The Corporate Finance Faculty
Insights and Services

DAVID PETRIE, HEAD OF CORPORATE FINANCE

THE CORPORATE FINANCE NETWORK NATIONAL CONFERENCE

5 OCTOBER 2023

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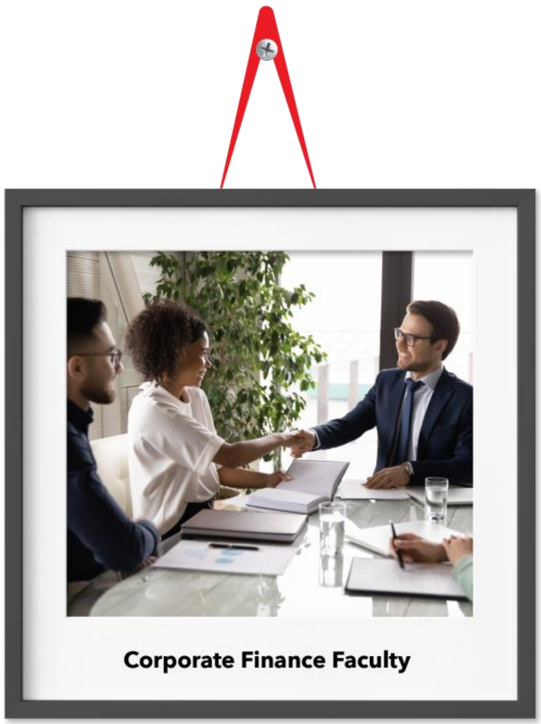

The Corporate Finance Faculty

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"ICAEW's centre of professional excellence in corporate finance"

The Corporate Finance Faculty Team




- David Petrie
- Katerina Joannou
- Raquel Edward
- Marc Mullen – *Corporate Financier*
- The Faculty Board - very high calibre, comprising senior people from leading member firms and the City of London
- The Technical Committee – experts from member firms
- Shared services and operational support – Katie Breadmore and Debbie O’Neil

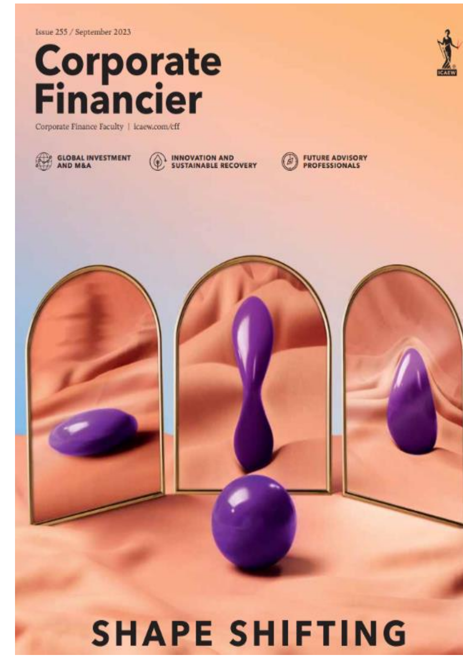
The Corporate Finance Faculty

- **The Corporate Finance Faculty is ICAEW's centre of professional expertise in corporate finance.** It contributes to policy development and responds to consultations by international organisations, governments, regulators and other professional bodies.
- The Faculty provides **a wide range of services**, information, guidance, events and media to its members, including its highly regarded magazine *Corporate Financier* and its popular series of best-practice guidelines.
- The faculty's international **network** includes member organisations and individuals from major professional services groups, specialist advisory firms, companies, banks and alternative lenders, private equity, venture capital, law firms, brokers, consultants, policy-makers and academic experts. More than 40 per cent of the faculty's membership is from beyond ICAEW.
- For more information www.icaew.com/cff

