THE UKSA NEWSLETTER

UKSA
UK Shareholders' Association

Issue 26 – June 2025

Chairman's message

Charles Henderson - Chairman of UK Shareholders

Dear members

UK Shareholders' Association Board of Directors

Helen Gibbons is retiring as a director at our AGM on 30 June 2025 and not seeking re-election. Helen feels it has been a privilege and pleasure serving us on our board and she will be missed more than we know for all the things she does, usually quietly and generously with her time. Thank you Helen and I hope we may keep in touch and obtain future contributions, albeit on a less demanding scale. And thank you Martin White for volunteering to take over the newsletter from Helen.

John Hunter rejoined the board in February to underpin his leadership with Martin White of UK Shareholders' financial learning project. Once Helen retires at our AGM, this will leave seven directors.

As the work of our association is totally dependent on directors', policy team members' and members' generous volunteering of time, it would help if we had someone to take the director count back to eight. If any full members are interested in offering to become a director (as only full members can become directors), please email me at charles.henderson@uksa.org.uk.

UK Shareholders' full membership – to double or not

This advertising of a director position has reminded me of my previous pleas for existing full members to recruit at least another full member from their circles of family and friends, especially if any of them are interested or work in financial stuff. The reason for this is that by doubling our full membership we become financially viable and better able to continue promoting the interests of individual shareholders.

The state of the UK (and the world)

With all the bad stuff that we are bombarded with daily, it's not totally surprising to hear that people appear to be giving up on our future. There is a danger, with technology, social media and artificial intelligence, etc, that this becomes a perpetual downward spiral into apathy and despair. Part of this problem, and which has been around forever, is that bad stuff makes news and good stuff doesn't. The bad stuff is never put in context and compared to the much more good stuff that is going on. In my view, if there wasn't much more good stuff going on, we would notice a more dramatic worsening of our living conditions and, unless you tell me otherwise, so far we haven't.

This doesn't mean we can ignore some of the bad stuff, such as poverty in our rich country, either because there's no point because there's no future or because we don't appear to need to because we're not noticing it or some other reason. We have to have hope in our future and as a result continue to think it is worth the effort to try and improve it. As our fellow member Mohammed Amin says in his email footer, 'Each of us changes the world every day. We can choose to make it a better place'.

My wife, who is more of a catastrophiser (is that the right word?), thinks I am too optimistic, but I feel I have to be with three grandchildren and a fourth on his way, who are likely to be alive still 150 years after I was born.

However, we also have to be practical and realistic and not get overwhelmed by trying to fix all the bad stuff. In the context of our individual personal circumstances, we should be selective about what we can help to improve .

Stewardship

Following my comments on leadership and stewardship in our last newsletter, I want to mention that Martin White is leading the charge on an UKSA corporate stewardship project. This aims to provide some ideas on how good and appropriate stewardship by relevant market participants could improve UK plc.

Shaping the future of AIM

On 16 June we submitted a response to the London Stock Exchange Group's discussion paper, Shaping the Future of AIM. Our main messages are:

- A lot of work has been done on highlighting the issues for public stock markets, but we think not enough has been done on finding the root causes of these issues to enable anyone to start trying to solve them;
- Private acquisitions of public companies are one of the biggest threats and as a result some thought should be given to banning private acquisitions of publicly listed companies; and
- Some of the existing AIM market investor protections (such as audits keeping management accountable for their financial reporting) should not be dropped because they are seen as too difficult or costly by the companies and their management.

AGMs and voting

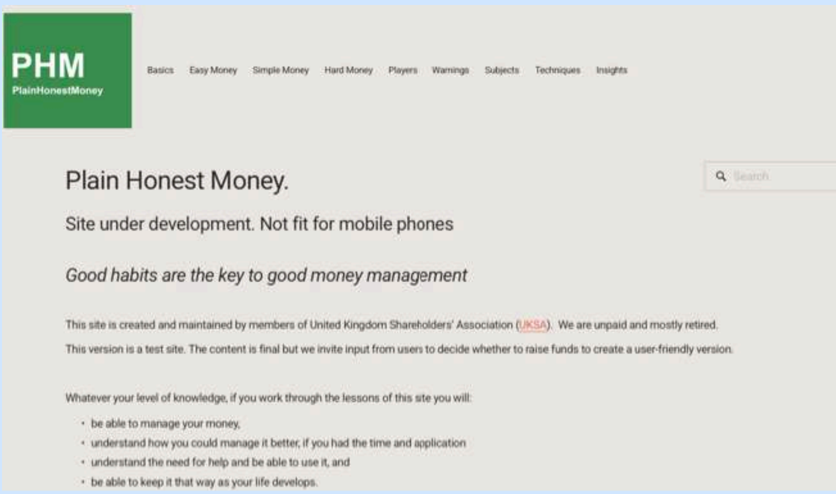
Following the recent AGM season and some of the main media commentary, especially on the best format for them, in person, virtual or hybrid, we have now published a UK Shareholders position paper on the topic.

