

Key Topics for the 2025 UK AGM Season

Highlighting the top trending issues for UK listed companies and their investors in this year's AGM and reporting season

January 2025



This publication provides an overview of the top trending issues as we approach this year's AGM and reporting season. We highlight key legal and regulatory developments impacting AGM and annual reporting practices.

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Corporate Governance

Significant changes in corporate governance have emerged over the past year affecting UK listed companies:

- On 22 January 2024, the Financial Reporting Council (FRC) released an updated [UK Corporate Governance Code](#) which applies to accounting periods beginning 1 January 2025, with the first annual reports (addressing the new UK Corporate Governance Code) to be released in 2026. However, the new provision on board declaration of the effectiveness of material internal controls will commence one year later from 1 January 2026.

The revisions, which emphasise internal controls and other limited changes (see “[Key Points: UK Corporate Governance Code](#)”), come after the Financial Reporting Council’s (FRC) November 2023 [policy update](#). The FRC emphasises the UK Corporate Governance Code still operates on a “comply or explain” basis and companies should continue to take advantage of this regime by providing clear explanations around any departures from the provisions of the UK Corporate Governance Code. This 2024 update withdrew most proposals from the FRC’s initial consultation paper, which aimed to implement measures from the government’s [response](#) to the Department for Business, Energy & Industrial Strategy’s (BEIS) 2021 White Paper titled “Restoring Trust in Audit and Corporate Governance”.

- On 11 November 2024, the FRC initiated a [consultation](#) on proposed updates to its Stewardship Code, which is voluntarily adopted by signatories including asset owners, asset managers, proxy advisors, and investment consultants. The FRC aims for the revised Stewardship Code to continue promoting effective stewardship through high-quality disclosures based on an “apply and explain” approach, accurately reflect evolving stewardship practices, and uphold the Stewardship Code’s international reputation.

Additionally, the revisions are intended to enhance UK competitiveness and growth, aligning with the UK government’s remit letter to the FRC in November 2023. If implemented successfully, these changes could enhance the quality of engagement between issuers and investors.

This formal consultation follows extensive stakeholder engagement by the FRC throughout the year and [updates](#) to certain reporting requirements under the Stewardship Code in July 2024. The consultation period will close on 19 February 2025, with the FRC planning to publish the updated Stewardship Code in the first half of 2025, effective from 1 January 2026. The initial reports under the updated Stewardship Code are expected to be submitted to the FRC in 2026.

Actions

Listed companies should:

- ✓ note the updated principles and provisions of the UK Corporate Governance Code 2024 which took effect for accounting periods beginning 1 January 2025;
- ✓ prepare to report against the provisions of the UK Corporate Governance Code 2024 in 2026 (with a further year to prepare for reporting against Provision 29 regarding the board declaration on the effectiveness of material internal controls); and
- ✓ revise as necessary any procedures, policies, and board committee terms of reference to reflect the UK Corporate Governance Code 2024.

Key Points: UK Corporate Governance Code

- **Outcomes-based reporting**
 - New Principle C encourages companies to provide stakeholders with information on how board decisions impact the company's strategy and objectives.
 - Retains flexibility of “comply or explain”.
- **Audit, risk, and internal control**
 - Principle O has been amended to make the board responsible not only for establishing, but also for maintaining the effectiveness of, the risk management and internal control framework.
 - In addition to existing expectations to monitor and review the risk management/ internal controls, new Provision 29 introduces a board declaration on the effectiveness of material internal controls that would need to be set out in the annual report.
 - Certain provisions around audit committees and their responsibilities around the appointment and oversight of auditors have been removed on the basis that they duplicate the Minimum Standard: Audit Committees and the External Audit which apply to the audit committees of all FTSE 350 companies.
- **Composition, succession, and evaluation**
 - Principle J has been amended to promote diversity, inclusion, and equal opportunity, without referencing specific groups. The list of diversity characteristics has been removed to indicate that diversity policies can be wide-ranging.
 - Provision 23 has been amended to reflect that companies may have additional initiatives in place alongside their diversity and inclusion policy.
- **Remuneration**
 - New provisions to push for greater transparency around malus and clawback provisions in director service contracts and to describe these in the annual report.
- **New Corporate Governance Code Guidance**
 - New Code Guidance brings together three sets of guidance currently supporting the 2018 UK Corporate Governance Code:
 - Guidance on Board Effectiveness
 - Guidance on Audit Committees
 - Guidance on Risk Management Internal Controls and Related Financial Business
 - Reduces duplication and removes some out-of-date information.
 - Introduces a new section on “Good practice guidance for the successful management of board committees”.