Corporate Financier

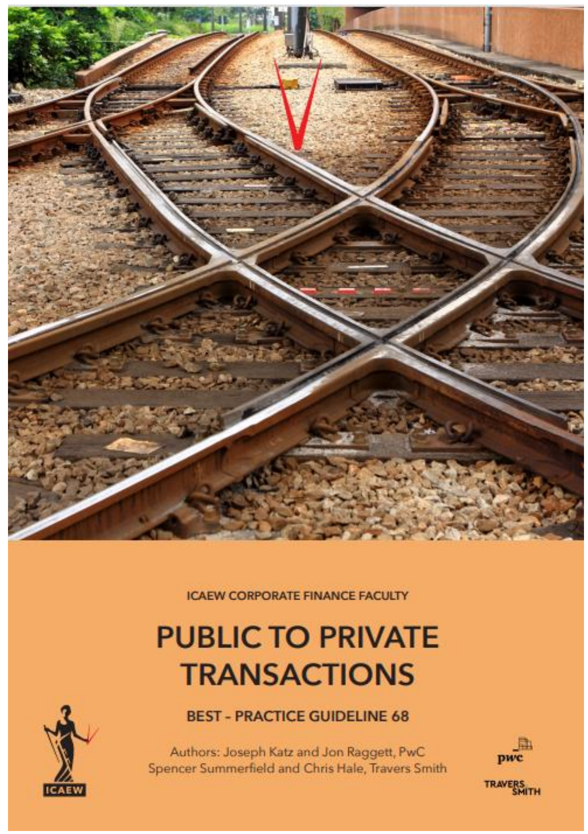
A thematic publication covering topics and trends

4 editions of the newly created digital magazine format since launch in May



Latest issue: Corporate Financier | ICAEW
Archived issues: Corporate Financier Archive | ICAEW

Recent technical guidelines
Practical support – showing best practice



Recent consultations

Working with government and regulators

ICAEW
REPRESENTATION 84/23

CALL FOR EVIDENCE: SME FINANCE

Issued 1 September 2023

ICAEW welcomes the opportunity to respond to the *Call for Evidence: SME Finance* published by the UK Parliament Treasury Committee on 3 July 2023, a copy of which is available from this link.

For questions on this response please contact us at representations@icaew.com quoting REP 84/23.

This response of 1 September 2023 has been prepared with input from the Corporate Finance Faculty, the Financial Services Faculty, Insights, the Business and Industrial Strategy team, and the Practice Committee of ICAEW.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 166,000

REVIEW

Issued 30 June 2023

ICAEW welcomes the opportunity to comment on the CP 23_10 Primary Market Effectiveness Review published by FCA on 3 May 2023, a copy of which is available from this link.

This response of 30 June 2023 has been prepared by the ICAEW Corporate Finance Faculty, with input from ICAEW's Financial Reporting Faculty and Audit & Assurance Faculty, and ICAEW members operating in listed companies.

The Corporate Finance Faculty is ICAEW's centre of professional expertise in corporate finance. It contributes to policy development and responds to consultations by international organisations, governments, regulators and other professional bodies. It provides a wide range of services, information, guidance, events and media to its members, including its highly regarded magazine ... nternational

[Call for Evidence: SME Finance (icaew.com)]

[Primary Market Effectiveness Review (CP 23_10) (icaew.com)]

Submitted since 28 June 2023 meeting			
3 May 2023	FCA, Primary markets effectiveness review	In CP23/10, the FCA proposes to replace the premium and standard listing segments with a single listing category for equity shares in commercial companies. **The faculty's working group developed the response, ICAEW 64/23, with input from auditing, reporting and governance**	28 June 2023 (Extension sought to 30 June)
13 May 2023	Takeover Panel, Review of Rule 21 (Restrictions on frustrating action) and other matters	The proposals in PCP 2023/1 include amendments to the Code in relation to Rule 21 which restricts frustrating action by the board of an offeree company. The amendments aim to provide • increased flexibility for offeree companies to carry on their ordinary course activities, including where these activities involve buying and selling assets • greater clarity as to the actions that will and will not be restricted **The faculty's plc advisory working group led ICAEW's response, ICAEW 71/23**	21 July 2023
8 June 2023	DBT, Call for Evidence on non-financial reporting	With the call for evidence, the government asks open questions about the costs and benefits of producing non-financial information, the value of information produced, and how the non-financial reporting regime might be improved in future. Evidence is sought from preparers and users to inform future consultations. **ICAEW's response is ICAEW 83/23**	16 August 2023

