

Continuing obligations for companies listed in the UK

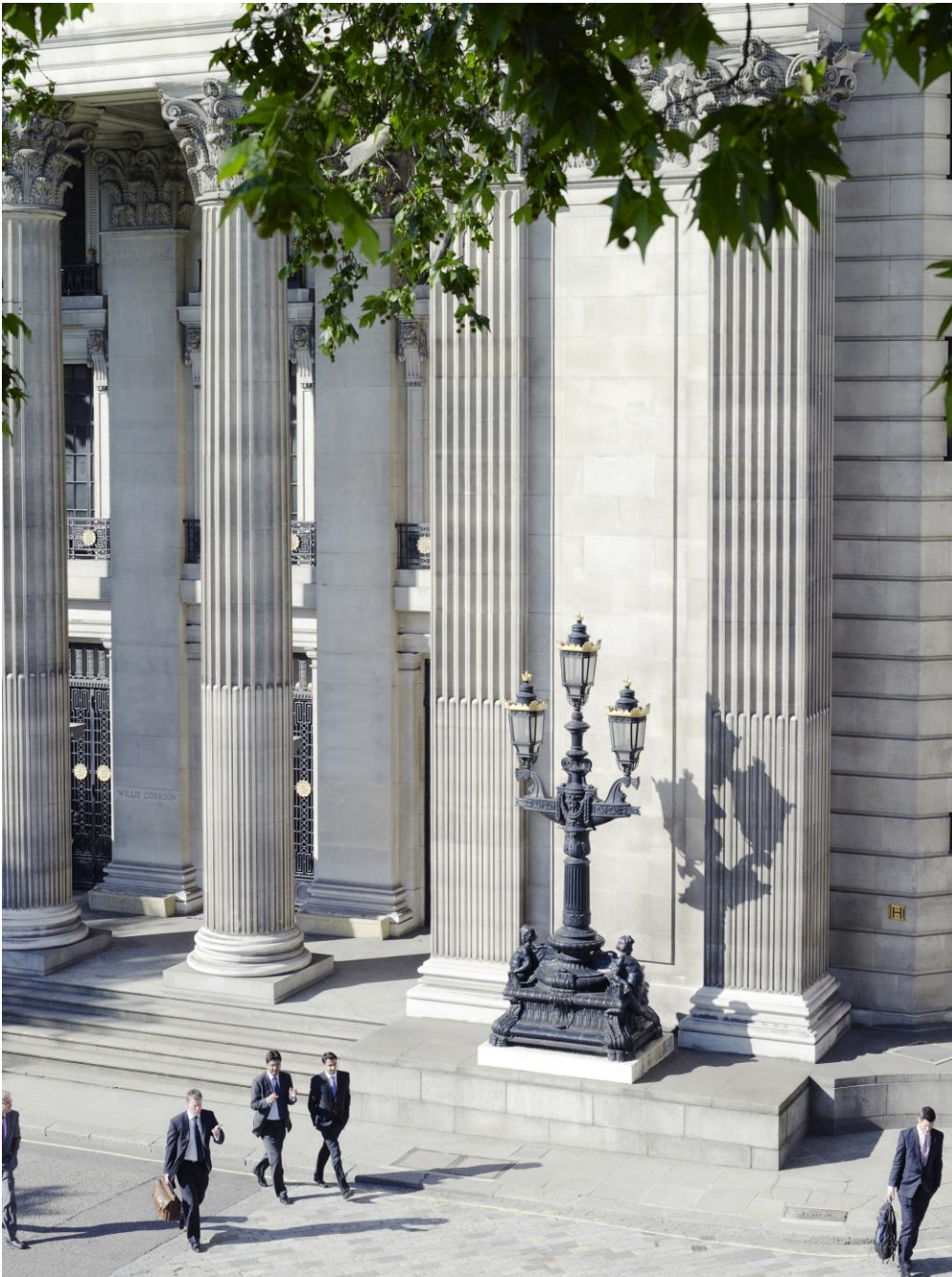
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Introduction



A company listed in the UK is subject to the continuing obligations imposed by the Financial Conduct Authority ('FCA') and the London Stock Exchange. The key continuing obligations imposed by the FCA can be found in the Listing Rules and the Disclosure Guidance and Transparency Rules ('DTRs'). As illustrated by the diagram on the following page, the continuing obligations framework and its application to different types of issuers is complicated.

This booklet provides an overview of the key requirements of the continuing obligations regime and considers the impact of recent amendments notably the Market Abuse Regulation ('MAR') which came into effect on 3 July 2016. Other changes include the abolition of the requirement for a company with equity securities listed to produce an interim management statement and updates to the UK Corporate Governance Code.



Continuing obligations framework

Summary of the different sources of rules

This booklet focuses on the key requirements of the continuing obligations regime in relation to companies with premium or standard equity listings on the London Stock Exchange's Main Market