Key Proposals: Stewardship Code Consultation

- Narrowing the definition of stewardship to better facilitate transparent conversations between participants in the investment chain about their investment beliefs and objectives, and how their stewardship supports these. The proposed definition focuses on “long-term sustainable value creation”, which will encompass a range of relevant factors.
- Streamlining the Stewardship Code’s principles with more concise reporting prompts to help concentrate reporting on the most insightful areas, while also reducing the volume of reporting.
- Tailoring the Service Provider Principles to include, for the first time, principles that are dedicated to proxy advisors and investment consultants:
 - Signatories to communicate with clients to understand their objectives and deliver services to support their stewardship (applicable to both proxy advisors and investment consultants)
 - Proxy advisors to ensure the quality and accuracy of their research, recommendations, and voting implementation (applicable to proxy advisors only)
 - Investment consultants to integrate stewardship considerations in their advice to clients (applicable to investment consultants only)
 - Investment consultants to identify and respond to market-wide and systemic risks to support clients’ stewardship (applicable to investment consultants only)
- For the first time, issuing guidance to support signatories in demonstrating how they have implemented stewardship throughout the year.
- Introducing policy and context disclosures (covering information about the signatory’s organisation, its governance, and resourcing), which would be reviewed less frequently by the FRC (every three years) and updated only as necessary by the signatory.
- Testing whether the updated Stewardship Code could better enable signatories to use cross-referencing to publicly available external information they publish to meet other requirements or frameworks to support their reporting against the Stewardship Code.

Focus on the Review and Reporting of Internal Controls

In January 2024, the updated Provision 29 was introduced in the new UK Corporate Governance Code. This provision, effective for financial years starting on or after 1 January 2026, expects boards to declare the effectiveness of material controls as at the balance sheet date and provide more information on the review process.

The [FRC's 2024 Annual Review of Corporate Governance Reporting](#) highlights existing good practices and areas needing improvement in preparation for the new UK Corporate Governance Code. Although no early adopters of Provision 29 were found, some companies are preparing for its implementation.

- **Effectiveness Review Coverage**

Both the existing and new Provision 29 expect an annual review of risk management and internal control systems. The FRC states that all material controls should be examined, including financial, operational and compliance controls. What is considered “material” would vary by company, based on their specific circumstances and impact on stakeholders.

- **Responsibility**

The board is ultimately responsible for these systems' effectiveness, though Provision 26 allows delegation to board committees, with regular reporting back to the board. The UK Corporate Governance Code remains neutral on assurance sources for assessing control systems' effectiveness — with accepted practices including both internal and external audits.

- **Reporting on Effectiveness Review**

Effective reporting should detail the review process, including who conducted it, the information provided, and the key controls examined. The FRC stresses the importance of reporting review outcomes, which will be crucial from 1 January 2026, when companies must declare these results.

This is an area of focus for the FRC given the updates to Provision 29 and the FRC noted that fewer than half of its 2024 sample reported appropriately in this area.

Remuneration

On 8 October 2024, the Investment Association (IA) updated its [Principles of Remuneration](#) (and supporting guidance) (the IA Principles), which predominantly apply to UK listed companies. The revised IA Principles comprise three simplified, overarching principles focussing on:

- long-term value creation through aligning pay and corporate strategy;
- performance criteria that support the sustainable, long-term financial health of the business and sound risk management; and
- delivery of performance-linked remuneration.

These principles, and the accompanying guidance, are significantly more flexible and less prescriptive than previous iterations — and reflect the progressive market discussions on executive remuneration that have taken place in the UK in the last couple of years. The IA has clarified that the revised Principles aim to provide flexibility while outlining “commonly accepted approaches” to executive pay. The IA emphasises engaging proactively with shareholders to understand their views and expectations, if possible, throughout the revised IA Principles.

In updating the IA Principles, the IA has acknowledged that its members “want a competitive UK listing environment that attracts companies to list and operate in the UK” and that it is seeking to reflect investor views and allow for more flexibility in remuneration structures rather than create a one-size-fits-all approach to remuneration.

The IA still expects companies to comply with or explain divergences from the UK Corporate Governance Code and the IA Principles and to exercise caution over the design of remuneration structures generally — and in particular, over value creation plans. Consultation and transparency with shareholders is a key theme repeated throughout the new guidance to the IA Principles. However, the new flexible guidance will be a welcome development for many UK companies and their shareholders, looking to embrace more dynamic and competitive remuneration structures to attract and retain global talent, particularly those businesses with a significant US footprint.

The new IA Principles have been acknowledged by ISS Governance and Glass Lewis which have updated their UK voting policies for 2025 to generally refer to these updates. In particular, under Glass Lewis’ updated voting policy, potential dilution of over 5% over a ten-year period in relation to executive (discretionary) schemes will no longer generally lead to a recommendation to oppose equity awards. However, ISS’s voting policy still recognises that the 5% share dilution limit is considered good market practice by many investors and that companies should explain the rationale for schemes that can exceed this limit.