30 March 2023	HMT, Future regulatory regime for ESG ratings providers	The consultation seeks views on regulation to improving the transparency of methodologies, governance, and processes of ESG ratings providers. **ICAEW's response to which the faculty contributed is ICAEW 59/23**	30 June 2023
3 July 2023	Treasury Committee, SME Finance	The Committee's call for evidence examined the accessibility of finance and lending for SMEs The faculty led ICAEW's response in which we reported business and regulatory challenges and made suggestions for possible government actions to support SMEs seeking finance. The response is here, **ICAEW 84/23**	1 September 2023

Current consultations

Our work goes on

Current consultations			
24 May 2023	FRC, Corporate Governance Code consultation	The Corporate Governance Code consultation is billed as a limited revision. Principal changes: • a revised framework of controls to provide a stronger basis for reporting on, and evidencing their effectiveness • improving the functioning of 'comply or explain' • revisions to reflect the responsibilities of the board and audit committee for sustainability and assurance in accordance with a company's audit and assurance policy • alignments with changes in the govt's response to the white paper eg, strengthening reporting on malus and clawback arrangements. **ICAEW's response is being led by the Corporate Governance Committee**	13 September 2023
18 May 2023	FCA, New regime for public offers and admissions to trading	Under the financial services regulatory reforms, the FCA will have the power to make rules including when a prospectus is required in connection with admissions to a regulated market and on a secondary issuance, as well as the form and content of such prospectuses. The FCA is consulting on the drafting of these rules with a series of papers that deal, respectively, with • Admission to trading on a regulated market • Further issuances of equity on regulated markets • Protected forward-looking statements • Non-equity securities **The faculty's working group met on 26 July to discuss the proposals and develop a response, with a further meeting on 19 September to complete consideration of the issues**	29 September 2023
8 August 2023	FRC, Ethical Standard 2023	In its Exposure Draft Ethical Standard, the FRC: • takes account of changes to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics (including a significant expansion of the Code's definition of a Public Interest Entity) • provides greater clarity in respect of specific prohibitions and requirements • is consulting on whether to withdraw the Other Entities of Public Interest (OEPI) category. Key changes are marked up here. **ICAEW's response is led by the Ethics teams. This committee is invited to contribute.** **See Attachment 3.1.1**	31 October 2023
2 August 2023	IAASB, Proposed International Standard On Sustainability Assurance 5000, General Requirements For Sustainability Assurance Engagements	The IAASB's proposed standalone standard will apply to all reported sustainability information, whether related to the impact of sustainability matters on an entity, or an entity's impact on sustainability. It can be used • for both limited and reasonable assurance engagements; and • by both professional accountant and non-accountant assurance practitioners **ICAEW's response is being led by its Audit and Assurance Faculty. This committee is invited to contribute and those interested should contact the Corporate Finance Faculty.**	1 December 2023

