February 2025

Corporate Governance

Key developments

This briefing is the eighth in our series of briefings on corporate governance and is designed to provide a synopsis of topical corporate governance matters impacting companies in the United Kingdom. This briefing tracks the development of certain matters identified in our previous briefings and outlines new matters of interest.

This briefing focuses on key matters arising since August 2024. If you would like further details on a topic, please contact a member of our Corporate Actions and Governance (CAG) team, whose details can be found at the end of this briefing.

Contents

Updated Principles of Renumeration 2

ESG in the spotlight 4

Pre-Emption Group publishes new guidance on the disapplication of pre-emption rights 6

FRC publishes annual review of UK Corporate Governance Reporting . 7

Glass Lewis publishes updated UK Proxy Voting Guidelines 9

Department for Business and Trade – Regulations made to reform non-financial reporting requirements........11

FCA publishes rules and policy position on enhancing NSM 13

Governance in the news 15

Updated Principles of Remuneration

October 2024

On the 9 October 2024, the Investment Association ('IA'), a trade body for UK investment managers, published the Principles of Remuneration (the Principles). IA members are significant investors in UK listed companies and are as investors, responsible for £9.1 trillion assets under management. The Principles, outline the IA members views on the widely accepted approach to executive renumeration for the majority of companies.

The revised Principles reiterate that they are to serve as guidelines and should not be taken as outlining prescriptive rules. Instead, the revised and simplified principles seek to foster good practice, align with investor expectations and support a competitive market environment.

In the same manner, the Principles do not intend to prescribe a particular renumeration structure or quantum but are aimed at helping renumeration committees make informed and responsible decisions that align with the long-term interests of the company and its shareholders.

The Principles build on the approach to executive remuneration outlined in the UK Corporate Governance Code.

Overarching Objectives of Remuneration:

The Principles set out the following three objectives that renumeration policies should aim to achieve:

1. promote long-term value creation through transparent alignment with the board's agreed corporate strategy;
2. support individual and corporate performance, encourage the sustainable long-term financial health of the business, and promote sound risk management for the benefit of material stakeholders; and
3. seek to deliver renumeration levels which are clearly linked to company performance.

Guidance for remuneration committees

The IA provides guidance to facilitate renumeration committees in applying the Principles of Renumeration when making informed decisions on executive renumeration, as well as to promote constructive dialogue and engagement between companies and their shareholders.

In summary the guidance describes the commonly used renumeration structures and elements of pay and points out shareholder expectations for each of these.

Key elements of the guidance include:

- **Shareholder consultation** – The importance of undertaking shareholder consultations on renumeration policies providing information on the company's proposals and approach to renumeration. This includes fostering transparent discussions and encouraging early engagement.
- **Levels of renumeration** – Renumeration should be appropriate for the company's circumstances and align with attracting, retaining and motivating talent as well as implementing the corporate strategy. There should also be a clear link between pay and performance reflecting both short-term and long-term objectives and the creation of sustainable value. Pay across the organisation should be taken into account in addition to the pay ratio between the CEO and the average employee.
- **Pensions** – Pension contributions or payments in lieu of pensions should be aligned with those available to the workforce. No element of variable pay should be pensionable.
- **Benefits** – All benefits should be fully disclosed and explained.
- **Annual bonus** – Annual bonuses should be paid for demonstrable performance based on robust and quantifiable targets. These targets should reflect the company's performance and implementation of the company's strategies. Committees should disclose the rationale for selecting performance metrics including any KPIs with an explanation of how it relates to value creation. Shareholders want bonus payments to align with both the financial and non-financial performance of the company.
- **Long term incentives** – Shareholders need to understand the renumeration committee's philosophy on long-term incentives and how this approach supports the company's strategy and value creation. The committee should also have the ability to apply malus and clawback provisions.
- **Long-term alignment between executives and shareholders** – The UK Corporate Governance Code mandates that committees establish shareholding guidelines to align executives' interests with those of shareholders, both during and after their employment. These guidelines require executives to meet minimum

shareholding requirements within a set timeframe and retain these shares post-employment, ensuring accountability and promoting long-term value creation for the company.

