong, clear and informative **reporting of governance outcomes, and** the **actions** that this drives. Genuine insights, rather than repetition of generic language, are essential…".

"While **risk assessment and internal controls** have been a focus over the past year, **little improvement** was seen in the quality of reporting in these critical areas. More work is needed by most companies to demonstrate robust systems, governance and oversight".

"[We were] encouraged by the increased focus on **workforce engagement and stakeholder reporting**. It would now like companies to show how engagement has lead to high-quality **outcomes** by better reflecting on the feedback received and its impact on board decisions."

FRC annual review of corporate governance reporting

Some other aspects

Significant content on climate change

- **43%** now reporting only partial compliance (was 18%)
- **60%** with climate change principal risk (was 41%)
- **46%** now with ESG or similar board committee

Separate section on cyber and IT

- Some emphasis on board expertise (also for climate change)
- AI also in early stages of reporting

Continuing emphasis on culture, purpose and diversity

- Parker, FTSE Women Leaders referred to, but also going beyond gender and ethnicity

No mention of the Audit Committee Minimum Standard…

Other specifics

- Only 5% of audit committee chairs reported engaging with shareholders.
- Only 17% provided real insight on emerging risks.
- 5% delegated the review of effectiveness of risk management and internal control to management or internal audit.
- Reporting on any discretion used by the remuneration committee in relation to windfall gains was limited.

Materiality in practice: applying a materiality mindset

FRC Lab publication

- Reflects common area of interest at present - **how to streamline reporting.**
- Lab paper helps to address perception that regulators or investors will object to detail being removed in less important areas.
- Focuses on establishing investor needs and thinking more holistically about what is ‘material’.
- Includes tips from other corporates on how to get started.

“There’s no secret sauce - it’s the important information” - investor

“Sometimes it feels like companies are taking a tick box approach to materiality” - investor

“Materiality is not just a mechanical thing that you add up for misstatements” - investor

Tips for a materiality mindset

Corporate reporting tips shared by companies include:

- Common understanding of key messages
- Senior buy-in
- Start with blank piece of paper every so often
- Critically look at your accounting policies
- Ensure material information isn’t obscured
- Avoid duplication
- Consider how the report works as a package
- Engage your auditor early
- Leverage your website and other communication formats

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IFRS 17 for non-insurers

IFRS 17—not just for insurers

Overview

A contract doesn't need to be issued by an insurer or be labelled as an insurance contract to be in the scope of IFRS 17

Background

The new insurance contract accounting standard is effective for periods beginning on or after **1 January 2023**

Find out more

We've recently updated our **In depth** that helps non-insurers identify whether they have any insurance contracts in scope of IFRS 17

What we're covering today

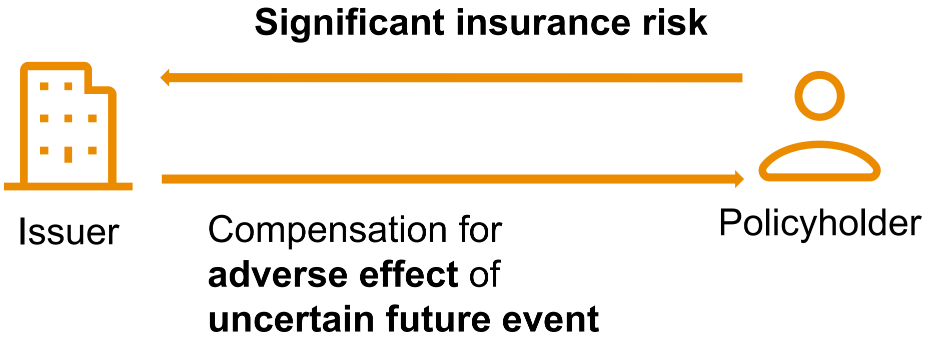
1. What is an insurance contract
2. Scope exclusions
3. Scope choices
4. Separating components

What is an insurance contract

IFRS 17 scope

- ✓ Insurance contracts issued
- ✓ Reinsurance contracts issued
- ✓ Reinsurance contracts held
- ✗ Insurance contracts held

Definition



What is an insurance contract—breaking down the definition

1 Uncertain future event ('insured event')	Uncertainty over at least one of: – whether an event will occur (eg an accident) – when it will occur (eg death) – how much it will cost (eg cost to rebuild after earthquake)
2 Adverse effect on the policyholder	Also known as 'insurable interest', excludes: – gambling contracts – weather derivatives
3 Significant insurance risk	A contract transfers significant insurance risk if: – compensation for insured event would be significant in any single scenario (ie worst case scenario) – the issuer has a possibility of making a loss on a present value basis

What is an insurance contract—example

For a pre-agreed fixed price, Entity A (an IT service provider) agrees to repair (or, if necessary, replace) Customer B's IT equipment at any time the equipment malfunctions within the next five years.