Recent events

AGM May 2023

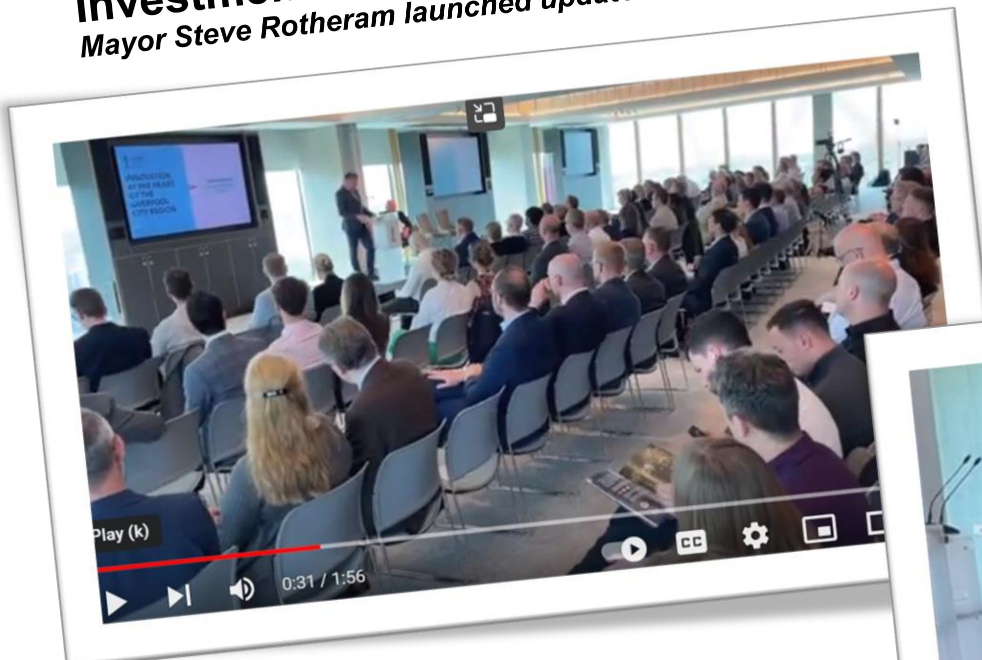
ESG guide launch 2023

25th Anniversary Reception

Mansion House
Feb 2023

Regional events

Liverpool City Region Innovation Investment Summit:
Mayor Steve Rotheram launched updated Innovation Prospectus



Recent online events

Online webinars

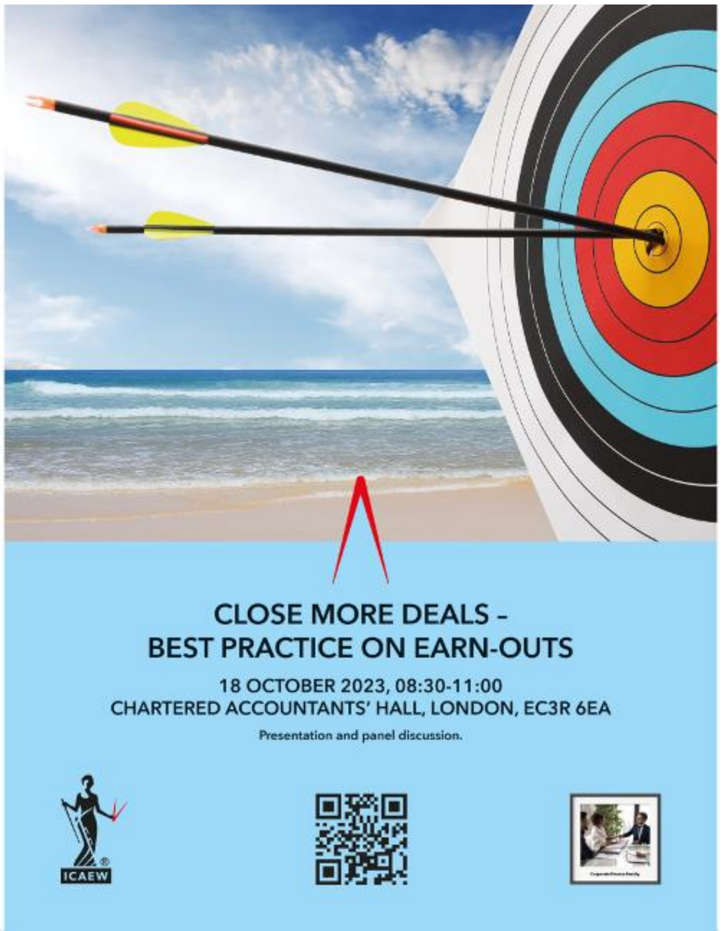
What the future holds for debt in deals

18 May 2023
Online webinar

Exploring how changes in the debt market are shaping deal flow and structure.

Time: 13:00 – 14:00 BST

Forthcoming events – book today!