- **Recruitment of new directors and leaver provisions** – The remuneration committee is responsible for setting pay for new and departing directors in accordance with the remuneration policy approved at that time by shareholders. The committee needs to consider factors such as market conditions, company performance, and stakeholder expectations. For new joiners, salaries should reflect their skills and experience without necessarily matching their predecessors, while departing directors' remuneration should focus on fixed pay, avoid discretionary enhancements, and ensure any variable pay aligns with performance and original conditions.
- **Special awards** – Shareholders consider that special awards or ex-gratia payments are not needed if a remuneration policy is well-designed and aligned with company performance. In exceptional circumstances, clear rationale and performance conditions must justify such awards, with shareholder engagement and transparency in the decision-making process.
- **Non-executive director fees and shareholdings** – Good governance requires fair remuneration for independent NEDs, reflecting their time commitment and role complexity, with clear disclosure of expectations. Shareholders encourage NEDs to align interests by owning company shares, however, the UK Corporate Governance Code explicitly states that NEDs should not participate in share option or performance-related pay schemes to maintain their independence.

The Principles recommend that where a company decides to follow an approach that diverges from these guidelines, acomprehensive explanation should be provided to shareholders. The explanation should also detail the measure implemented to mitigate any potential risks associated with this approach.

Next steps:

The updated principles are less rigid than before and should be used for companies to evaluate whether their existing renumeration arrangements continue to remain fit for purpose and their bespoke business needs. The revised Principles will be key for companies that are scheduled to propose a new directors' renumeration policy at their next AGM.

Further information:

- Click **here** for the full Principles of Renumeration

ESG regulation in the spotlight

The ESG regulatory landscape is fast-evolving. We summarise below some of the broader EU and UK ESG legislative updates and initiatives that UK plcs may be impacted by and wish to monitor.

Megatrend 1

Sustainability reporting

The Corporate Sustainability Reporting Directive (CSRD)

The CSRD entered into force on 5 January 2023 following final approval by the EU Council on 28 November 2022. This legislation requires all large EU companies and listed SMEs to publish regular reports on their environmental and social impact activities. In addition, in-scope companies must report on and describe their due diligence processes relating to sustainability matters.

While implementation will be phased between 2024-2028, non-EU companies will need to comply if they meet applicable turnover tests or have securities listed on an EU regulated market. The European Commission is expected to publish additional rules for non-EU companies, as well as sector-specific standards by 2026.

For more information, see White & Case publication on the topic **here**.

Proposed EU directive on substantiation and communication of explicit environmental claims (Green Claims Directive)

The EU's Green Claims Directive is continuing its legislative journey, but it follows trends seen elsewhere from regulators regarding the use of explicit environmental claims in communicating with consumers. The Commission's proposal aims to create a single set of rules on how so-called 'green' or sustainability claims can be verified within the EU's market. The proposal sets out minimum requirements on the substantiation and communication of voluntary environmental claims and labelling in B2C commercial practices. The Parliament and Council have both agreed their negotiations to finalise the legislation. Those negotiations will begin shortly and will shape the final contours of the Directive.

The UK does not have similar legislation on green claims but some of the regulators in the UK are setting out their expectations in the area. For example, the UK's Competition & Markets Authority (CMA) released their "Green Claims Code" in 2023, and the Financial Conduct Authority (FCA) published in April 2024 their anti-greenwashing rule to clarify their expectations to the firms which they regulate.

For more information, see White & Case publication on the topic **here**.

Megatrend 2

Supply chain due diligence

EU Batteries Regulation

On 17 August 2023, the EU's Batteries Regulation came into force, impacting the design, production and waste management of all types of batteries that are manufactured or sold in the European Union, independent of the origin of the batteries or raw materials. The regulations require companies to conduct due diligence on their supply chains to assess social and environmental risks, introduce a new digital battery passport for electronic vehicle batteries, as well as specific labelling requirements and a carbon footprint declaration to provide consumers with more accurate information on the social and environmental impact of batteries.

The requirements began to apply from 18 February 2024. UK companies operating in the automotive sector and within the EU market will need to comply with the regulations.

The UK's battery strategy published December 2023, laid out the UK's vision for their domestic battery industry and a framework to deliver growth. The legislative framework to deliver this strategy has yet to be announced.

For more information, see White & Case publication on the topic **here**.

EU Deforestation Regulation

In June 2023, the EU's Deforestation Regulation came into force, requiring companies trading in cattle, cocoa, coffee, palm oil, rubber, soya and wood (and their derivatives) to conduct due diligence on their value chains to ensure their products do not result from deforestation or other breaches of environmental and social laws. The regulations will impact any goods that have been produced on or after 29 June 2023 and will prohibit them from being placed on the EU market or exported from the EU from the end of 2025, subject to certain exemptions, following the EU passing legislation to delay its application date in December 2024.