Markets operated by the London Stock Exchange ('LSE')			Other UK markets						
	Market	Types of Security	Principal continuing obligations	Market	Type of Security	Principal continuing obligations			
EU regulated markets	Premium listing with admission to trading on the LSE Main Market	Equity shares (Commercial issuer) Equity shares (Closed Ended Investment Funds) Equity shares (Open Ended Investment Funds)	<ul style="list-style-type: none"> Listing Rules: <ul style="list-style-type: none"> – Listing principles (Chapter 7) – Continuing obligations (Chapters 9, 15 and 16) – Transactions specific rules (Chapters 5, 8, 10, 11, 12, 13) UK corporate governance code FCA's Disclosure Guidance, Transparency Rules and Corporate Governance Rules LSE's Admission and Disclosure standards 	Premium listing on Euronext London	Equity shares	As with a listing on the LSE main market other with compliance with the Euronext London rulebook			
	Standard listing with admission to trading on the LSE Main Market	Equity shares GDRs Debt and debt-like securities Securitised derivatives Miscellaneous securities	<ul style="list-style-type: none"> Listing rules: <ul style="list-style-type: none"> – Continuing obligations (Chapters 14, 17, 18, 19, 20) FCA's Disclosure Guidance, Transparency Rules and Corporate Governance Rules (including cross-references from the Listing Rules) LSE's Admission and Disclosure standards 	Standard listing on Euronext London	Equity shares or GDRs				
	Not listed. Admitted to trading on the LSE's Specialist Fund Market	Equity shares in Closed Ended Investment Funds	<ul style="list-style-type: none"> FCA's Disclosure Guidance, Transparency Rules and Corporate Governance Rules LSE's Admission and Disclosure standards 	PD-compliant listing with admission to trading on the NEX Exchange Main Board	Equity shares	<ul style="list-style-type: none"> FCA's Disclosure Guidance, Transparency Rules and Corporate Governance Rules NEX Exchange Main Board Market Admission and Disclosure standards 			
Exchange regulated markets	Standard listing. Admitted to trading on the Professional Securities Market ('PSM')	GDRs Debt and debt-like securities Securitised derivatives Miscellaneous securities	<ul style="list-style-type: none"> Listing rules: <ul style="list-style-type: none"> – Continuing obligations (Chapters 14, 17, 18, 19, 20) The FCA's Disclosures Guidance, Transparency Rules and Corporate Governance rules apply only to the extent that they are cross-referenced by the Listing Rules LSE's Admission and Disclosure standards 	Not listed, admitted to trading on NEX Exchange Growth Market or similar markets	Equity shares	<ul style="list-style-type: none"> As required by the NEX Exchange Rules for NEX Exchange Growth Market issuers 			
	Not listed. Admitted to trading on AIM	Equity shares	<ul style="list-style-type: none"> As required by the AIM Rules 						
Other applicable frameworks:		IFRS/Accounting standards	Company Law	The Financial Services and Markets Act 2000	Market Abuse Regulation	Criminal Justice Act	Prospectus Directive ('PD')	The City Code on Takeovers and Mergers	CMA Order on the Statutory Audit Market

Overview of the key requirements of the continuing obligations regime

The Listing and Premium Listing Principles

Chapter 7 of the Listing Rules sets out two Listing Principles and six Premium Listing Principles reflecting the fundamental obligations of listed companies. The Listing Principles apply to every listed company in respect of all its obligations arising from the Listing Rules, disclosure guidance, transparency rules and corporate governance rules. In addition to the Listing Principles, the Premium Listing Principles apply to every listed company with a premium listing of equity shares in respect of all its obligations.

These principles are designed to ensure that listed companies pay due regard to the role that they play in maintaining market confidence and ensuring fair and orderly markets.

Whilst these are principles they are also 'rules' which the FCA do take into account when taking action against companies that have not complied with their obligations.

The Listing Principles and Premium Listing Principles apply to both UK and overseas incorporated companies.

Listing Principles

- | | |
|--------------------|--|
| Principle 1 | A listed company must take reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations. |
| Principle 2 | A listed company must deal with the FCA in an open and co-operative manner. |

Premium Listing Principles

- | | |
|--------------------|--|
| Principle 1 | A listed company must take reasonable steps to enable its directors to understand their responsibilities and obligations as directors. |
| Principle 2 | A listed company must act with integrity towards the holders and potential holders of its premium listed shares. |
| Principle 3 | All equity shares in a class that has been admitted to premium listing must carry an equal number of votes on any shareholder vote. |
| Principle 4 | Where a listed company has more than one class of equity shares admitted to premium listing, the aggregate voting rights of the shares in each class should be broadly proportionate to the relative interests of those classes in the equity of the listed company. |
| Principle 5 | A listed company must ensure that it treats all holders of the same class of its listed equity shares that are in the same position equally in respect of the rights attaching to those listed equity shares. |
| Principle 6 | A listed company must communicate information to holders and potential holders of its listed equity shares in such a way as to avoid the creation of a false market in those listed equity shares. |

Listing Rules

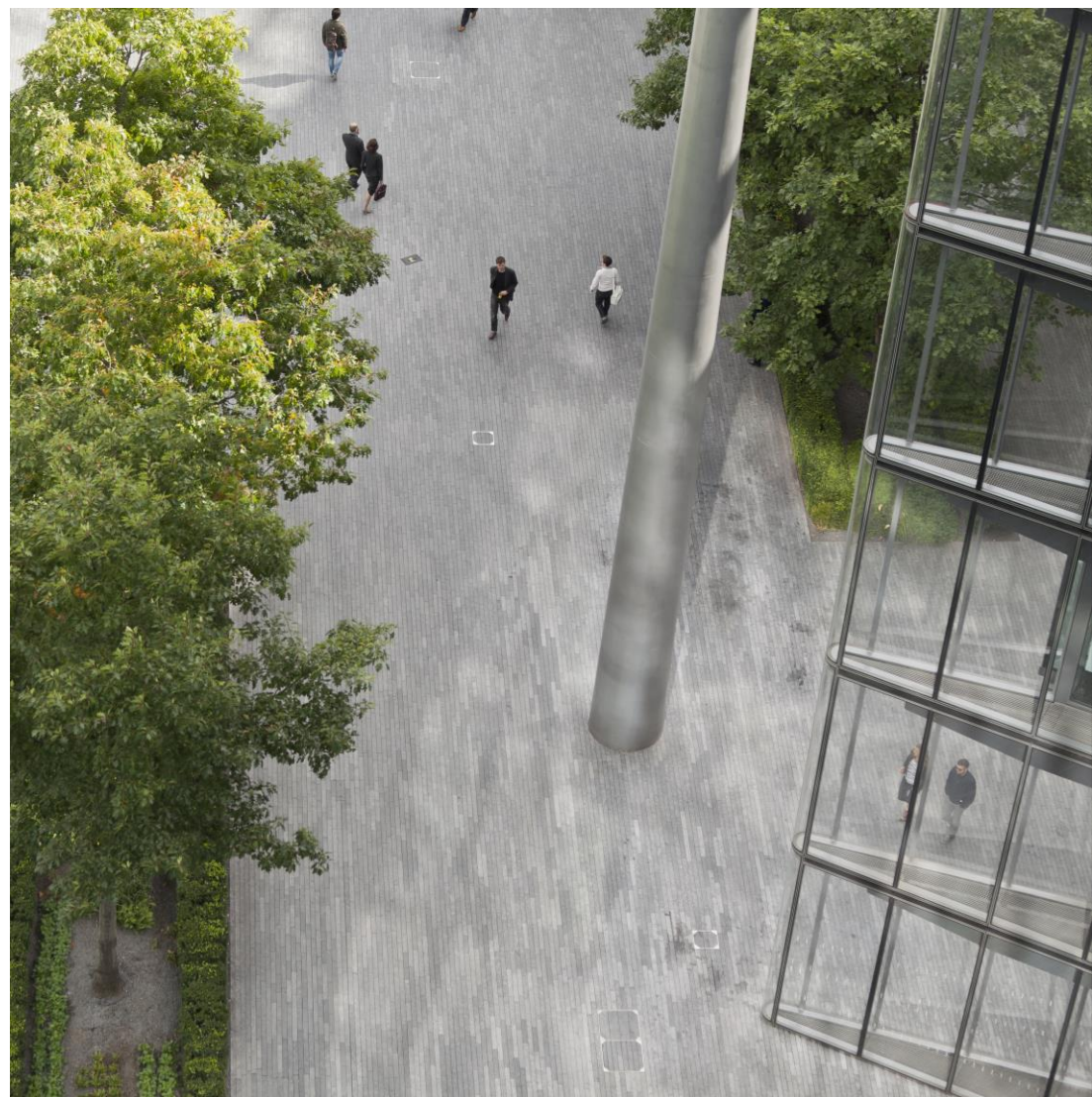
In addition to the Listing Principles and Premium Listing Principles, the Listing Rules include specific provisions regarding the continuing obligations of a premium listed company when undertaking certain types of transactions. In many instances these require a company to seek shareholder approval before undertaking such transactions.