Actions

Listed companies, particularly those seeking shareholder approval for a new director remuneration policy (whether as part of their usual three-year cycle or otherwise) should:

- ✓ take into account the increased flexibility in the revised IA Principles when formulating their remuneration policies;
- ✓ engage and consult with shareholders to understand their views and expectations if possible; and
- ✓ consider providing shareholders with disclosure surrounding the consultation process, including the number of shareholders that were consulted and the resulting outcomes, and the main feedback received from shareholders and how the company has responded to it.

Key Changes: Revised Investment Association Principles of Remuneration

- **Dilution limits**

The IA has removed the recommendation that only 5% of a company's share capital be subject to discretionary share plan awards in any rolling 10-year period, instead accepting that a 10% limit applying to both discretionary and all-employee schemes is sufficient. The IA also acknowledged that, for certain recently listed, high-growth companies that need to incentivise their employees with share-based awards, a higher limit could be appropriate in exceptional cases — with an expectation that the company will align itself with normal dilution limits over time.

- **“Hybrid schemes”**

The revised IA Principles acknowledge that “hybrid” arrangements — in which executives receive a combination of performance-based awards and awards subject to service-based vesting only — can be appropriate, as is the case in the US. The IA notes that companies adopting these schemes typically have a significant US footprint and/or compete for global talent.

- **Deferral requirements**

Previously the IA Guidelines recommended that a proportion of any annual bonus in excess of 100% of base salary should be deferred. This recommendation has been replaced with a more fluid requirement to have a deferral policy in place which can allow for a less stringent approach to deferral, particularly for executives with large shareholdings in the company if adequate malus and clawback policies are in place.

- **Upwards discretion**

The IA's guidance on when a remuneration committee can exercise discretion over an executive's reward now expressly states that upwards discretion is permitted to reward exceptional achievements or contributions not otherwise captured in performance metrics. Previously the guidance only referred to downward discretion leading to a practice in which UK companies felt constrained in their ability to reward outperformance.

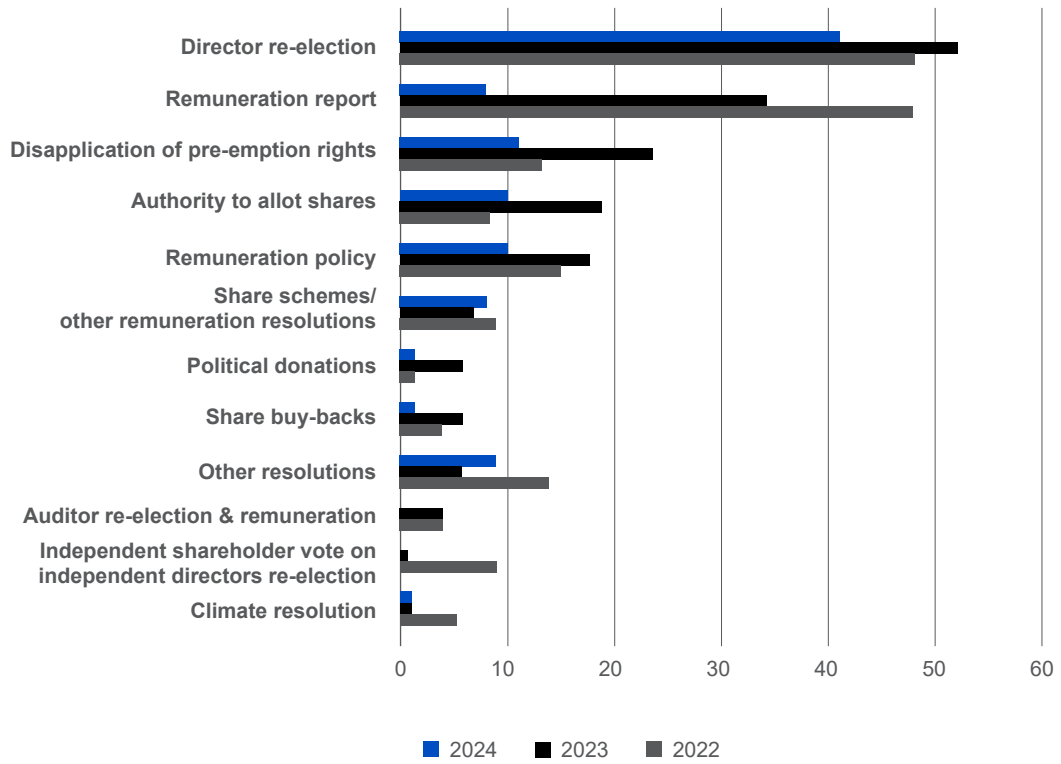
- **Shareholding guidelines**

The revised IA Principles now reflect that a director would usually meet the minimum director shareholding requirement by retaining the equivalent of one year's LTIP award.

- **Change of control**

The new IA Principles no longer expressly warn against the use of transaction bonuses or retention awards for executives. However, there will still be UK Takeover Code considerations — principally the need for transaction parties to navigate the UK Takeover Code prohibition of offer-related arrangements when agreeing management incentivisation arrangements in a takeover context. The IA has removed the previous guidance that time pro-rating should be applied to outstanding share awards on a change of control.