Does it meet the definition of an insurance contract?

1	Uncertain future event ('insured event')?	Yes. It is uncertain whether and when the IT equipment will malfunction. It may also be uncertain how much it will cost to pay for repair labour or replacements.
2	Adverse effect on the policyholder?	Yes. Without the contract, in the event of malfunction Customer B would need to pay to repair or replace the equipment, or go without it.
3	Significant insurance risk?	Likely yes. The contract transfers from Customer B to Entity A the risk of malfunction. In a single ('worst case') scenario, the equipment could malfunction many times with high cost increases.

But…

Meeting the definition of an insurance contract does not necessarily mean the contract (or every component) is accounted for using IFRS 17

Scope exclusions

Scope choices

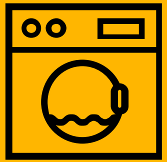
Separating components

IFRS 17 scope exclusions

IFRS 17 explicitly excludes some common arrangements that are not typically labelled or thought of as insurance contracts but could meet the definition when they transfer significant insurance risk

Examples

Product warranties



Employee benefit plans

Residual value guarantees

IFRS 17 scope choices

Fixed fee service contracts

Example

Vehicle breakdown cover or boiler cover

Can choose IFRS 15 instead if:

1. pricing not based in individual customer risk assessment
2. compensation is service rather than payment
3. insurance risk is primarily from use of service rather than uncertainty over cost of service

Loans with insurance over repayment

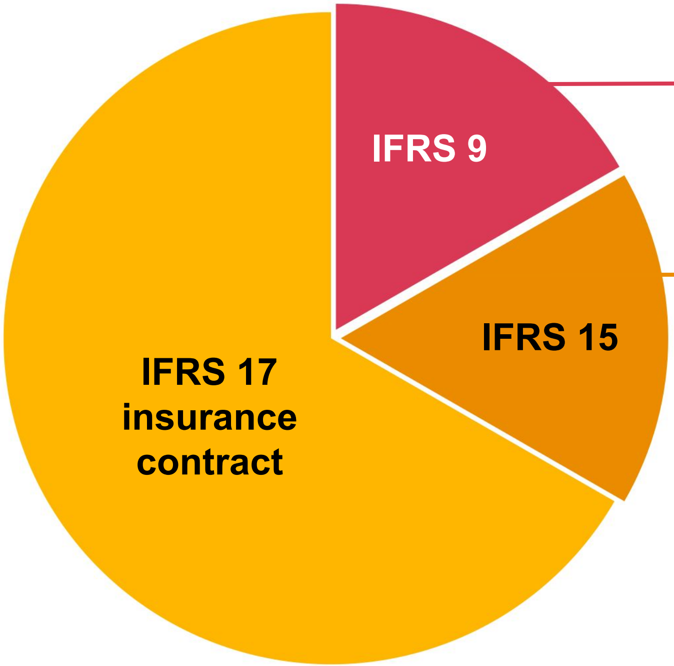
Example

Lifetime mortgage or student loan

Can choose IFRS 9 instead if:

Insurance is limited to the amount the policyholder would otherwise be obligated to pay under the loan

Separating non-insurance components



Specified embedded derivatives
Distinct investment components

Distinct goods or non-insurance services
For example, these could include:
- a gym membership or smart watch provided with health insurance
- hotel management services provided with an EBITDA guarantee

Non-distinct non-insurance components are not separated, and are included in the IFRS 17 measurement