The relevant chapters of the Listing Rules which apply to both UK and overseas incorporated premium listed companies are:

- Chapter 5 (Suspending, cancelling and restoring listing and reverse takeovers)
- Chapter 8 (Sponsors)
- Chapter 10 (Significant transactions)
- Chapter 11 (Related party transactions)
- Chapter 12 (Dealing in own securities and treasury shares)

In addition, Chapter 9 of the Listing Rules (Continuing Obligations) sets out more detailed ongoing obligations for premium listed companies. These requirements are summarised in the table on the following page.

Continuing obligations for companies with a standard listing are set out in Chapter 14 of the Listing Rules (Standard Listing (Shares)).



Listing Rules *(continued)*

Listing Rules: Overview of Chapter 9 continuing obligation requirements for a premium listed issuer

Maintenance of eligibility requirements (LR 9.2)	<p>Includes requirements regarding:</p> <ul style="list-style-type: none">• Continuous admission to trading on a recognised investment exchange ('RIE' – for example the London Stock Exchange)• Carrying on an independent business as its main activity• Where it has a controlling shareholder, have in place a legally binding [relationship] agreement with the controlling shareholder and a constitution that allows the election and re-election of independent directors• Maintaining up to date contact details with the FCA• Maintaining a minimum number of shares in public hands• Publication of unaudited financial information: the reproduction in the company's next Annual Report of any unaudited financial information or profit forecasts/estimates published in the period
Application of pre-emption rights (LR 9.3)	<p>Unless waived by shareholders, pre-emption rights to be applied by all companies in relation to offers of equity shares for cash.</p>
Documents requiring prior approval (LR 9.4)	<p>For UK companies, shareholder approval required for certain employee share schemes and directors' long term incentives schemes.</p> <p>For all companies, shareholder approval required for discounted option arrangements.</p>
Transaction specific rules (LR 9.5)	<p>Rules in relation to Rights Issues, Open Offers, Placings, Reconstructions and refinancings and Offers for sale/subscriptions. Includes limits on discounts, minimum offer periods and restructuring/refinancing disclosure requirements.</p>
Notifications (LR 9.6)	<p>Includes notification requirements to the FCA regarding:</p> <ul style="list-style-type: none">• Copies of documents (circulars, notices, reports etc. must be provided to the FCA for publication through its document viewing facility)• Changes in capital• Changes in directors, directors details• Any variations to or disposals of equity under lock-up arrangements• Shareholder resolutions• Change of name/accounting reference date
Voluntary preliminary statements and dividend announcements (LR 9.7)	<p>Rules regarding voluntary preliminary statements of annual results, including the requirement for agreement of such announcements with the company's auditors.</p> <p>Also requires announcement of dividends approved, as soon as possible after Board approval.</p>
Annual Report disclosures (LR 9.8)	<p>LR 9.8 sets out a number of disclosure requirements for the Annual Report. These are set out on the following page. Some of these requirements are applicable to UK companies only.</p>

Listing Rule 9.8 – Annual report disclosures

Listing Rule 9.8 requires a premium listed company to include some specific disclosures in its Annual Report. These requirements are in addition to the disclosures required by IFRS or the issuer’s applicable GAAP or company law framework, and in many areas there will be an element of overlap.

As noted in the table opposite, there are still some areas where the required disclosure under the Listing Rules is less onerous for overseas incorporated entities than for UK companies.

Listing Rules: Overview of the Annual Report disclosure requirements of Listing Rules 9.8

List Rule reference	Area requiring disclosure
LR 9.8.4	<ul style="list-style-type: none"> • Amounts of capitalised interest • Updates in respect of previously published unaudited financial information (see also discussion of LR 9.2) • Details of long term incentive schemes • Any waivers or arrangements for waiver of emoluments or future emoluments by directors • Details of any allotments of equity for cash made on a non pre-emptive basis (by the company or any of its major subsidiaries) • Details of any participation by a parent entity in any placing made • Details of significant contracts with or services provided by certain related parties (e.g. directors or controlling shareholders) • Any arrangements under which dividends have or will be waived • Disclosure of existence of and compliance with terms of any agreement required with a controlling shareholder • If any independent director does not agree to support and statement made under LR 9.8.4 this must be disclosed • All above disclosures are required to be given in the same place
LR 9.8.6	<p>For UK companies:</p> <ul style="list-style-type: none"> • Directors’ interest in the company • Disclosure of major shareholders • A statement on the appropriateness of adopting the going concern basis of accounting and on the directors’ assessment of the prospects for the company (the ‘viability statement’)¹ • Disclosures regarding: <ul style="list-style-type: none"> - Any outstanding shareholder authority for the purchase by the company of its own shares - Certain off-market transactions made by the company in its own shares <p>For all companies:</p> <ul style="list-style-type: none"> • Disclosure explaining how the company has applied the Main Principles of the UK Code on Corporate Governance • Comply or explain disclosure against all of the provisions of the Code (covering the duration of the accounting period)
LR 9.8.8	<ul style="list-style-type: none"> • Details of the unexpired term of directors’ service contracts of directors proposed for election or re-election
LR 9.8.10	<ul style="list-style-type: none"> • Requires the auditors to review certain provisions of the Annual Report, as discussed further on page 14

¹ In addition, under the UK Corporate Governance Code, the directors of all premium listed companies (UK and overseas) are required to make a report on going concern in both the annual and half-yearly financial statements (see page 14).