In the UK, on 9 December at COP28, the Government announced that businesses with at least £50 million in global turnover and use more than 500 tonnes of regulated commodities annually will need to make a declaration to indicate the commodity was not produced on illegally deforested land when importing cattle products, soy, palm oil and cocoa. Unlike the EU's regulations, the UK has not included coffee in their announcement. The UK's regulation requires legislation to come into effect and there is currently no public timeline available for its introduction.

For more information, see White & Case publication on the topic **here**.

The EU Corporate Sustainability Due Diligence Directive (CSDDD)

The CSDDD was formally adopted by the European Institutions in early 2024. The Directive will apply to EU and certain non-EU companies. The Commission is expected to publish a list of non-EU companies expected to fall under the scope of this directive, so UK companies should monitor for this.

The legislation will require in-scope companies to identify, assess and prevent, mitigate and remedy the human rights and environmental risks in their supply chains, as well as integrating due diligence into their policies and risk management. Following its publication in the EU's Official Journal the dates of application were finalised and range from July 2027 to July 2029.

For more information, see White & Case publication on the topic **here**.

EU Forced Labour Ban/UK's Modern Slavery Act

The EU's adopted a regulation prohibiting products made with forced labour in late 2024 and will impact businesses from 2027. This legislation would apply a prohibition on all products available on the EU market made with forced labour, including their components and regardless of origin. UK companies looking to export products into the EU from high-risk areas or economic sectors may need to provide proof that the products were not made with forced labour.

UK companies will be familiar with the UK's Modern Slavery Act 2015. As the USA's Uyghur Forced Labor Prevention Act was adopted and the EU is moving towards their own ban, the UK may follow in updating its forced labour and modern slavery legislation but that is unlikely before the next general election. In 2022, the Government introduced a Modern Slavery Bill to update the 2015 legislation however it was not passed in that parliamentary session.

For more information, see White & Case publication on the topic **here**.

Megatrend 3

Environmental tariffs

The Carbon border adjustment mechanism (CBAM)

From 1 October 2023, the EU's CBAM reporting obligations started applying, with the levy expected to apply from 1 January 2026. Broadly, the EU CBAM requires importers of certain carbon-intensive goods (including iron and steel; cement; fertiliser; aluminium; electricity; and hydrogen) to pay a charge on their imports. The rationale of the regulation is to address the risk of "carbon leakage", which would occur if the greenhouse gas emissions reductions achieved within the EU under the EU ETS were to be offset by covered operators shifting their operations to jurisdictions outside the scope of the EU ETS and/or by EU firms increasing their imports from such jurisdictions. Despite having a UK ETS system, covered products made in the UK and exported to the EU will need to follow the EU CBAM obligations, however, provisions are included in the CBAM such that the cost can be deducted for EU importers where UK producers (and other non-EU producers) can show they have already paid a price for the carbon used in the production of the imported goods.

In the UK, on 18 December 2023, the Government announced its intention to implement a UK CBAM by 2027. The covered sectors are expected to be slightly different from the ones initially covered by the EU CBAM. The UK CBAM may include products in the aluminium, cement, ceramics, fertiliser, glass, hydrogen, iron, and steel sectors. The UK Government launched consultations with the public in 2024 on the design and delivery of the mechanism. Comments closed in mid-June 2024, and additional information about the design of the proposed UK CBAM will be forthcoming.

For more information, see White & Case publication on the topic **here**.

Pre-Emption Group publishes new guidance on the disapplication of pre-emption rights

November 2024

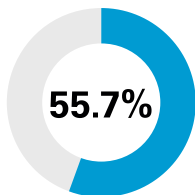
The pre-emption group of the Financial Reporting Council (PEG) publishes guidance on the disapplication of pre-emption rights. This includes an annual report monitoring the use of its Statement of Principles in disapplying shareholder pre-emption rights.

The Statement of Principles provide guidance for companies and investors when considering disapplying pre-emption rights. The principles aim to clarify when flexibility might be appropriate and identify the factors to consider when deciding to disapply pre-emption rights as well as to make use of an agreed authority for a non-emptive share issue. The 2022 revised Statement of Principles increased the level of disapplication authority that companies can routinely seek shareholder approval for, by way of special resolutions at their AGMs, to 20% of their existing issued share capital (10% for general corporate purposes, and a further 10% for use in connection with an acquisition or a specified capital investment).

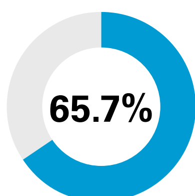
On the 22 November 2024, the PEG published its second report. The report, reviews how FTSE 350 companies adopted the revised Statement of Principles for annual general meetings held between 1 August 2023 and 31 July 2024. The data was gathered from publicly available AGM notices and results.