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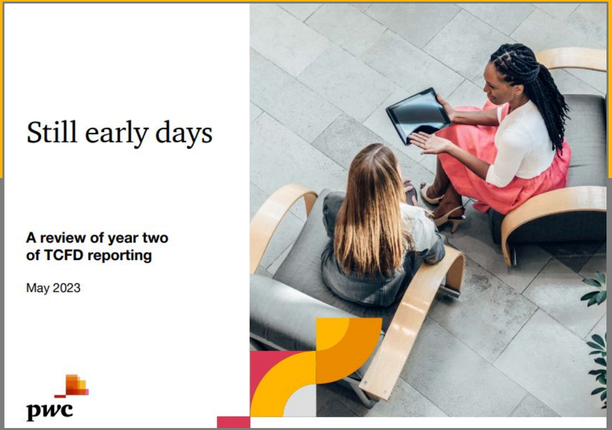
Climate change reporting update



FRC on climate change - summary of expectations

Now part of CRRT activities

- CRRT wrote to **75 companies** in their most recent cycle
- Mostly focused on recommending improvements, but requested some specific actions - particular on statement of **consistency with TCFD framework**
- Substantive correspondence will increase if recommendations not followed

Key messages - more clarity needed in relation to:

- Statement of consistency with the TCFD framework
- Status of **expected TCFD disclosures**
- **Impact of climate change on financial statements**, and **consistency** with front half disclosures

New thematic review on metrics and targets - more clarity needed on:

- **Linkage** between M&Ts and risks and opportunities
- …and, where relevant, **remuneration** targets
- **Year on year** performance against M&Ts
- When **new or amended M&Ts** are needed

Still early days - TCFD reporting

Themes to consider

Explain why climate change is important to the company

Explain where the company is on its journey

Aim for reporting that is clear and concise

Explain the nature of information provided

60%

of companies were unclear in their strategic report on whether the actual or potential impacts of climate change were material.

66%

of companies had claimed full consistency with the TCFD framework.

42%

of companies published a separate report, but most of these also included climate reporting in the annual report. Separate reports ranged in length from just 7 to over 100 pages.

40%

of companies highlighted limitations in the climate-related data, often relating to Scope 3.

Still early days - a review of year two TCFD reporting

Explain why climate change is important to the company

Key messages - Highlight which aspects of climate change are considered to be most relevant to the company, and which different parts of the business are most affected.

What we saw

24% identified the impacts of climate change as material	Clearer definitions of materiality required and limited information on the actual and/or potential impacts of climate change on a company.
26% estimate the quantitative impact of climate change in the strategic report	Quantification slowly improving year on year but continued lack of connection the financial statements.
22% had a clear link between all their metrics and targets and climate risks and opportunities	Focus has been on carbon-related metrics to monitor risks and opportunities, but other metrics will often be required to monitor risks and opportunities.
28% disclosed a comprehensive set of Scope 3 emissions	Scope 3 continues to be a challenging area of reporting for companies but is fundamental to the climate change management model.

Explain where the company is on its journey

Key messages - It is the explanation of where a company stands that has the real information value - not simply whether full or partial consistency with the framework is claimed at a particular time.

What we saw

66% claimed full consistency with the TCFD frameworkull consistency with the TCFD framework	Two thirds of companies reported full consistency - could be under scrutiny following the FCA's comments in 2022.
Only 8% discussed the TCFD Annex in detail	Despite the FCA's reminder in 2022 that this is expected (where applicable).
80% defined short, medium and long term timeframes	Companies seem to have responded to regulatory focus on timeframes. However, there continues to be a range of different definitions.
Only 14% Set out a clear and detailed transition plan	Transition plans look likely to be major focus. Companies are almost all only in the early stages of tracking against any formal plan.

Aim for reporting that is clear and concise

Key messages - Reporting should not be unnecessarily lengthy or complex. The sources, systems and processes used to produce climate information are often less mature than their financial reporting equivalents. Make it clear where this is the case and how it is being addressed.

What we saw

42% published a separate report	Companies, typically in high impact sectors, are utilising separate reports.
7-100 pages - reports varied in length	Companies consider various issues, such as materiality of information, when producing separate reports.
40% highlights limitations in their climate-related data	Scope 3 data collection continues to be a challenging area for companies.
62% of those who reported Scope 3 did so for the same period as the annual report	Even when information is available, providing this information at the balance sheet data can give rise to its own challenges.