Disclosure Guidance and Transparency Rules

The FCA's Disclosure Guidance and Transparency Rules sourcebook includes:

- The Disclosure Guidance (Chapters 2 and 3)
- The Transparency Rules (Chapters 4, 5 and 6)
- The Corporate Governance Rules (Chapter 7)
- Primary Information Provider (Chapter 8)

The Disclosure Guidance and Transparency Rules

In overview, chapters 2-6 of the Disclosure Guidance and Transparency Rules apply to companies that are admitted to trading in the UK (on a regulated market) and which are either:

- (i) Incorporated in the UK; or
- (ii) Incorporated outside the UK but for whom the UK is their home Member State¹ (an 'overseas company')

In addition, LRs 9.2.6 and 9.8.7A require all premium listed companies to comply with DTRs 2, 4, 5, 6 and 7.2; and LRs 14.3.23 and 14.3.24 require all standard equity listed companies to comply with DTRs 4, 5, 6 and 7.2.

There are some differences and exceptions in the application of the rules to overseas companies, which are explained in the footnotes to the table on the following page. There are also some differences for companies which only have non-equity securities listed. The obligations for these issuers are considered in Appendix 1. The scope of DTR 7 is also explained further in Appendix 1.



¹ Home state regulation

For an issuer of equity or debt with denominations of < €1,000 a company's home Member State for the purposes of the Disclosure Guidance and Transparency Rules is as follows:

- (i) If it is incorporated in the EEA, its home Member State is its country of incorporation
- (ii) If it is incorporated elsewhere, its home Member State is the EEA State where the company first offered securities to the public or where it made its first application for admission to trading on a regulated market

In practice, for companies incorporated outside the EEA, with equity shares admitted to trading in London (and nowhere else in the EEA), the home Member State will usually be the UK.

The Disclosure Guidance and Transparency Rules: Overview

Chapter 2: Disclosure and control of inside information	<ul style="list-style-type: none">• Requirements in relation to the obligation on issuers to disclose, maintain and control inside information
Chapter 3: Transactions by persons discharging managerial responsibilities ('PDMRs') and their connected persons¹	<ul style="list-style-type: none">• Provisions in relation to the obligations of PDMRs and their connected persons to disclose dealings in the issuer's securities to the issuer and for the issuer then to announce that information via a regulatory information services ('RIS')
Chapter 4: Periodic financial reporting requirements²	<ul style="list-style-type: none">• Details the content, deadline and audit requirements for annual financial reports• Sets out requirements for half-yearly reporting
Chapter 5: Vote holder and issuer notification rules	<ul style="list-style-type: none">• Sets out the notification requirements and obligations (for both shareholders and issuers) for the acquisition and disposal of major shareholdings (above 3%)³• (Note: Notifiable interests include direct and indirect holdings of shares and financial instruments which have a similar economic effect)
Chapter 6: Continuing obligations and access to information	<ul style="list-style-type: none">• Sets out mandatory information requirements for issuers of shares and debt securities (for example, information about meetings, payment of interest/dividends etc.)• Sets out requirements surrounding the use of electronic communications• Stipulates the mechanisms and procedures for the dissemination and filing of regulated information
Chapter 7: Corporate governance⁴ (See also pages 12 and 13)	<ul style="list-style-type: none">• Requirement to have an audit committee (or equivalent body)• Requirement to publish a corporate governance statement in or with the Annual Report• (Note: There are significant overlaps with the requirements of the UK Corporate Governance Code. Corporate Governance requirements are discussed further on the following pages)
Chapter 8: Primary information providers	<ul style="list-style-type: none">• Requirements for an approval as a primary information provider• Criteria for continuation as a primary information provider

Differences for overseas companies

¹ An issuer incorporated outside of the UK that has its securities admitted to trading on a UK-regulated market, but is otherwise outside the scope of DTR 3, must announce equivalent information.

² For most non-EEA issuers DTR 4 includes a requirement for the auditors to be on the UK's register of third country auditors which is maintained by the FRC's Professional Oversight Board. Under DTR 4.4.8 some exemptions from DTR 4.1, 4.2, and 4.3 are available for non-EEA issuers under 'equivalent' regimes (which apply to certain Swiss and US companies that are SEC filers).

³ The thresholds and time limits for overseas companies are less stringent.

⁴ DTR 7.2 only applies to UK incorporated issuers, however LRs 9.8.7A and 14.3.24 (and 18.4.3) require both premium and standard equity issuers (including overseas companies) and GDR issuers to comply with DTR 7.2. DTR 7.1 only applies to UK incorporated issuers.

UK Corporate Governance Code

Listing Rule requirements and the UK Corporate Governance Code (previously known as the Combined Code)

The FRC's UK Corporate Governance Code (the 'Code') is not a prescriptive set of rules about how a company's board organises itself and exercises its responsibilities; rather, the Code identifies good governance practices, containing Main Principles, Supporting Principles and Provisions.

For premium listed companies the Listing Rules require that a company includes disclosure in its Annual Report of how it has applied the Main Principles of the Code. Whilst under the Listing Rules a company can choose not to comply with the detailed provisions of the Code, if it does so it is required to explain the reasons for non-compliance to its shareholders that is, it must 'comply or explain'.

In addition, the Code contains a number of specific disclosure requirements for a company's Annual Report. These are set out on the following pages.