Financial learning

As you know from our newsletters and emails, we were supportive of the petition from Cameron Holt, the Youth MP for Bassetlaw, to 'Legally require all secondary schools to teach financial education'. Unfortunately the petition didn't manage to reach 10,000 signatures, despite our recent efforts resulting in an additional 1,600 (last look on 15 June, two days before the deadline 17 June, the total was 7,107). However, this does not stop us pursuing the goal of getting financial learning properly into our schools through our financial learning project. This project is in the process of trying to help the Money and Pensions Service (MaPS) improve its guidance. For more on this, see John Hunter's HonestMoneyNews below.

UKSA's financial learning sites

Click the images below to view the latest additions to the sites. PHM is a work in progress and your comments are welcome.



HonestMoneyNews

John Hunter - UK Shareholders director and creator of HonestMoneyNow and PlainHonestMoney

The structure of central guidance on personal financial management

Government guidance on personal financial management is centred in the Money & Pension Service (MaPS). This is the Single Financial Guidance Body (SFGB) established by the Financial Guidance and Claims Act 2018. It is attached to the Ministry for Work and Pensions (but the Financial Conduct Authority has some oversight and contributes some material). The Treasury has input in some circumstances.

MaPS has promoted the brand MoneyHelper, which is the title of its consumer guidance website

Honest Money progress

The Chairman has written to the CEO of MaPS (Oliver Morley) and the CEO of FCA (Nikhil Rathi) to initiate a dialogue to help them improve their central guidance on personal money management. We used as an example the lack of any coherent guidance on controlling costs, exemplified by silence on the effect of compound interest. We also mentioned PlainHonestMoney as an example of what could be done and as a representation of UKSA's competence, and offered to help.

We received a considered and helpful reply from Oliver Morley, the CEO of MaPS, saying he had 'passed your observations to the relevant team for their consideration as well as the team responsible for the next review of our pensions guidance'.

The Chairman has replied by slightly upping the ante – mentioning other areas that could be improved and where our help would be useful and 'suggesting an initial meeting to agree a dialogue process at operational level which is convenient for you and informative for us'.

We'll keep you informed!
John

External relations round-up

Sue Milton - External Affairs Director

Company meetings: a way of assuring a company's future and our future.

We are looking for ***a member to become our company meeting coordinator*** *and other members to join our team of organisers, ideally with representation from across all parts of the UK. Are you interested in volunteering for one of these roles?*

Why?

AGMs are an important part of owner/manager relationships, and many of us attend them, but most AGMs offer insufficient time for deep and insightful questions and discussions. That is why retail investor meetings are important. We have, over many years, organised mainly in-person meetings, but virtual is relatively cheap and easy to arrange and we have had successes. We'd love to hold more meetings, but we need more people to help organise them.

Twelve volunteers, each organising one meeting, would be brilliant and for many of us our AGM attendances and related interactions with the board and investor relations team already amount to a door half-open. More of the same would be great, but a new approach would be excellent, so all ideas and suggestions are welcome.

Of interest? Please contact David Riches and Sue Milton at officeatuksa@gmail.com.

Taking responsibility for safety whilst online – something for retail investors to ask our companies?

We have the Online Safety Act, its objective being to keep us safer online. The Online Safety Act lists over 130 'priority offences', such as fraud, human exploitation, animal mistreatment and terrorism Enforcing the Online Safety Act: Platforms must start tackling illegal material from today - Ofcom. Ofcom is the regulator for the communications services that we use and rely on each day and is responsible for enforcing the Online Safety Act.

All our companies use the internet. We need to check they are doing their bit, directly or via their third parties, to make us all safer online.

Vibecession – a new economic measure? Three-minute explainer on... the vibecession - Raconteur

Vibecession fills the gap between economic metrics and how people are feeling, as GDP measures how much people are spending, not their happiness.

Why is this important? Not knowing how (un)happy people are means we do not know how to motivate people to become more productive in society. Welcome to vibecession.