Four key takeaways

Judgement needs to be applied and reflected in reporting

- A company's response to the TCFD framework should be proportionate and based on a robust assessment.
- It should be clear how 'materiality' has been arrived at.
- The assessment process must be properly documented.
- Companies should bear in mind that this will be an ongoing process and judgements can change.

Listing Rule requirements all need to be followed (where applicable)

- Need to report on consistency with framework but also recognise that there is judgement as to what constitutes 'consistency'.
- Make sure that the Annex is fully considered.
- Don't omit any of the seven mandatory elements of the TCFD framework.

Scenario analysis and metrics and targets are problem areas

- The appropriate nature and extent of scenario testing depends on the judgements about risks and opportunities - it can be limited or extensive, qualitative or quantitative.
- Emission related metrics and targets may not be the most relevant with respect to the climate-related risks and opportunities identified.
- Report Scope 3 emissions where appropriate.

TCFD reporting is about financial impacts

- This will develop over time and many companies will not be in a position to estimate future impacts.
- But - arguably - **no TCFD disclosure is complete** without addressing this aspect specifically.

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Looking ahead - some changes of plan…

Recent developments

Government withdrawal of the statutory instrument

On 16 October, legislation for companies of a certain size to have an Audit and Assurance Policy, Resilience Statement, Material Fraud Statement and capital maintenance disclosure has been withdrawn pending completion of a broader review of non-financial reporting.

The King's Speech

On 7 November, the Audit Reform Bill was not included in the King's Speech, delaying the creation of ARGA, the expansion of the PIE definition and other planned reforms, most likely until after the next General Election.

FRC Policy update

On 7 November, the FRC issued a Policy update regarding its recent consultation on revisions to the UK Corporate Governance Code.

The FRC considers the right balance at the current time is to take forward only a small number of the original 18 proposals we set out in the consultation.

Change of plan…

GOV.UK

- Government withdraws draft new reporting regulations following a consultation with businesses on wider reporting regime.
- New reform package will deliver a more targeted, simpler and effective framework for both business and investors.
- Announcement welcomed by leading industry voices including the London Stock Exchange, Capital Markets Industry Taskforce, UK Finance, Lloyds and CityUK.

The Government remains committed to wider audit and corporate governance reform, including establishing a new Audit, Reporting and Governance Authority to replace the existing Financial Reporting Council. We will bring forward legislation to deliver these reforms when Parliamentary time allows.

It is difficult to overstate the disappointment of investors, and other users of corporate information, at the news that the UK government is minded to shelve reforms (Report, October 17) that are crucial to its "restoring trust in audit and corporate governance" agenda — prompted by the Carillion failure and other accounting scandals.

This agenda has been in the works for at least five years, and the UK government has asked investors and many other stakeholders to devote considerable time and attention to providing input.

But the government seems more intent on deregulation in the mistaken belief that this will make the UK stock market more attractive. While we can all agree that it is vital to avoid unnecessary red tape that dampens economic growth, shelving the entire package of reforms is a missed opportunity to improve transparency and reassure investors about a company's long-term sustainability.

Letter to FT from investors 23 October 2023

Potential UK Government activity on reporting

Not yet policy - including…

Raising size thresholds

Large - £50m turnover (now £36m); £25m B/S assets (now £18m); employees remain at 250

Simplification of directors' report

Removing: Company's policy on employment, training, career development and employment of disabled persons

Events, future developments, and research and development

Stakeholder engagement disclosures

Simplification of strategic report

Removing: Gender breakdown of Senior Managers/Directors

Simplification of scoping/thresholds medium, large, quoted, large PIEs and TCFD scope

Removal of SRD II remuneration disclosures

Such as: Compare every director's annual change in pay to the employee average (overlaps with the pre-existing pay ratio disclosures)

Policy update - 7 Nov 2023

FRC

FRC disappointed that Audit Reform Bill not prioritised for this Parliament despite “broad stakeholder consensus that this reform continues to be necessary to restore investor and public trust” and continued Government commitment.

Update on Code consultation: the FRC will “take forward only a small number of the original 18 proposals we set out in the consultation and to stop development of the remainder”. They intend to publish an updated Code in January 2024.