Summary of the Main Principles of the Code

- A.1** Every company should be headed by an **effective Board**
- A.2** There should be a **clear division of responsibilities** at the head of the company
- A.3** The **chairman** is responsible for leadership of the board and ensuring its effectiveness
- A.4** **Non-executive directors** should constructively challenge and help develop proposals on strategy
- B.1** The Board and its committees should consist of directors with the **appropriate balance** of skills, experience, independence and knowledge of the company
- B.2** There should be a formal, rigorous and transparent process for **appointments to the Board**
- B.3** All directors must be able to **commit sufficient time** to the company
- B.4** All directors should receive induction on joining the Board and should regularly **update and refresh their skills and knowledge**
- B.5** The Board should be supplied in a timely manner with **information** in a form and of a quality appropriate to enable it to discharge its duties
- B.6** The Board should undertake a formal and rigorous **annual evaluation** of its own performance and that of its committees and individual directors
- B.7** All directors should be submitted for **re-election** at regular intervals
- C.1** The Board should present a **fair, balanced and understandable assessment** of the company's position and prospects
- C.2** The Board is responsible for determining the **nature and extent of the principal risks** it is willing to take and for **maintaining sound risk management and internal control systems**
- C.3** **Audit Committee and auditors:** The Board should establish arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors
- D.1** **Levels of remuneration** should be designed to **promote the long-term success** of the company. **Performance elements** should be **transparent, stretching and rigorously applied**
- D.2** There should be a **formal and transparent procedure** for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration
- E.1** There should be a **dialogue with shareholders** based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring a satisfactory dialogue takes place
- E.2** **Constructive Use of the AGM:** The Board should use the AGM to communicate with investors and to encourage their participation

The table below sets out the disclosure requirements of the 2016 version of the Code in relation to a company's Annual Report:

Disclosure requirements of the UK Corporate Governance Code

A statement of how the Board operates, including the statement of which types of decisions are to be taken by the Board and which are delegated to management

Disclosure of the names of the chairman, deputy chairman (if applicable), chief executive, senior independent director, and the chairmen and members of nomination, audit and remuneration committees

Details of the number of meetings of the Board and those committees and individual attendance by directors

Where a chief executive is appointed chairman, the reasons for their appointment

Disclosure of the non-executive directors who are considered by the Board to be independent, with reasons

A separate section describing the work of the nomination committee including: the process it has used in relation to Board appointments; an explanation if neither external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director and details of any external search consultants appointed; the board's policy on diversity and progress towards any measurable objectives

Disclosure of the impact of any changes to the other significant commitments of the chairman during the year

Disclosure of how the performance evaluation of the Board, its committees and its individual directors has been conducted, including details of any external facilitators

A statement explaining the directors' responsibilities for preparing the financial statements and that they consider the annual report as a whole to be fair, balanced and understandable; a statement by the auditors about their reporting responsibilities

An explanation of the company's business model (the basis on which the company generates or preserves value over the longer term) and the strategy for delivering the objectives of the company

A statement from the directors whether they considered it appropriate to prepare the financial statements on the going concern basis

A confirmation by the directors that they have carried out a robust assessment of the principal risks and how they are being managed to mitigated

Based on their assessment of the company's prospects, and taking into account the principal risks, a statement by the directors that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due for a period significantly longer than 12 months, drawing attention to any qualifications or assumptions as necessary and explaining why the period chosen is appropriate

A report on the board's review of the effectiveness of the group's systems of risk management and internal control. (Note: In addition, DTR 7.2.5 and DTR 7.2.10 of the FCA's Corporate Governance Rules require companies to describe the main features of the company's internal control and risk management systems in relation to its financial reporting process and its consolidation process)

A separate section describing the work of the audit committee in discharging its responsibilities, including: the significant issues it considered in relation to the financial statements and how they were addressed; its assessment of auditor effectiveness; information on auditor tenure and any tendering plans; and, how auditor objectivity and independence were safeguarded if non-audit services were provided

Where there is no internal audit function, reasons from the audit committee for the absence of such a function

Where the Board does not accept the audit committee's recommendation on the appointment, reappointment or removal of the external auditor, a statement from the audit committee explaining its recommendation and the reasons why the Board has taken a different position

A description of the work of the remuneration committee and a statement as to whether an executive directors will retain earnings from non-executive roles elsewhere

Identification of any remuneration consultants used and a statement as to whether they have any other connection with the company

Disclosure of the steps the Board has taken to ensure that members of the Board, and in particular the non-executive directors, develop an understanding of the views of major shareholders about their company

FCA Corporate Governance Rules

The FCA Corporate Governance Rules (as set out in Chapter 7 of the Disclosure Guidance and Transparency Rules) comprise requirements in relation to:

- **Audit committees (DTR 7.1):** setting out the minimum requirements expected from an audit committee (or bodies carrying out an equivalent function) and;
- **Corporate governance statements (DTR 7.2):** requiring the publication of a corporate governance statement in, or at the same time as the company's Annual Report.

The FCA Corporate Governance Rules apply to both premium and standard listed companies (with some exemptions for companies which do not have shares admitted to trading) and, as a result of cross references from the Listing Rules, DTR 7.2 applies to both UK and overseas incorporated companies. Appendix 1 of this booklet includes further details regarding the scope of the rules in the Disclosure Guidance and Transparency Rules sourcebook.

The specific disclosure obligations under the FCA Corporate Governance Rules are set out in the table on the following page. For premium listed companies there is considerable overlap between the mandatory governance disclosures required under the FCA rules and those expected under the UK Corporate Governance Code. For standard listed companies the level of disclosure required may not be insignificant, with DTR 7.2.2 and 7.2.3 effectively requiring companies to comply or explain against any corporate governance code that they apply.

Requirements of DTR 7.1 on audit committee composition:

- Majority of members must be independent
- At least one member must have competence in accounting or auditing, or both (note that at least one member must also have 'recent and relevant financial experience under provision C.3.1 of the UK Corporate Governance Code)
- The members as a whole must have competence relevant to the sector in which the issuer is operating



FCA Corporate Governance rules: Disclosure requirements

Rule reference	Area requiring disclosure
7.1.5	The composition and function of the audit committee or equivalent body must be disclosed in the Annual Report.
7.2.1.	Issuers are required to produce a corporate governance statement.
7.2.2. and 7.2.3	The statement must contain a reference to the corporate governance code to which the company is subject or which it has voluntarily applied, and the extent of, and reasons for departure from that code. The disclosure should include where the relevant governance code can be located. Where no code has been applied, the disclosure should set out all relevant information about the practices applied by the company to the extent they go beyond those required by law.
7.2.5	The corporate governance statement must include a description of the main features of the company's internal control and risk management systems in relation to the financial reporting process.
7.2.6	The corporate governance statement must include disclosures in relation to certain provisions of Article 10(1) of the Takeover Directive (if the company is subject to that Directive), being in relation to: <ul style="list-style-type: none">• significant direct and indirect shareholdings• The holders of any securities with special control rights and a description of those rights• Any restrictions on voting rights, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities• The rules governing the appointment and replacement of board members and the amendment of the articles of association• The powers of Board members, and in particular the power to issue or buy back shares
7.2.7	The corporate governance statement must include a description of the composition and operation of the administrative, management and supervisory bodies and their committees.
7.2.8A	The corporate governance statement must contain (or explain why not): a description of the diversity policy applied to the issuer's administrative, management and supervisory bodies with regard to, for instance, age, gender, or educational and professional backgrounds; the objectives of the policy; how it has been implemented; and its results in the reporting period.
7.2.10	The corporate governance statement must include a description of the main features of the group's internal control and risk management systems in relation to the process for preparing consolidated accounts.