Key findings from the report are indicated in the figures below suggesting that companies are gaining confidence in the 2022 Statement of Principles.

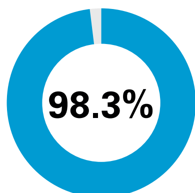
2022 – 2023 Review Period



sought enhanced disapplication authority* as permitted under the Statement of Principles

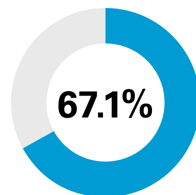


requested authority for a specified capital investment



had all disapplication resolutions passed by shareholders

2023 – 2024 Review Period



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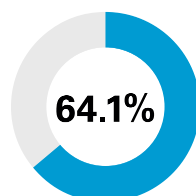

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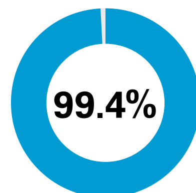


had all disapplication resolutions passed by shareholders

An enhanced disapplication authority refers to where either the request for general corporate purposes or the request for a specified capital investment exceeded the authority previously allowed under the 2015 Statement of Principles.

Next steps:

Companies should continue to engage with shareholders before tabling a resolution seeking pre-emption disapplication authority. In addition, companies should provide detailed and transparent disclosure when using any disapplication authority that they have been granted during capital raising.

Further information:

- Click **here** for the PEG Annual Monitoring Report 2023-2024
- Click **here** for the 2022 Statement of Principles

FRC publishes annual review of UK Corporate Governance Reporting

November 2024

On 26 November 2024, the FRC published its fifth annual 'Review of Corporate Governance Reporting' (the "Review"). The Review showcases examples of good reporting under the UK Governance Code 2018 (UKCG Code 2018) (the "Code") as well as discussing areas of improvement to help companies prepare for the transition of the revised UKCG Code 2024. To do this, the FRC scrutinised the annual reports of 130 randomly selected FTSE 350 and Small Cap companies, summarising key findings in the Review.

In particular, the findings emphasised the flexibility of the UKCG Code, as encapsulated in its 'comply or explain' approach. This approach allows companies to deviate from provisions where appropriate so long as they provide a strong explanation to this decision, as well as maintain the standard of governance expected from the Code.

Overall, the Review noted that the quality of corporate governance reporting remains strong. Nonetheless, the FRC emphasised that there continues to be a need for a more concise and outcomes-focused approach to disclosure. Furthermore, companies should enhance their reporting measures in relation to risk management and internal controls.

Key findings from the Review are summarised below.

Code Compliance

In the instance of non-compliance with the Code, companies must identify which provision it has not complied with and provide an explanation for this in the report. Compared to the last annual review, the FRC found that fewer companies disclosed non-compliance.

The FRC emphasised that there is no single approach as to how companies should report their compliance with the Code. However, reporting on departures to the code can be improved and companies should provide more thorough explanations when departing from the code, this can provide additional insight into a company's governance. Explanations should, following the Listing rules explain "the period within which, if any, it did not comply with some or all" of the Code provisions. In addition, if the company plans to comply with the provision soon, it should indicate when and under what conditions. If non-compliance is indefinite, good reporters should state this and explain the reasons.

Risk Management and Internal Control

The FRC reported that, among the companies sampled, none adopted the updated Provision 29, which is due to come into force in January 2026. Provision 29 mandates that "the board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report". However, some companies referred to the provision in their report, and outlined their preparations to implement the provision in the next year. Overall, the report found that 25 out of 130 companies either failed to report, or did not report clearly on the effectiveness of their risk management and internal control systems.

Shareholder Engagement

As in previous years, the FRC did not see much improvement in the quality of reporting on shareholder engagement. Most companies provided limited details about their interactions, the feedback they received from shareholders, and specific outcomes.

Stakeholder and Workforce Engagement

While the reporting of engagement was generally of high quality, the FRC noted that it was at times unclear how the board (rather than management or other employees) undertakes that engagement with different stakeholders.

Audit Committees

The Review for the first year reviews the FRC's Audit Committees and External Audit Minimum Standard, which were published in May 2023 and will be incorporated in the 2024 Code. Although voluntary for this year, the Review found that nearly half of the sampled companies included the matters set out in the Minimum Standard in their Review.

To improve audit reporting, the FRC advised that companies can make the responsibility for following the Minimum Standard explicit in terms of reference.