PWC review of EMEA IPO market

From PWC, the latest Q1 2025 report, which highlights the current IPO landscape across Europe, the Middle East and Africa.

The report notes that Q1 2025 encountered several macroeconomic challenges due to increased market volatility resulting from global trade uncertainties. Despite this, European equities outperformed US counterparts, hosting substantial IPOs.

Key takeaways include:

- **Resilience of the Secondary Market**: The UK secondary market showed strength, with substantial equity sell-downs and a significant rights issue, indicating robust investor interest and liquidity;
- **Cautious IPO Environment**: Market volatility has led many companies to postpone IPO plans. UK investors may need to adopt a patient and strategic approach until stability returns;
- **Emerging Opportunities**: Potential opportunities may arise from demergers, moves from AIM to the Main Market and new international listings if conditions improve;
- **Market Sentiment**: Early strong performance of European equities may signal a positive outlook for UK investors, pending overall market stabilisation.

Let's see what Q2 brings.

KPMG/UKSA investor meeting 8 May 2025

In this virtual meeting, we covered the impact that changes to the UK's corporate governance code would have for directors and the impact on reporting. The changes published in 2024 have taken effect from January 2025 onwards into 2026. The main change is Boards having to declare that material controls, both financial and non-financial, are effective at the Balance Sheet date and is effective from 2026.

A few minor changes have been made to the Code that aim to better streamline the expectations or clarify the language in the areas of malus and clawback and audit committee minimum standards.

The Financial Reporting Council (FRC) regulates auditors, accountants and actuaries and sets the UK's Corporate Governance and Stewardship Codes. The FRC expects to see, as a result of the updated Corporate Governance Code, five areas for better reporting: controls, culture, oversight of external audit, statements of compliance in line with 'comply or explain' and outcome-based assessments.

The UKSA view? Well, we have a few thoughts:

1. We are disappointed that the changes are limited to the main market and not to all companies;
2. We wonder if there could be contradictions in the way effectiveness is assessed for financial controls and internal controls, such as the amount of substantive testing being conducted by the external auditor and the level of reliance placed on internal audits and internal risk management judgements;
3. Should, therefore, the directors' statement on internal controls and their reporting on material risks be independently verified or should investors rely on trusting directors' statements, based on the performance of a company over time?

On 1, we will have to wait until the Audit and Governance Reform Bill is passed into law – no date yet for this – and see if the definition of a Public Interest Entity is expanded to take into account non-listed companies too. That, at least, would capture more companies.

On 2 and 3, we will have to wait how this plays out. What a good topic for our future UKSA-arranged company meetings (see in this newsletter "Company meetings: a way of assuring a company's future and our future").

UKEB launches new website

If you are interested in seeing what financial and sustainability standards will come into force in the UK, this is the place to go UK Endorsement Board | Home. It is much easier to navigate than previously.

The precocious intern: Gen AI and its current and potential impact on corporate reporting.

Why the intern? Because GenAI works tirelessly, without complaint, to respond to everything we ask of it.

Why precocious? Because GenAI seems to know so much more than we do, but – and there is a but – because GenAI is built to respond regardless of the quality of the information it shares with us, so it can be just a little bit, or a very big bit, wrong.

GenAI (What is Generative AI? - Gen AI Explained - AWS) is here to stay, so it will enter, if it has not already done so, the world of corporate reporting. For all stakeholders, we need GenAI to provide meaningful information. It is imperative that we design GenAI well to support companies, auditors and investors.

Claire Bodanis, founder of Falcon Windsor, hosted a webinar on 12 June with the following observations.

- GenAI is useful, but only up to a point because it does not know what is correct and what is faulty in the data it uses.
- There is very little training available in how people can use GenAI well. Companies tend to ignore this and GenAI is 'just a tool', so AI adoption is running ahead of humans' understanding of benefits and risks, all hidden in plain sight.
- There is little governance over where, how and when GenAI is used

This has significant implications for reporting so the outputs must be verified by a human expert before any use is made of the information. Otherwise, directors could take business decisions, and investors invest, based on faulty data. But how much to check and by whom? No answers yet.

As investors, to retain and build trust, we should:

- Be asking that our companies align GenAI policies with the company values, and state where they are using GenAI in their reporting.
- Demand the same of the auditors in their assurance work.
- Demand that all opinion pieces, such as the CEO's, Chair's committee and auditors' reports and statements are written by them, not AI.

There are plenty of benefits from GenAI so long as we have the right design and safeguards in place.