Auditors' review of corporate governance disclosures

Listing Rule requirements for premium listed companies

Under LR 9.8.10 the auditors are required to review the following disclosures:

- The directors' statement in relation to going concern and longer term viability under LR 9.8.6(3)¹
- The parts of the corporate governance statement relating to the company's compliance with a further eleven provisions of the UK Corporate Governance Code specified for review, principally
 - The statement regarding the directors' responsibility for preparing the annual report and accounts (including the confirmation that they are fair, balanced and understandable)
 - The statement regarding the Board's robust assessment of the principal risks and review of the effectiveness of the group's system of risk management and internal controls
 - The description of the group's audit committee and how it discharges its responsibilities

The UK versions of International Standards on Auditing also include reporting requirements for auditors of companies that apply the UK Corporate Governance Code (including those that do so on a voluntary basis) in areas similar to those above.

Location of corporate governance disclosures and UK auditing Requirements

Corporate governance disclosures included in a document containing the audited financial statements



Under ISA720 'Other information in documents containing audited financial statements', the auditor is required to report any material misstatement of fact in the document that contains the audited financial statements. This would include any inconsistency between the auditor's knowledge and the company's corporate governance statement.

Corporate governance disclosures included in the directors' report



Section 496 of the Companies Act 2006 requires the auditor to state whether the information given in the directors' report is consistent with the accounts. This would cover the disclosures in the corporate governance statement if it is included in the directors' report.

Corporate governance disclosures included in a separate corporate governance statement



Section 497A of the Companies Act 2006 requires the auditor to state whether the information given in the corporate governance statement in compliance with DTR 7.2.5 and 7.2.6 is consistent with the accounts.

¹ LR 9.8.6(3) means that going concern and viability statements are only mandatory for UK incorporated companies, but all premium listed companies (UK and overseas) are subject to these Code provisions on a comply-or-explain basis.

Market Abuse Regulation

The Market Abuse Regulation (MAR) strengthened the UK market abuse framework by extending its scope to new markets, new platforms and new behaviours. It contains prohibitions of insider dealing and market manipulation, and provisions to prevent and detect these.

The prohibitions of insider dealing and unlawful disclosure of inside information, and market manipulation, apply to financial instruments being traded or for which a request has been submitted to be traded on a regulated market, multilateral trading facility ('MTF') or an organised trading facility ('OTF') – this includes the London Stock Exchange's AIM and PSM markets. This also applies to any financial instrument the price/value of which depends on or has an effect of any instrument referred to above.

Key requirements

Inside information

The definition of 'inside information' is 'information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments'.

Insider dealing and unlawful disclosure

The use of inside information to amend or cancel an order will be considered insider dealing. In addition, recommending or inducing another person to transact on the basis of inside information amounts to unlawful disclosure of inside information.

Market manipulation

This offence captures attempted manipulation. Benchmarks, and in some situations spot commodities, are also in scope of the manipulation offence.

Market soundings

MAR sets out a framework to make legitimate disclosures of inside information in the course of market soundings.

Buy-back programmes and stabilisation measures

MAR provides the framework for conducting buy-back programmes and stabilisation measures.

Accepted market practices ('AMPs')

MAR permits regulators to establish an accepted market practice that is subject to certain criteria and conditions.

Insider lists

MAR obliges issuers and to prepare and maintain a list of everyone working for them who has access to inside information.

Suspicious transaction and order reports ('STORs')

The obligation to report suspicious transaction reports includes suspicious orders too.

Managers' transactions

Persons discharging managerial responsibilities within issuers ('PDMRs'), and persons closely associated with them, must notify the issuer and the regulator of relevant personal transactions in the issuer's financial instruments. The issuer in turn must make that information public within three business days.

Investment recommendations

MAR requires persons producing or disseminating investment recommendations to ensure information is objectively presented, and to disclose any conflicts of interest.

Whistleblowing

MAR places requirements on regulators and firms to be able to receive whistleblowing notifications.

Other requirements

This page sets out an overview of the continuing obligation requirements applicable to listed companies under the Prospectus Rules, and those requirements set by the London Stock Exchange. This booklet does not cover the requirements of company law or accounting standards but companies should note that there are very significant disclosure requirements in relation to directors' pay for UK incorporated 'quoted' companies (i.e. those whose shares are listed on the UK official list, the official list of another EEA state, the New York Stock Exchange, or NASDAQ).

Prospectus Rules

Further issues in excess of 10%

An existing listed company is required to publish a Prospectus when it issues further shares which constitutes an offer to the public or results in an admission of shares to trading on a regulated market. There are exemptions if, over a period of 12 months, such offers comprise less than 20% of the company's shares already in issue.

Related party transactions

If a premium listed company enters into transactions or arrangements with the same related party (and any of its associates) must be disclosed to the public. Where the quantum of the transactions exceeds 5% by reference to the Listing Rule transaction class tests they must be subject to independent shareholder approval, where either individually or in aggregate over the past 12 months the quantum exceeds 0.25% they must be disclosed to the public (Listing Rules chapter 11).