Reporting on 'over-boarding'

The Review considers how companies currently address the issue of 'over-boarding' where directors' multiple board commitments potentially compromise their effectiveness. Overall, 90% of the companies sampled did provide information on the external commitments of directors and more than 65% listed all other appointments held by directors. Some companies even provided the actions taken by directors to manage their time commitments.

Renumerations

The Review notes that reports on renumeration policies and practices have generally been of a high standard. It has emphasised the importance for companies to report clearly on their approach to remuneration as this directly supports strategy and long-term sustainability.

Next steps:

As the Code applies for financial years from 1 January 2025 (other than Provision 29 which will apply to financial years beginning on or after 1 January 2026), the Report supports companies navigate the upcoming changes effectively in providing practical examples of what good reporting looks like and the recommended approaches for companies to take.

Further information:

- Click **here** for the Review of Corporate Governance Reporting
- Click **here** for the UK Corporate Governance Code 2018
- Click **here** for the UK Corporate Governance Code 2024

Glass Lewis publishes updated UK Proxy Voting Guidelines

November 2024

On 14 November 2024, Glass Lewis, a provider of global governance solutions, published the 2025 Benchmark Policy Guidelines also know as the updated UK Proxy Voting Guidelines (the "Guidelines") which includes guidance on matters such as board diversity, voting structure and voting disclosures. The Guidelines will apply for AGM's held from 1 January 2025.

The key updates are as follows.

Whilst these changes are varied, there is a specific focus on the increase of diversity at board-level, further responsibility placed on directors in terms of artificial intelligence and hybrid plans as well as an emphasis on further transparency concerning voting structure and pensions.

Topic	Key Updates
Director tenure	□ Director tenure to be assessed by Glass Lewis on a case-by-case basis and it is not recommended that shareholders vote against any non-executive director on the basis of their lengthy tenure alone. Previously, it was generally recommended to vote against the re-election of the remuneration committee chair if the board chair's tenure exceeded nine years and no defined succession plan was disclosed.
Gender diversity on boards	□ Following the established Listing Rule that all Main Market companies should aim for 40% gender diversity, Glass Lewis will examine companies' disclosures and practices to identify any potentially tokenistic approaches to gender diversity. □ The Guidelines recommend against re-election of the chair of a nomination committee if: – there has not been the appointment of at least two gender diverse directors; and – there is no clear and compelling rationale for the lack of board-level gender diversity.
Ethnic diversity on boards	□ The Guidelines recommend against re-election of the chair of a nomination committee at any FTSE 250 board if: – there has not been an appointment of at least one director from an ethnic minority background; and – there is no clear reasoning as to why ethnic diversity standards at a board-level have not been met.
Board oversight of artificial intelligence (AI)	□ This is a new section of the guidelines outlining the expectation under the Guidelines that boards should be aware of any significant risks that could come from using or developing AI and take action to reduce those risks. □ Where insufficient management or oversight of AI is causing material harm to shareholders, Glass Lewis will investigate the issue and may recommend against the re-election of accountable directors. □ Glass Lewis may also recommend a shareholder vote if the board's approach to AI is not sufficient in protecting their interests.
Pension contributions	□ The Guidelines generally recommend voting against the relevant renumeration proposal where a director's pensions contribution rates exceed those applying to the majority of the workforce within the company.
Hybrid plans	□ This is a new section of the Guidelines outlining Glass Lewis' approach to 'hybrid incentive plans' (a long-term incentive scheme that typically combines performance shares and restricted shares) in executive renumeration policies. □ Glass Lewis will assess hybrid plans on a case-by-case basis accounting for the reasoning as to why such a structure has been selected. □ Upon assessment, Glass Lewis will expect several features: – a rationale as to why a hybrid model is being used; – a reduction in maximum opportunity compared to the previous LTIP with an explanation on the methodology used to determine the discount rate; and – a total vesting and post-vesting holding period of at least five years.