Remuneration and Share Capital Matters Constitute Top Targets for Shareholder Dissent



Source: Investment Association Public Register of Shareholder Dissent (data up to 30 November 2024)

ESG

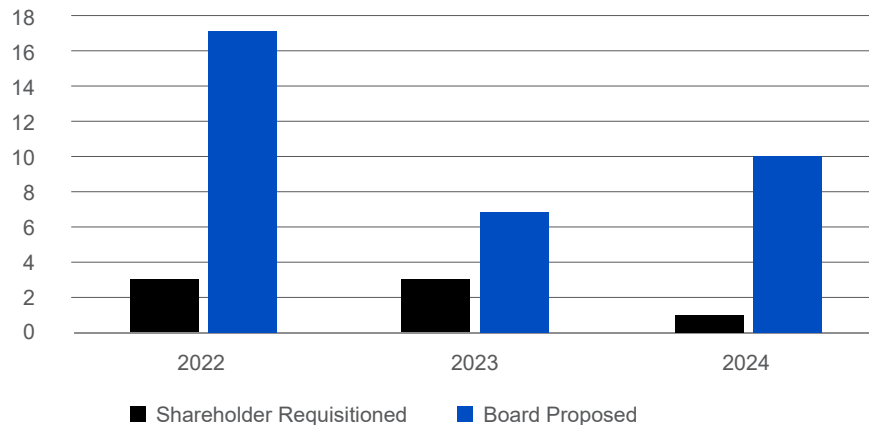
UK listed companies should maintain a strong focus on their compliance procedures concerning the Task Force on Climate-related Financial Disclosures (TCFD)-aligned and board diversity reporting requirements. These reporting obligations have been rolled over into the new UK listing regime and apply to companies listed under the equity shares (commercial companies), transition, and international secondary listing categories. Apart from these climate and diversity-related matters, the Financial Conduct Authority (FCA) also expects companies to carefully consider their disclosure obligations on wider environmental, social, and governance (ESG)-related risks and opportunities when preparing their results announcements and annual reports if these are likely to be financially material to the company.

Additionally, the FCA [announced](#) in 2024 that it will consult on revising its UK Listing Rules to transition from the TCFD to the UK-endorsed International Sustainability Standards Board (ISSB) standards once the expected UK endorsement of the first two of the ISSB standards is completed in 2025. The FCA would seek concurrent feedback on enhancing its expectations for listed companies' transition plan disclosures. The Chancellor's Mansion House [speech](#) in November 2024 reaffirmed the UK government's commitment to mandate certain companies, including FTSE 100 companies, to develop and implement credible transition plans aligned with the 1.5°C target of the Paris Agreement, with a consultation anticipated in the first half of 2025.

Proxy voting advisers (including the ISS and Glass Lewis) continue to expect clear and comprehensive disclosure regarding climate risks, including how such risks are being mitigated and overseen. In particular, their voting policies expect that companies with material exposure to climate risk stemming from their own operations should provide thorough climate-related disclosures in line with the TCFD.

In recent years, only a small number of FTSE 350 companies have introduced climate-related resolutions at their AGMs. Among the 10 companies that have done so in 2024, all have presented board-proposed resolutions. Notably, only one of these companies put forward both a shareholder-requisitioned resolution and a board-proposed resolution. The majority of these resolutions focus on climate transition plans or climate-related financial disclosures (Source: Practical Law). Although not yet mandatory, many companies are proactively publishing their commitments to achieve net zero emissions in their annual reports on a voluntary basis. This is often done in line with the "comply or explain" requirements for listed companies, which may account for the limited motivation among shareholder activists to propose climate-related resolutions.

Climate-Related Resolutions at FTSE 350 AGMs



Source: Practical Law (data up to 30 November 2024)

Actions

UK listed companies should consider the following:



In light of the increasing regulatory scrutiny, companies should continue to review and enhance their procedures and controls to ensure TCFD compliance, which will also aid in preparing for the forthcoming adoption of the ISSB standards in the UK.



Companies should acquaint themselves with the ISSB standards. The FCA suggests that companies may consider voluntarily reporting against ISSB standards ahead of the UK endorsement process. The FCA also indicated that it might offer additional guidance on maintaining consistency between ISSB-based reporting and existing TCFD-based rules.



Companies should begin developing credible transition plans, which will likely to become mandatory in the UK. Companies facing biodiversity risks are also encouraged to engage with the Taskforce on Nature-related Financial Disclosures (TNFD) to better integrate their impact on nature into decision-making.



Carefully assess the risk of market abuse issues in the context of ESG stewardship, as highlighted in the FCA's Primary Market Bulletin 46. Specifically, companies should differentiate between general discussions with shareholders and the disclosure of ESG-related information that constitutes inside information, as the latter could be an offence if disclosed outside the normal course of employment, profession, or duties.