Continuing obligations of the London Stock Exchange

The LSE Admission and Disclosure Standards include rules and responsibilities in relation to the ongoing obligations of all issuers admitted to trading on all of the Exchange's markets, other than AIM. In overview, the Exchange requires that:

- Companies publish all inside information on a timely basis and in accordance with the rules of their relevant competent authority. For companies listed on London's Main Market, this means the continuing obligations contained in the Listing Rules and the Disclosure Guidance and Transparency Rules published by the FCA
- The Exchange must be kept informed of any timetables for dividends, bonus issues, scrip dividends or other action affecting the rights of holders of existing securities

Further information

In the current economic climate there is increasing market and regulatory scrutiny of a company's announcements and compliance with ongoing obligations is key. For more information on this publication or to meet a specialist in one of the areas mentioned in this booklet please contact your usual PwC contact or one of the following members of our London based Capital Markets group:



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Appendices

Application of the continuing obligations regime to different types of issuer

Appendix 1: Application of the Disclosure Guidance and Transparency rules

A summary of the requirements of the Disclosure Guidance and Transparency rules and FCA Corporate Governance rules as they apply to different types of issuers:

	Scope	Premium listing	Standard listing	GDR	Debt < €100,000 ^(vii)	Debt > €100,000	AIM
DTR 2: Inside information	An issuer, wherever incorporated, which has requested or had approved, admission of its securities to trading on a regulated market in the UK.	✓ ⁽ⁱ⁾	✓	✓ ⁽ⁱⁱⁱ⁾	✓ ^(iv)	✓ ^(iv)	✗ (AIM Rule 11)
DTR 3: PDMM notifications	All issuers incorporated in the UK, or for whom the UK is their home Member State.	✓ ⁽¹⁾	✓ ⁽¹⁾	✓ ⁽ⁱⁱⁱ⁾⁽¹⁾	✓ ^{(iv)(1)}	✓ ^{(iv)(1)}	✗
DTR 4.1: Annual reports	Issuers with securities admitted to trading on a regulated market for whom the UK is their home Member State.	✓ ⁽ⁱ⁾⁽²⁾	✓ ⁽ⁱⁱ⁾⁽²⁾	✓ ⁽²⁾	✓ ⁽²⁾	✗ LR 17.3 requires annual accounts within 6 months	✗ (AIM Rule 19 – 6 months)
DTR 4.2: Interim reporting	As for DTR 4.1.	✓ ⁽ⁱ⁾	✓ ⁽ⁱⁱ⁾	✗	✓ ^(vi) (not applicable to convertible debt, state guaranteed debt and certain credit institutions)	✗	✗ (AIM Rule 18 – 3 months)
DTR 5: Major shareholder notifications	All issuers with shares admitted to trading on a regulated market whose home state is the UK, and UK issuers with shares admitted to trading on a prescribed market. The regimes of the USA, Japan, Israel and Switzerland have been deemed equivalent in relation to DTR 5 and issuers in these countries are exempt from DTR 5.	✓ ⁽ⁱ⁾⁽³⁾	✓ ⁽ⁱⁱ⁾⁽³⁾	✗ Clarified by the UKLA's List! 18 guidance)	✗ (Unless equity linked)	✓ (Unless equity linked)	✗ (Applies to UK issuers on prescribed markets. In addition, AIM Rule 17 includes similar provisions)
DTR 6: Dissemination of information	All issuers whose home Member State is the UK. Some exemptions applies to Swiss companies (where Swiss rules are considered equivalent).	✓ ⁽¹⁾	✓ ⁽ⁱ⁾⁽¹⁾	✓ (Only parts of DTR 6.1 apply)	✓ (Only parts of DTR 6.1 apply)	✓ (Only parts of DTR 6.1 apply)	✗
DTR 7: Corporate governance	DTR 7.1 on audit committees applies to issuers whose securities are admitted to trading on a regulated market and who are required to appoint a statutory auditor under the UK Companies Act. DTR 7.2 only applies to UK incorporated issuers ^{(4)(v)} .	✓ ⁽ⁱ⁾⁽⁴⁾	✓ ⁽ⁱⁱ⁾⁽⁴⁾	✓ ⁽ⁱⁱⁱ⁾⁽⁴⁾	✓ ⁽⁴⁾ (Under DTR 1B.1.6 most non equity issuers have exemptions from DTR 7.2.2R, 7.2.3R and 7.2.7R)	✓ ⁽⁴⁾ (Under DTR 1B.1.6 most non equity issuers have exemptions from DTR 7.2.2R, 7.2.3R and 7.2.7R)	✗

Notes: The above table assumes that the UK is the home Member State of the issuer (see page 8). In addition:

- LR 9.2.6 and 9.8.7A require all premium listed companies to comply with DTRs 2, 4, 5 and 6 and 7.2;
- LR 14.3.23 and 14.3.24 require all standard equity listed companies to comply with DTRs 4, 5 and 6 and 7.2;
- LR 18.4.3 and 18.4.9 require all overseas GDR equity issuers to comply with DTRs 2 and 3 and 7.2; and
- LR 17.3.9 requires all debt issuers to comply with DTRs 2 and 3.
- Under DTR 1B.1.3, DTR 7.1 does not apply to subsidiary undertakings (where the parent is subject to DTR 7.1 or Article 41 of the Audit Directive)
- Transitional provisions apply which give an exemption until 2015 for debt listed prior to 1 January 2005 (DTR TP 1.2)
- The threshold increased from €50,000 to €100,000 from 2010 DTR. The previous threshold is still applicable to the entities that were listed before 12/31/2010 and are still listed.

Differences for overseas companies

- An issuer incorporated outside of the UK that has its securities admitted to trading on a UK-regulated market, but is otherwise outside the scope of DTR 3, must announce equivalent information
- For most non-EEA issuers DTR 4 includes a requirement for the auditors to be on the UK's register of third country auditors which is maintained by the FRC's Professional Oversight Board. Under DTR 4.4.8 some exemptions from DTR 4.1, 4.2, and 4.3 are available for non-EEA issuers under 'equivalent' regimes (which apply to certain Swiss companies and to US companies that are SEC filers).
- The thresholds and time limits for overseas companies are less stringent.
- DTR 7.2 only applies to UK incorporated issuers, however LRs 9.8.7A and 14.3.24 (and 18.4.3) require both premium and standard equity issuers (including overseas companies) and GDR issuers to comply with DTR 7.2. DTR 7.1 only applies to UK incorporated issuers.