Topic	Key Updates
Voting structure	□ The updated guidelines address multi-class share structures at UK companies. Glass Lewis opposes multi-class share structures with unequal voting rights, explaining that voting power should align with economic stake of each shareholder and not be concentrated among a few shareholders. □ If a board adopts a multi-class share structure with an IPO, spin-off or other direct listing where the share class with superior rights is unlisted, Glass Lewis recommends voting against the chair of the governance committee or a representative of the major shareholder up for election if: – the board did not submit the multi-class structure to a shareholder vote at the company's first shareholder meeting following the IPO; or – the board did not provide a reasonable sunset of the multi-class share structure (usually seven years or less).
Conflicts of interest	□ Recommends that shareholders vote against the following types of directors who have identifiable conflicts of interest: – a director with an immediate family member currently providing material professional services to the company (includes legal, consulting or financial services); – a director with an immediate family member who engages in deals from the company amounting to more than £50,000; or – a director who maintains 'interlocking' board memberships where top executives form part of each other's boards.
Proxy voting results	□ Recommends that all publicly listed companies disclose a full breakdown of their voting results following annual meetings. □ Suggests that shareholders hold the board chair responsible where a detailed record of the proxy voting results from the previous annual meeting has not been disclosed.
Virtual shareholders meetings	□ Guidelines unequivocally support the facilitation of virtual participation in general meetings. □ Glass Lewis believes companies should discuss meeting formats with their shareholders. If a board ignores valid shareholder concerns about how meetings are conducted, Glass Lewis may suggest voting against the re-election of responsible directors or other resolutions.

Next steps:

Companies should review their current disclosures in light of these updated voting guidelines to see if any updates or clarifications are needed to address concerns from proxy advisory firms or shareholders.

Further information:

- Click **here** for the Glass Lewis 2025 Benchmark Policy Guidelines

Department for Business and Trade - Regulations made to reform non-financial reporting requirements

December 2024

On 10 December 2024, the Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024 (the "Regulations") were laid before Parliament along with an Explanatory Memorandum.

Broadly the Regulations (i) raise the turnover and balance sheet thresholds used to determine a company's size for reporting and audit purposes under the Companies Act 2006 and (ii) remove several reporting requirements from the Directors' Report that are no longer deemed relevant both aimed at reducing the reporting burdens on companies.

(i) Key effect: Raised financial threshold for company size classifications

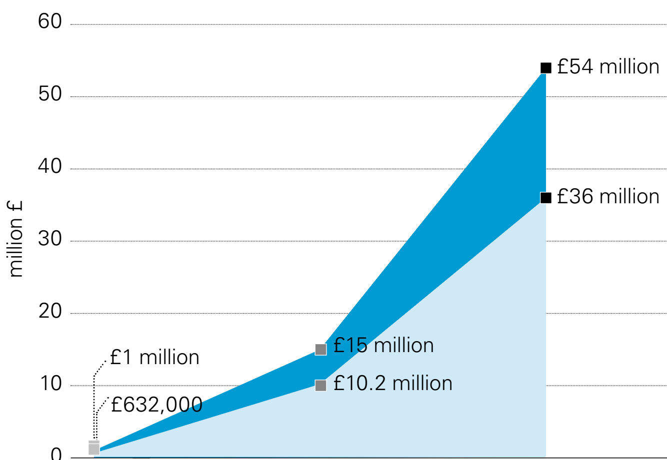
Under Part 15 of the Companies Act 2006 (the "CA"), a company can be categorised by its economic size as either a micro-entity, small, medium-sized, or large company for purposes of reporting and audit requirements under the CA. The criteria for each size classification require that a company does not exceed two out of three specified maximum thresholds for annual turnover, balance sheet total, and number of employees.

Whilst the Regulations do not effect the employee threshold, it increases the annual turnover and balance sheet total by about 50%.

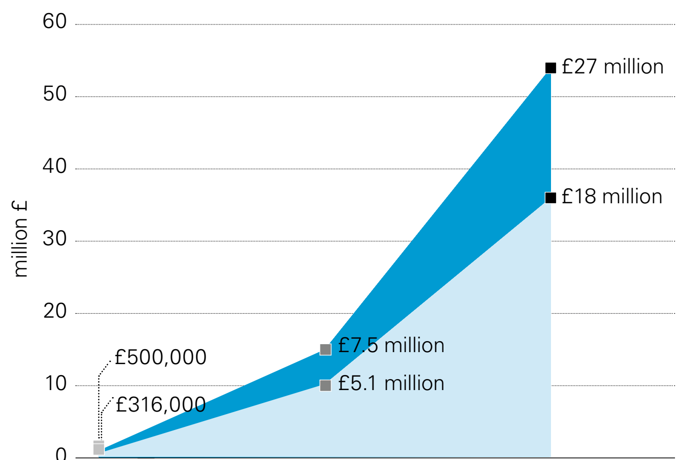
No amendments have been made for large companies, defined as those exceeding the thresholds for medium-sized classifications.

The classification of a company each year is based on its size in previous financial years. The Regulations make clear that for financial years starting on or after 6 April 2025, the new thresholds should be applied when evaluating those prior years.