Overview of TCFD Reporting Requirements

Under the FCA's UK Listing Rules, certain UK listed companies (including companies listed on the equity shares (commercial companies), transition, and international secondary listing categories) are required to report against the TCFD framework.

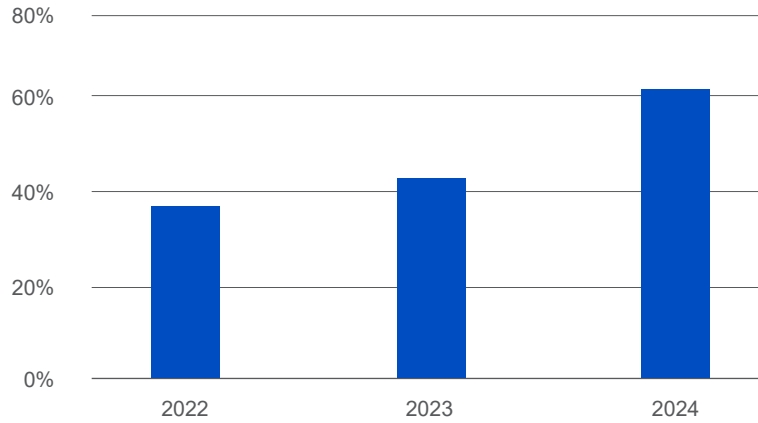
The Companies Act 2006 also requires publicly quoted companies, large private companies, and limited liability partnerships that meet the relevant thresholds to provide climate-related financial disclosures in the strategic report.

Overview of Diversity Reporting Requirements

The UK Listing Rules require certain UK listed companies — including companies listed on the equity shares (commercial companies), transition, and international secondary listing categories — to incorporate into their annual reports disclosures on the diversity of their boards and executive management, including:

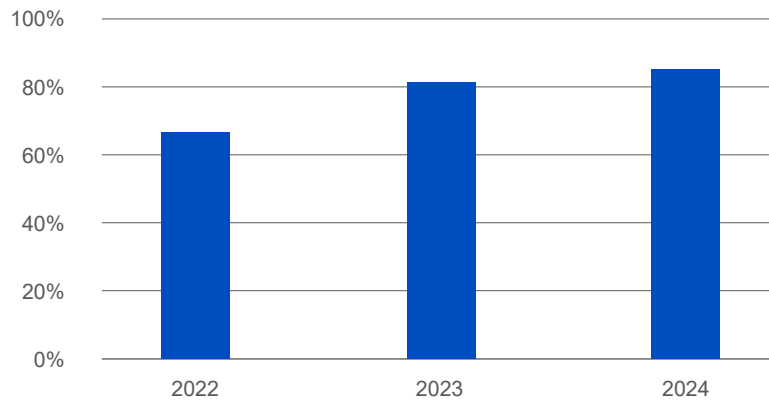
- a “comply or explain” statement on whether they have met the following diversity targets:
 - At least 40% of the board are women
 - At least one of the senior board positions is held by a woman (chair, CEO, senior independent director, or CFO)
 - At least one member of the board is from a minority ethnic background (defined by reference to categories recommended by the Office for National Statistics (ONS), excluding those the ONS lists as coming from a White ethnic background)
- numerical data on the sex or gender identity and ethnic diversity of their board, senior board positions, and executive management in a standardised table (with issuers able to add to the fields “men” and “women” to include “non-binary” or other gender identities).
- Companies in scope of Rule 7.2 of the Disclosure Guidance and Transparency Rules (DTRs) (i.e., UK companies with securities admitted to UK-regulated markets and certain overseas listed companies, subject to existing exemptions for small and medium companies) must ensure that the corporate governance statements in their annual financial reports describe the diversity policies of key board committees and have regard to wider diversity characteristics such as ethnicity, sexual orientation, disability, and socioeconomic backgrounds.

**% of FTSE 350 with 40%
Women Board Representation**



Source: Practical Law (data up to 30 November 2024)

**% of FTSE 350 Companies Meeting
Parker Review Target of Having ≥ 1
Ethnic Minority Director**



Source: Practical Law (data up to 30 November 2024)

Share Capital Authorities

This AGM season is the second since the [Investment Association](#) and [Pre-Emption Group](#) (PEG) revised their guidance to increase the routine share capital authorisations that companies may seek at their AGMs. These changes were implemented to improve companies' capital raising processes, following the recommendations from the [Secondary Capital Raising Review](#) in 2022.



In November 2024, PEG released its second [report](#) monitoring the application of its updated Statement of Principles regarding the disapplication of pre-emption rights for UK listed companies. Key findings from the report, which covers AGMs from 1 August 2023 to 31 July 2024, include the following:

- 67.1% of FTSE 350 companies sought enhanced disapplication authority.
- 64.1% requested authority for a specified capital investment.
- 99.4% had all disapplication resolutions passed, with an average of only 4.7% votes against.