GenAI is brilliant at accessing and analysing huge amounts of data. GenAI can do continuous monitoring of internal controls to help with assessments on internal control effectiveness. GenAI can scan all the information necessary for sustainability reporting. GenAI can provide 100% checks across all financial transactions and spot anomalies that provide early warnings of control weaknesses and potential fraud. GenAI can also check for idiosyncrasies between the front and back halves of the report, and enhance all those notes in the accounts.

Look out for GenAI shifting the focus from being company-specific and leaving to analysts to look more broadly, to an external review in which the internal position of the company is then identified. GenAI enables the company to be seen in a much broader context, as it can assess the company against competitors, sectors and regulatory environments.

Audit focus will have to shift, too. The more GenAI is used, the more the internal and external auditors' role will adapt to check, not just the company's view of performance, but GenAI's output on the state of the company.

The Martin White column

Martin White - UK Shareholders director and creator of Savers Take Control

Plus ça change!!

Doing a very modest bit of paper sorting last month, I came across a photocopy of a letter that I had published in the FT in December 2008. Here it is (sorry about the wonky scan):

Lipsey clearly wanted a more active role for panel

DEC 2008!) FIN. TIMES

From Mr Martin White.

Sir, Adam Phillips' reassuring letter (December 2) about the role of the Financial Services Consumer Panel is welcome. Our experience is that the panel has been a useful force in advancing consumer interests, despite resources that are inadequate for the task.

Even so I believe the resignation of Lord Lipsey from the chairmanship of the panel, and the reasons given for it by Lord Turner, the Financial Services Authority chairman, should be of concern to all potential savers. The panel is the only official body charged solely with representing the interests of consumers of financial services. But it is funded, and its members are chosen, by the FSA and the budget it is allowed is only enough for two full-time staff. It is clear that Lord Lipsey wanted it to take a more robust and pro-active role. He was seeking the resources for this but these have been denied.

Consumer protection is just one of the four statutory objectives of the FSA and that only to the extent of "securing the appropriate degree of protection for consumers" – whatever "appropriate" might be! As an example of this in practice, even in its latest pronouncement on the Retail Distribution Review the FSA seems unable to see that on many occasions a saver's best interests can be in using a vehicle that cannot pay commission and does not come through the advisers that it regulates. Examples of such vehicles would be National Savings, deposit and savings accounts and investment trusts.

To me this whole episode suggests that protecting the industry is still more important to the FSA than the interests of the ultimate customer.

Martin White,
Chairman,
UK Shareholders Association

Note that in 2008 we didn't even have the FCA, we had the FSA, but there was a consumer panel.

It is clear that absolutely nothing has changed. Today, our new Labour Government seems to be adopting precisely the same attitude to the financial sector and its customers as the Conservatives consistently have done. Yes, the regulators did follow through with the "ban on commission", but so much exploitation of the public's lack of knowledge and understanding still happens. Protecting the profits of the industry seems to be the priority, even today. Which makes me think that perhaps it's the mandarins at the Treasury that really run things.

As time passes, our determination grows to make more public impact with our messages, as you will know from our efforts to develop basic financial education material.

The joys of active engagement with companies and other shareholders

I attended the UKSA Northern conference call on Saturday 21 June, and was taken with the enthusiasm and knowledge that exists within the membership for attending company meetings in person.

In the last newsletter I referred to the challenges that face UK companies, with a PWC survey suggesting that a third of UK companies don't think they will be viable in a decade's time. When individual shareholders speak to company directors – and the AGM in person is the easiest way to do this – they can challenge the business model and the company's strategy for the long term. The other thing that some of our canny members do is to see what insights they can gain about the company's competitors and trading partners.

Of course, serious interaction with companies by shareholders is a minority sport, and not surprisingly the most active individual shareholders in this respect are retired. Protecting the in-person AGM is one of UKSA's key policy positions, as members will be aware.

We will talk more on members' experiences of interaction with companies following UKSA's own AGM, which is coming up in a few days.

A personal note from the Editor

It has been my privilege to edit The Private Investor and subsequently the UKSA Newsletter since 2016.

The time has come for me to hand over as I consolidate my life and business activity in mainland Europe. Thank you to Martin White for taking the baton.

Over the past nine years I have had the fortune of receiving and publishing fine writing from extremely well-informed contributors. Thank you to everyone who has contributed during my tenure.

Helen Gibbons

Don't forget, Associate Members can take advantage of half-price full membership of UK Shareholders in the first year by clicking here.

The UK Shareholders Board 27 June 2025