Appendix 2: Other continuing obligations

The table below sets out an overview of the additional continuing obligation requirements under the FCA's framework as they apply to different types of issuers:

	Premium listing	Standard listing	GDR (overseas equity issuer ⁽⁶⁾)	Debt < €100,000	Debt > €100,000	Equivalent AIM rule
Rules in relation to suspending, cancelling or restoring the company's listing	✓ LR 5: Shareholder approval required (75%), unless in the context of a takeover offer	✗ Shareholder approval only required if the company has been premium listed in the last 2 years	✗	✗	✗	✓ Equivalent AIM Rule 41 requires 75% shareholder approval
Compliance with the UKLA's Listing Principles	✓	✓	✓	✗	✗	✗
Compliance with the UKLA's Premium Listing Principles	✓	✗	✗	✗	✗	✗
Sponsor/Nomad regime	✓ LR 8: Sponsor required for transactions	✗	✗	✗	✗	✓ NOMAD required at all times
Shareholder approval of significant transactions	✓	✗	✗	✗	✗	✓ AIM Rules 14 and 15 require shareholder consent for reverse takeovers and fundamental changes of business Rules 12 and 13 require notification of substantial transactions and related party transactions
Market Abuse Regulation	✓	✓	✓	✓	✓	✓
Pre-emption rights (required by law for UK companies)	✓	✗	✗	✗	✗	✗
Maintenance of eligibility requirements	<ul style="list-style-type: none"> ✓ LR 9.2: Includes requirements regarding: <ul style="list-style-type: none"> Admission to trading on a recognised investment exchange ('RIE' – For example the London Stock Exchange) Independent business including controlling shareholder provisions Eligibility of securities for electronic settlement Maintaining up to date contact details with the FCA Maintaining a minimum number of shares in public hands Publication of unaudited financial information. The rule requires the reproduction in the company's next preliminary announcement (if applicable), or Annual Report of any unaudited financial information or profit forecasts/estimates published in the period 	<ul style="list-style-type: none"> ✓ Less onerous than for a premium listing. Requirements include admission to trading, maintenance of minimum number of shares in public hands; and maintenance of contact details with the FCA 	<ul style="list-style-type: none"> ✓ Requirements include admission to trading, maintenance of minimum number of GDRs in public hands; and maintenance of contact details with the FCA 	<ul style="list-style-type: none"> ✓ Requirement for securities to be admitted to trading on a RIE 	<ul style="list-style-type: none"> ✓ Requirement for securities to be admitted to trading on a RIE 	<ul style="list-style-type: none"> ✓ AIM Rules 32-38 include ongoing requirements including: <ul style="list-style-type: none"> Securities to be freely transferable Retention of a broker Electronic settlement arrangements Notification of contact details Rule 26 requires all AIM companies to maintain a website

	Premium listing	Standard listing	GDR (overseas equity issuer ⁽ⁱ⁾)	Debt < Eur100,000	Debt > Eur100,000	Equivalent AIM rule
Shareholder approval of share schemes/LTIPs	✓ LR 9.4: For UK companies, shareholder approval required for certain employee share schemes and directors' long term incentives schemes. For all companies, shareholder approval required for discounted option arrangements	✗	✗	✗	✗	✗
Transaction specific rules	✓ LR 9.5: Rules in relation to Rights issues, Open Offers, Placings, Reconstructions and refinancings and Offers for sale/subscriptions. Includes limits on discounts, minimum offer periods and restructuring/refinancing disclosure requirements. (See also chapters 10,11 and 12 of the Listing Rules)	✗	✗ Circulars may be required for amendments to trust deeds and early redemptions (LR 17.3)	✗ Circulars may be required for amendments to trust deeds and early redemptions (LR 17.3)	✗	✓ AIM Rules 12-16 cover substantial transactions, related party transactions, reverse takeovers and fundamental changes of business
Market notifications	✓ LR 9.6: Includes notification requirements to the FCA regarding: <ul style="list-style-type: none"> Copies of documents (circulars, notices, reports etc. must be provided to the FCA for publication through its document viewing facility) Changes in capital Changes in directors, directors details Any variations to or disposals of equity under lockup arrangements Shareholder resolutions Change of name/accounting reference date 	✓ Less onerous. Requirements include notifications regarding: <ul style="list-style-type: none"> Copies of documents Changes in capital 	✓ Requirements include notifications regarding: <ul style="list-style-type: none"> Copies of documents Changes in capital and changes in depository 	✓ Minimal requirements to provide copies of documents, including those relating to guarantors or the issuer of any linked securities	✓ Minimal requirements to provide copies of documents, including those relating to guarantors or the issuer of any linked securities	✓ AIM Rule 17 requires similar notifications to be made to those required for a premium listed company. Rule 26 requires certain company information to be maintained on the company's website
Voluntary preliminary announcements and dividend announcements	✓ LR 9.7: Rules regarding voluntary preliminary announcements of an issuer's annual results, including the requirement for agreement of such announcements with the company's auditors Also requires announcement of dividends approved, as soon as possible after Board approval	✗	✗	✗	✗	✗
Compliance with the UK Corporate Governance Code	✓ LR 9.8: Requirement to 'comply or explain'. In addition LR 9.8.10 requires the auditor to review compliance with certain provisions of the Code (see page 14)	✗	✗	✗	✗	✗ No requirements although voluntary application of the Code is encouraged. Quoted Companies Alliance ('QCA') guidance is available
Additional Annual Report requirements/ Disclosures	✓ LR 9.8: Sets out a number of disclosure requirements, including: <ul style="list-style-type: none"> Related party transactions Interests of directors and major shareholders (see page 7) 	✗	✓ LR 18.4.3 sets out a 6 month time limit for the filing of the audited Annual Report (applicable for issuers not required to comply with DTR 4)	✓ LR 17.3.4 sets out a 6 month time limit for the filing of the audited Annual Report (applicable for issuers not required to comply with DTR 4)	✓ LR 17.3.4 sets out a 6 month time limit for the filing of the audited Annual Report (applicable for issuers not required to comply with DTR 4)	✗ 6 month time limit under AIM Rule 19 Rule 19 also requires disclosure of certain related party transactions

Notes:

- i. Where the certificates relate to shares of a UK incorporated company, the issuer of the underlying shares is required to comply with the continuing obligations of Chapter 9 of the Listing Rules. If the certificates represent debt, then the underlying debt issuer is required to comply with the continuing obligations of Chapter 17.

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