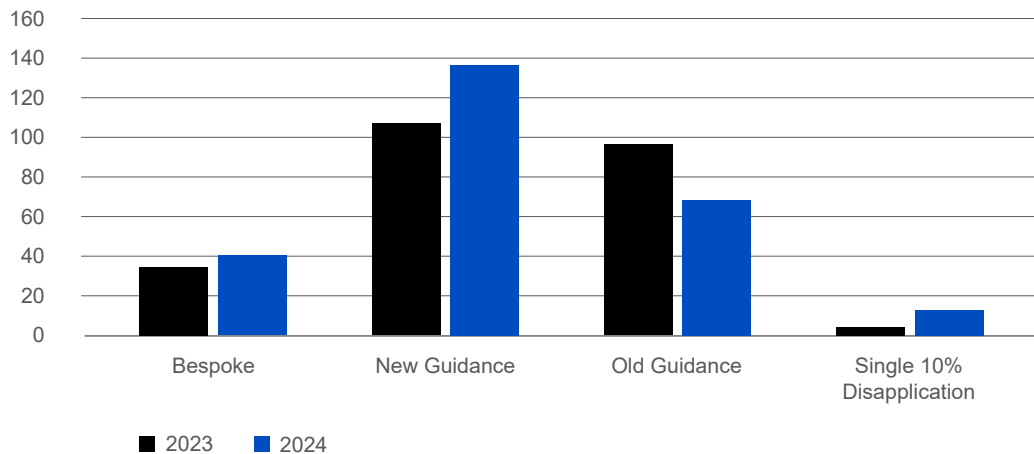
However, the report also highlighted that shareholder dissent levels are higher for resolutions seeking enhanced disapplication authorities. PEG recognises that when considering elevated disapplication authorities, shareholders will scrutinise the company's governance more closely than they might for other voting decisions. A lack of confidence in a company's governance could lead to a vote against a disapplication resolution. Additionally, PEG notes that a small minority of investors remain unsupportive of the 2022 Principles, partly due to the increased limits of disapplication authority they permit.

Actions

UK listed companies should consider the following:

-  Given the broad support for the enhanced authorities, companies should (subject to appropriate shareholder engagement as noted below) consider leveraging the latest investor guidelines by seeking shareholder approvals that incorporate the enhanced flexibility for both allotment authorities and pre-emption disapplications at their upcoming AGMs.
-  Simultaneously, companies should engage with their shareholders to assess whether the enhanced disapplication authorities would be acceptable within the context of the company's capital needs and governance framework.

Increasing Majority of FTSE 350 Companies Seeking Enhanced Disapplication Authorities



Source: Practical Law (data regarding pre-emption disapplication authorities sought by FTSE 350 companies)

Recap on Latest Share Capital Guidelines

Annual authorities for pre-emptive fundraisings

Up to two-thirds of the issued share capital, provided that any amount in excess of one-third may be used for all forms of fully pre-emptive offers (including open offers)

(Investment Association's Share Capital Management Guidelines, February 2023)

Annual authorities for non-pre-emptive fundraisings

May disapply pre-emption rights up to 10% of the issued share capital for general purposes and a further 10% for acquisitions or specified capital investments

Additional 2%+2% for follow-on offers to existing shareholders

Additional flexibility for capital-hungry companies

(Pre-Emption Group's Statement of Principles, November 2022)