On internal controls specifically: the decision has been made to ensure “a more targeted and proportionate Code revision”, with more time for implementation so that “the UK approach clearly differentiates from the much more intrusive approach adopted in the US”.

“The FRC will not take forward the remainder, over half, of the original proposals. These include: those relating to the role of audit committees on environmental and social governance and modifications to existing code provisions around diversity, over-boarding, and Committee Chairs engaging with shareholders. A number of other proposals will also not be taken forward as a result of the Government’s recent decision to withdraw its Statutory Instrument relating to an audit and assurance policy, reporting on distributable profits and resilience statement requirements”.

“From January 2024, the FRC intends to give an additional remit to its Stakeholder Insight Group to provide the FRC with advice on whether there are aspects of its current and planned guidance associated with the Code that could be improved to ensure the right balance is struck between supporting effective governance and reducing unnecessary burdens.This Group’s membership consists of a mixture of investors, preparers, advisors and related membership bodies. It will report on this additional remit directly to the FRC CEO”.

Review of Stewardship Code to follow in 2024, working with other regulators who have an interest in it.

Looking beyond compliance - recognise the intrinsic value?

Audit and Assurance Policy

Reasons for taking elements forward

- Growing focus by investors and other stakeholders on “front half” information in the annual report, e.g. ESG.
- Global changes in mandated assurance (eg. CSRD requirement for assurance over sustainability reporting of EU subs).
- Good for governance - not all reporting is based on well-developed standards.
- Enables richer conversations with shareholders.

Material Fraud Statement

Reasons for taking elements forward

- Robust fraud risk management is crucial in both protecting value and enabling trust in businesses.
- Financial fraud is on the increase and the pandemic has served to accelerate the rise.
- Under the Economic Crime and Transparency Act, companies of a certain size will be required to ensure that they have reasonable procedures in place to prevent fraud across their business.

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Looking ahead - on a firmer footing

FCA Primary Market Bulletin 45 - July 2023

ISSB standards and transition plans

Consultations and future activities

ISSB standards

- Intend to consult on updating the TCFD-aligned disclosure rules for listed companies to refer to the UK-endorsed ISSB standards:
  - Consultation expected in **first half of 2024**
  - Finalise policy position by the **end of 2024**
  - Bring in new requirements for accounting periods beginning on or after **1 January 2025,** with first reporting beginning in 2026
- Consultation will include possible transitional measures to ensure smooth implementation and moving from the ‘comply or explain’ compliance basis to mandatory disclosures

Transition plans

- FCA will release guidance that sets out their expectations for listed companies’ transition plan disclosures, with reference to the final outputs of the TPT
  - Consultation expected to coincide with the ISSB standards

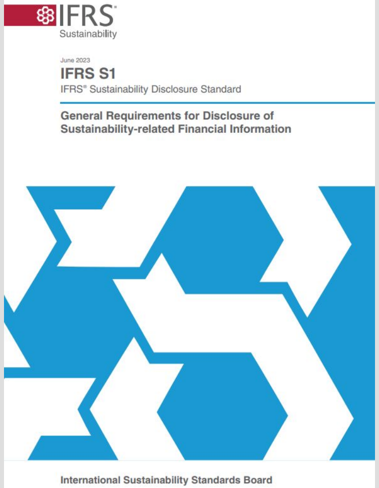
Supervisory approach

- Efforts will be focused on raising awareness of the new rules and guidance and improving the quality of disclosures
- Envisage continuing to use thematic reviews in 2023/24
- Approach will need to evolve with the new standards - more information will be included in the consultation.

https://www.fca.org.uk/publications/newsletters/primary-market-bulletin-45

A significant milestone
International Sustainability Standards Board (ISSB)

1. Establish global baseline of sustainability disclosures
2. Publish two standards covering Sustainability-related financial information (IFRS S1) and Climate-related disclosures (IFRS S2)
3. Potential investors, lenders and creditors identified as primary users
4. Climate standard adopts and builds on TCFD framework
5. Effective 1 January 2024, subject to endorsement by local jurisdiction
6. UK committed to endorse the standards within 12 months of publication date but scope, content and application date unknown
7. Consulting on agenda priorities alludes to future direction (e.g. biodiversity, human capital, connectivity)