Turnover Threshold (*not more than*)



Balance Sheet Threshold (*not more than*)



Micro-entity | Small company | Medium- sized company | Current | Previous

(ii) Key effect: Changes to the Directors' Report

Part 2 of the Regulations, removes the requirement for directors' to disclose information that overlaps with other reporting requirements or that lead to 'low-value disclosures', i.e. of limited value to investors and other stakeholders. This includes:

- significant events occurring since the end of a company's financial year;
- information about likely future developments affecting a company's direction;
- information about research and development;
- information about branches of the company outside the UK;
- details of companies' use of financial instruments; and
- a company's engagement with employees, customers and suppliers.

Next steps:

The Regulations will take effect on April 6, 2025, and will apply to financial years starting on or after that date.

The government confirmed in October 2024, that it would be undertaking a wider review of non-financial reporting in Spring 2025.

Further information:

- Click **here** for the Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024
- Click **here** for Explanatory Memorandum

FCA publishes rules and policy position on enhancing NSM

December 2024

Following its consultation in August 2024, on 20 December 2024, the FCA published their policy statement setting out its longer-term plans for the National Storage Mechanism (NSM) and the FCA's final rules and guidance to make it easier for users to find regulated information.

The NSM is the FCA's online archive of company information. The archive allows users to freely access and download information about issuers of publicly traded securities. In particular it contains information that issuers are required to disclose under the the Disclosure Guidance and Transparency Rules (DTRs), the UK Listing Rules, the Prospectus Regulation Rules and Articles 17 to 19 UK Market Abuse Regulation.

Most company information in the NSM comes from Primary Information Providers (PIPs). These providers are approved by the FCA to distribute regulatory announcements on behalf of issuers and store them permanently in the NSM. Companies also upload information directly themselves on the NSM.

Key changes:

Overall, the FCA is seeking to improve the accuracy and relevance of the metadata in the NSM. This will help users more easily locate regulated information using metadata-based searches.

More specifically the FCA is undertaking the items flagged below.

Updates	Intended Outcomes
Increasing the requirements for filing legal entity identifiers (LEI) when filing regulatory information at the NSM. □ The LEI is a unique global identifier assigned to listed companies and individuals acting in a business capacity (excluding those in a private capacity or employees). □ Issuers and individuals filing inside information under DTR 6.2.2 must now provide the name and LEI of the issuer involved. □ They must also provide the name and LEI of the person filing the regulated information (if different from the issuer). □ Additionally, the name and LEI (if available) of any related issuers that are the subject of the disclosure must be notified, regardless of whether these related issuers are involved in the filing of the regulated information.	□ Faster and standardised data exchange and processing. Allow the FCA to implement better data quality controls. □ Standardisation will also reduce the risk of system incompatibilities and prevent delays in issuers meeting filing obligations allowing NSM users to access information promptly.
Updating the categorisation of regulated information within the NSM.	
Introducing a requirement for all PIPs to use the same standard schema and interface (Application Programming Interface) for submitting information to the NSM.	

Along with the changes the FCA is proposing to make to its Handbook, the FCA has also published a Technical Note appended to the policy statement, to guide PIPs in meeting their obligations to provide regulatory information.

Next steps:

The proposed changes to the FCA Handbook will come into effect on 3 November 2025. The technical note guidance will take effect from the same time.

The FCA will keep working with Primary Information Providers on the necessary system changes and plans to give them a testing environment for at least three months before the new system goes live in November 2025. The FCA will also review the guidance in the technical note and may update it before it takes effect to reflect outcomes from the implementation process.

This year, the FCA will giver more details on what changes issuers and users of the NSM can expect from the new rules.

Further information:

- Click **here** for the FCA Policy Statement PS24/19, Enhancing the National Storage Mechanism

Governance in the news

Vanguard: shareholders can vote for profits over ESG issues

Vanguard is expanding its initiative to allow retail shareholders to influence proxy votes, offering nearly 4 million people with up to US$250 billion in shares the chance to choose from five voting options, which include letting Vanguard make the decision, voting with management, prioritising environmental, social and governance factors or in effect voting "present". This move aims to balance the conservative backlash against ESG with the interests of customers committed to climate and social issues. John Galloway, Vanguard's global investment stewardship officer, states that this change responds to varied investor perspectives on maximising shareholder value.

Institute of Directors publishes voluntary code of conduct for directors (23 October 2024)

On 23 October 2024, the Institute of Directors introduced a voluntary Code of Conduct for Directors to support better decision-making and build public trust in their business activities. It is directed at directors across various sectors. The Code encourages boards to publicly commit and is based on six principles: leading by example, integrity, transparency, accountability, and responsible business practices. It serves as a guidance tool without any formal enforcement mechanism.