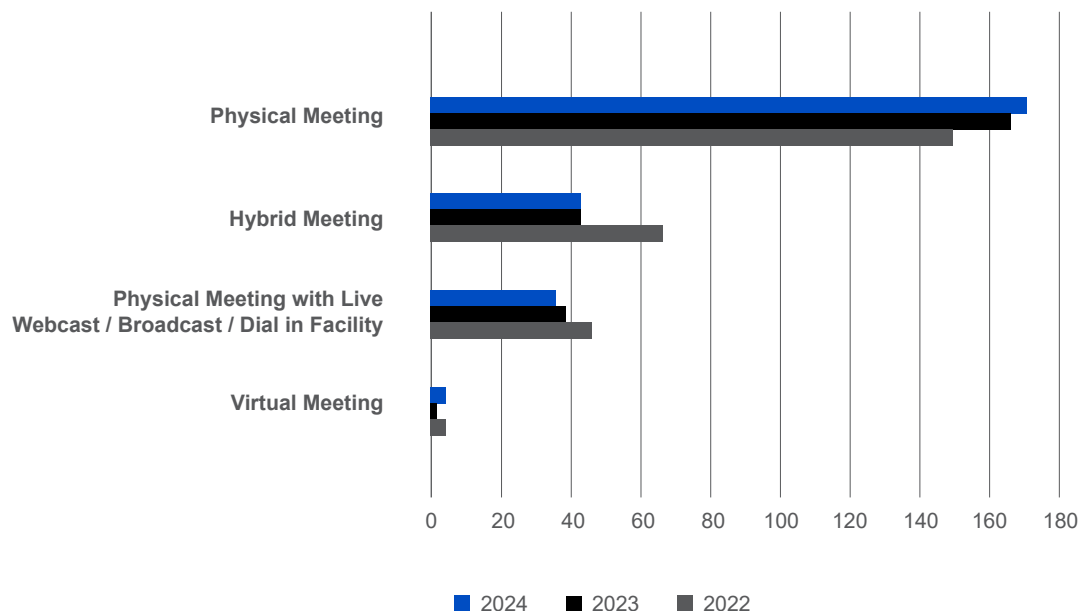
Meeting Formats

Although proxy advisors continue to accept “hybrid” AGMs, which combine in-person attendance with virtual participation, the prevalence of this format has reduced somewhat since the COVID-19 pandemic. Most UK listed companies now have the flexibility to hold hybrid meetings due to amendments to their articles of association in recent years.

In contrast, virtual-only AGMs remain uncommon and are often viewed as limiting shareholder participation and communication with company management and directors. Additionally, there is ongoing uncertainty regarding the legality of virtual-only shareholder meetings under English company law, making this format more suitable for non-UK companies. On 14 October 2024, the Secretary of State for Business and Trade [announced](#) plans to explore potential legal clarifications concerning virtual AGMs.

Companies are advised to continue consulting the FRC 2022 [guidance](#) on planning and conducting general meetings, with a particular focus on AGMs. This guidance offers practical advice to ensure AGMs serve as effective platforms for shareholder engagement. It also outlines strategies for leveraging the hybrid meeting format to enhance shareholder interaction.

Physical Meeting Format Remains Prevalent with Electronic Formats Slightly Receding



Source: Practical Law (data up to 30 November 2024)

Actions

Listed companies should consider the following:

- Companies should consider adopting hybrid AGMs to facilitate broader shareholder participation. They should review and, if necessary, amend articles of association to enable hybrid meeting formats.

- Companies should consult the FRC's 2022 guidance for best practices in planning and conducting AGMs and implement strategies from the FRC guidance to maximise shareholder engagement through hybrid meetings.

- Companies should monitor developments regarding the legal status of virtual-only AGMs under English company law.

Lessons Learnt From 2024 Regulatory Guidance

We set out key takeaways from recent FCA guidance relevant for this annual reporting season.

Annual Reporting Filing and LTIP Disclosure Requirements

The FCA's [Primary Market Bulletin 49](#) reminded listed companies of their ongoing disclosure obligations under the UK Listing Rules regarding annual reporting matters:

- **Annual Financial Reporting:** The FCA highlighted the importance of adhering to disclosure and filing requirements for annual reports, noting compliance trends. Specifically:
 - **Filing Requirements:** The FCA identified instances in which annual reports were not submitted to the National Storage Mechanism (NSM) and/or the Regulatory News Service (RNS) announcements lacked a statement indicating the full report's availability on the NSM or a specified website, as mandated by the UK Listing Rules and/or the DTRs.

The FCA cautioned that companies failing to publish their annual reports within the DTRs' four-month post-financial year-end deadline risk suspension of their listing.
 - **Structured Digital Reporting:** The FCA observed low compliance among listed companies regarding the requirement to present annual reports in a structured digital format. Common issues included incorrect financial statement tagging and failure to upload reports to the NSM in xhtml format. The FCA referenced the FRC Lab's "Structured Digital Reporting – 2023 Insights", released on 7 December 2023, for best practice guidance.
- **LTIPs:** In 2023, the FCA conducted a thematic review of 25 premium listed companies' adherence to Listing Rules disclosure obligations for LTIPs, focusing on LTIP metrics and performance conditions.

The review revealed high compliance with Listing Rule requirements for LTIPs, including obtaining shareholder approval and disclosing the full text or a description of principal terms in shareholder circulars. Financial metrics such as total shareholder return, return on capital employed, and earnings per share were frequently used LTIP performance metrics.

Actions



Listed companies should check this reporting season whether they have complied with these disclosure and filing obligations. Companies should also evaluate their ongoing compliance frameworks in light of the FCA's observations, given the persistent regulatory focus on procedures, systems, and controls that has carried across to the new listing regime.

Identifying Inside Information Related to Financial Results

In [Primary Market Bulletin 52](#), the FCA provided guidance on identifying and disclosing inside information concerning periodic financial results. The FCA emphasised the necessity of promptly disclosing below-forecast performance, even if known weeks before scheduled earnings announcements, and advised against delaying such announcements. The FCA dismissed justifications for non-disclosure based on anticipated offsetting overperformance later in the year.

Actions



The FCA recommends issuers establish disclosure committees, empower key personnel to make announcements outside regular schedules, and ensure proper training and documentation.

Shareholder Communications

While engaging with shareholders is crucial for sound corporate governance, the FCA's Primary Market Bulletin 52 cautioned against the unlawful disclosure of inside information during private calls or via messaging apps. Recommendations include avoiding such communications during closed periods and ensuring inside information is cleansed before private calls.