IFRS Sustainability

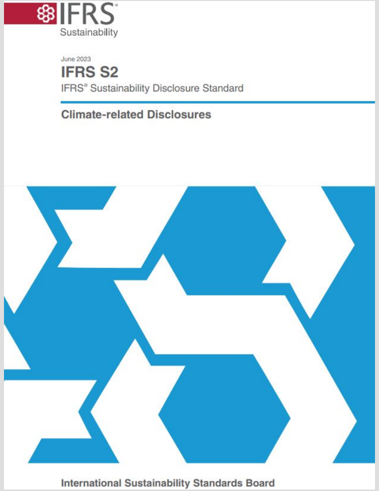
June 2023

IFRS S1

IFRS® Sustainability Disclosure Standard

General Requirements for Disclosure of Sustainability-related Financial Information

International Sustainability Standards Board


IFRS Sustainability

June 2023

IFRS S2

IFRS® Sustainability Disclosure Standard

Climate-related Disclosures

International Sustainability Standards Board

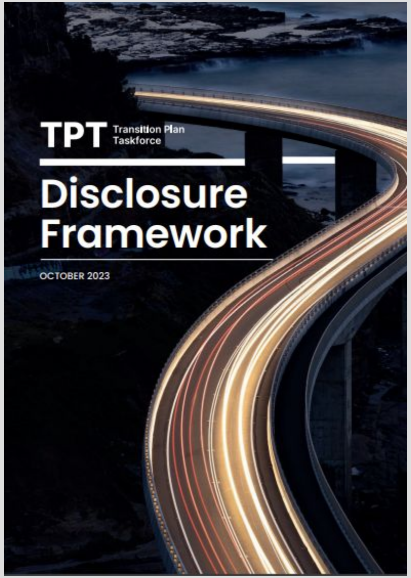
Transition Plan Taskforce (TPT)

Framework now finalised

Key points

- Sets out good practice for robust and credible transition plan disclosures - sector neutral
- Not mandatory **BUT** the FCA and Government have indicated that they intend to incorporate transition plans into future climate reporting requirements
- Designed to complement and build on the ISSB standards which the UK has committed to adopt as part of the SDR regime
- Integrate material information about transition plan within general purpose financial reports and good practice to periodically publish its transition plan in a single standalone document - periodically, either when there are significant changes to the plan or, at the latest, every three years.

PRINCIPLES	Ambition	Action		Accountability	
DISCLOSURE ELEMENTS	1. Foundations	2. Implementation Strategy	3. Engagement Strategy	4. Metrics & Targets	5. Governance
DISCLOSURE SUB-ELEMENTS	1.1 Strategic Ambition	2.1 Business operations	3.1 Engagement with value chain	4.1 Governance, engagement, business and operational metrics and targets	5.1 Board oversight and reporting
	1.2 Business model and value chain	2.2 Products and services	3.2 Engagement with industry	4.2 Financial metrics and targets	5.2 Management roles, responsibility and accountability
	1.3 Key assumptions and external factors	2.3 Policies and conditions	3.3 Engagement with government, public sector, communities, and civil society	4.3 GHG metrics and targets	5.3 Culture
		2.4. Financial planning		4.4 Carbon credits	5.4 Incentives and remuneration
					5.5 Skills, competencies and training



https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf

Primary markets effectiveness - Listing Rule reform proposals

FCA CP 23/31 - December 2023

Restructuring of market segments

- Premium and standard listed equity becomes commercial company (equity shares)
- Other listings reorganised into 11 categories, including new transition, international secondary listing and non-equity
- Full re-write of Listing Rules sourcebook (but limited change for investment companies)

Changes to eligibility for listing (IPO)

- No listing requirements for historical financial information, revenue track record and clean working capital statements, but prospectuses still required
- Updates around control and independence, controlling shareholders and dual and multiple class share structures

Changes to continuing obligations

- Significant transactions: No prior shareholder vote but enhanced market notifications at ≥25%
- Related party transactions: Market notification, sponsor fair and reasonable opinion at ≥5%, and board approval

Governance and reporting

- **Commercial companies:** Comply or explain disclosure against the UK Corporate Governance Code, reporting on climate (TCFD) and diversity

Timeline

- Consultation runs until 22 March 2024
- FCA looking to implement changes from second half of year

Any questions?

Thank you!

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