Click **here** for the Code of Conduct.

LSE publishes the 2025 Dividend Procedure Timetable (13 September 2024)

On 13 September 2024, the London Stock Exchange published Market Notice N08/24, announcing its Dividend Procedure Timetable for 2025. This timetable serves as an annual guide for companies with shares listed on the LSE's Main Market or admitted to trading on AIM, helping them set their interim and final dividend programmes. It outlines a series of ex-dividend dates for 2025, along with the associated record dates and the corresponding latest announcement dates.

Click **here** for the Dividend Procedure Timetable for 2025.

Slowdown in boardroom diversification

UK companies are experiencing a slowdown in boardroom diversification, with fewer ethnic minority directors appointed in 2024 and women struggling to secure senior roles, according to new data from head-hunter Spencer Stuart. Despite meeting the Parker Review's target for FTSE 100 boards to include at least one ethnic minority director by December 2021, there is concern that companies are now complacent after achieving minimum diversity targets. Chris Gaunt from Spencer Stuart notes that the decrease in diversity appointments is partly due to companies having already met their diversity goals, leading to a potential risk of prioritising experienced directors over continued diversity efforts.

Climate-related Financial Disclosures by AIM and Large Private Companies (21 January 2025)

On 21 January 2025, the FRC published the Thematic Review: Climate-related Financial Disclosures by AIM and Large Private Companies, assessing the quality of these disclosures in annual financial reports under the Companies Act 2006. The review found inconsistent quality, with key gaps in scenario analysis, climate-related target disclosures, and governance explanations. The FRC expects improved disclosures through clear, concise language and better presentation of scenario resilience and climate-related targets. The review emphasises the need for significant improvements in the clarity and comprehensiveness of reporting risks, targets, and governance.

Click **here** for the Thematic Review.

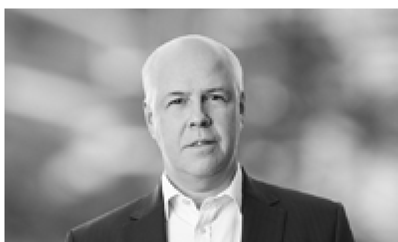
The High Court's decision in Aabar Holdings SARL v Glencore plc on the existence of the 'Shareholder Rule' (17 January 2024)

In *Aabar Holdings SARL v Glencore plc* [2024] EWHC 3046 (Comm), the High Court examined whether a principle under English law exists that a company cannot assert privilege against its own shareholders, except for documents created for hostile litigation against the shareholder (known as the "Shareholder Rule"), and whether this applies to not only legal advice privilege and litigation privilege but also without prejudice privilege. In this case Aabar Holdings and other shareholders sued Glencore and its former directors for alleged misconduct and oil price manipulation, claiming misstatements in Glencore's IPO prospectus and other documents. The High Court ruled that the Shareholder Rule, which would prevent companies from withholding privileged documents from shareholders, does not exist in English law, and even if it did, it would not apply to without prejudice privilege. This decision aligns with Canadian and Australian positions, underscoring the significance of legal privilege and potentially complicating shareholders' challenges to directors' decision-making by shareholders. An anticipated appeal may further clarify the Shareholder Rule's scope and application. If upheld, the decision would strengthen legal privilege, making it harder to challenge directors' decisions by accessing privileged communications, while allowing companies to seek legal advice candidly without fear of future disclosure.

Click **here** for the High Court's decision.

The White & Case Corporate Actions and Governance (CAG) team advises UK public companies on their day-to-day legal affairs. In particular, the team engages with listed companies outside of their transaction cycle and provides advice across a range of matters, with particular expertise in corporate governance and corporate advisory. The team is experienced in company secretarial matters and regularly provides support to non-legal functions (as well as legal and company secretarial teams) within PLCs. Our clients range in size and maturity from newly listed companies to mature companies and from small cap companies to global FTSE 350 companies.

The CAG team is part of the network of White & Case offices offering public company advisory services, with specialist practice teams in the US, Germany, Italy and France.



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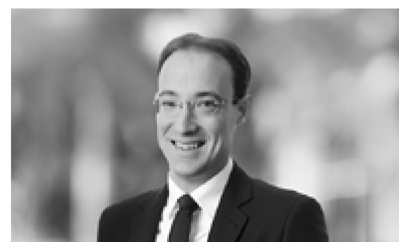

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