This aligns with ESMA's [statement](#) in May 2024 regarding best practices for pre-close calls with research analysts, emphasising the provision of only non-inside information during these interactions. ESMA also highlighted good practices by some European issuers to mitigate the risk of unlawful disclosure, such as assessing potential inside information before calls, uploading call materials to the issuer's website, and maintaining records of disclosed information.

Actions



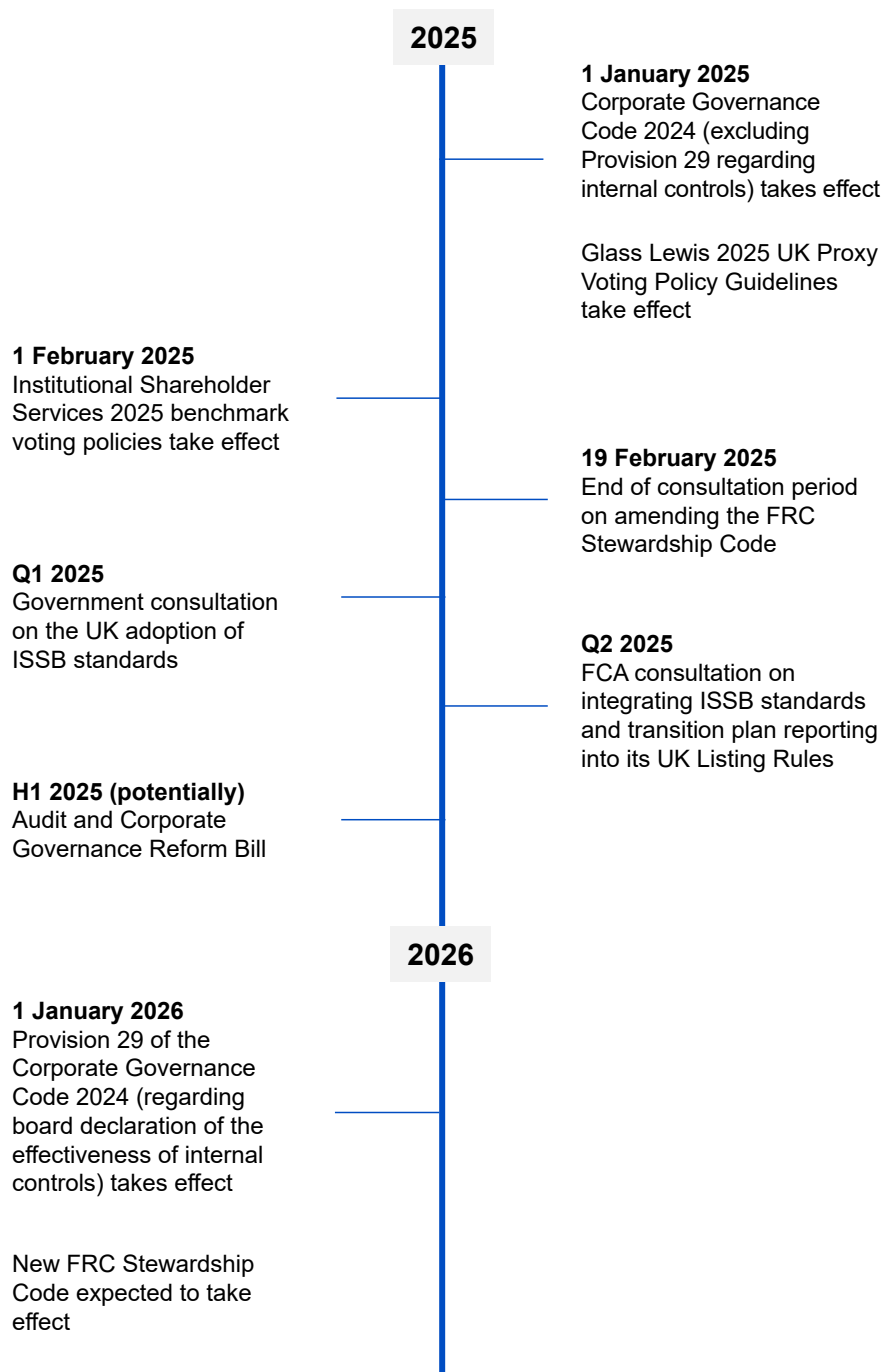
Issuers should avoid scheduling calls or communications during closed periods, conduct communications shortly after financial information publication, ensure all inside information is disclosed before calls, and consider seeking legal advice on whether information may be inside.



Management should reiterate that no inside information will be disclosed, adhere to previously published statements' language and tone, and record calls or make contemporaneous notes of the calls. Issuers may also announce by RNS that a call occurred and what information was discussed.

Horizon Scan

Key upcoming regulatory developments which will affect AGM and annual reporting practices.



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