Other forthcoming faculty events

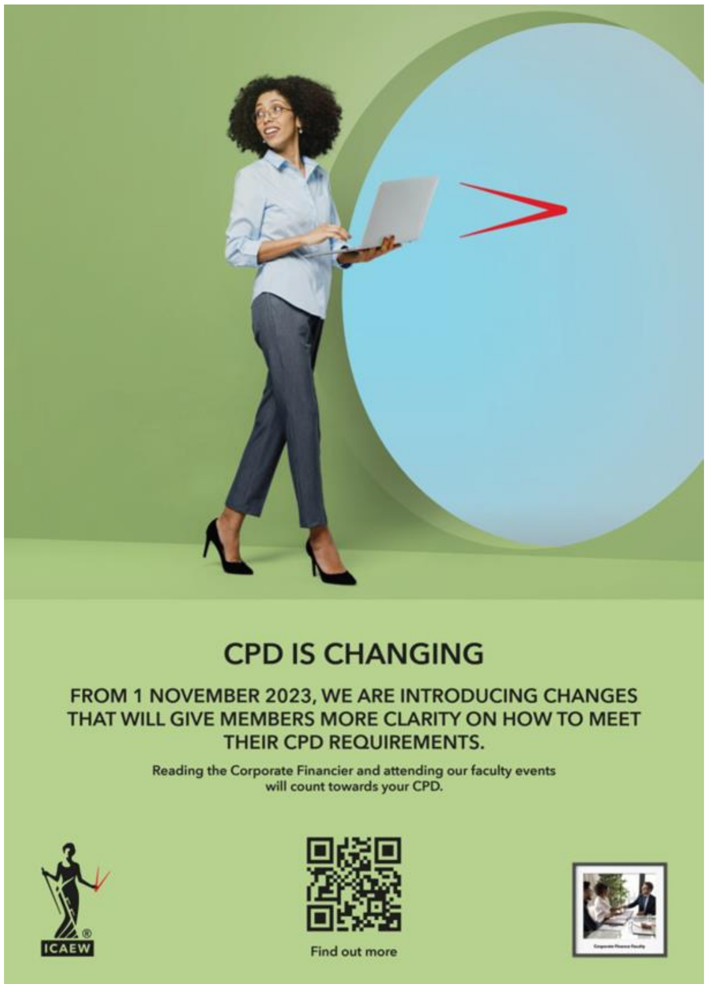
Date	Topic	Format	Booking
5 December 2023	Cyber-security update launch	In person*	To be live shortly
22 May 2024	AGM	In-person	Bookable nearer to the time

**Recording of the event will be made available after the event*

Full range of ICAEW events:

[ICAEW: Search our events/products]

New ICAEW CPD requirements from 1 November 2023



- Mindful learning and recording
- More clarity
- Ethics at the core

Reading the *Corporate Financier'* and attending online & in-person ICAEW events is an easy way to get verifiable CPD

Insights and deal activity

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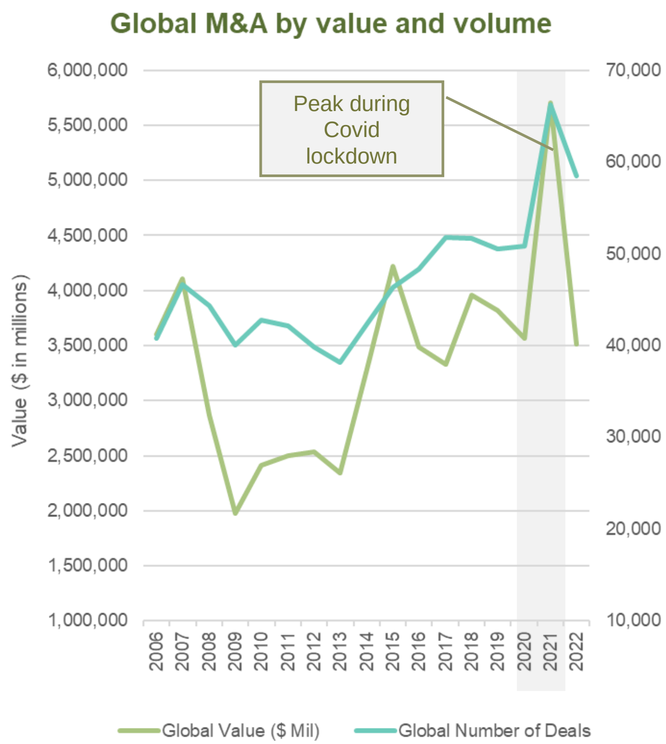
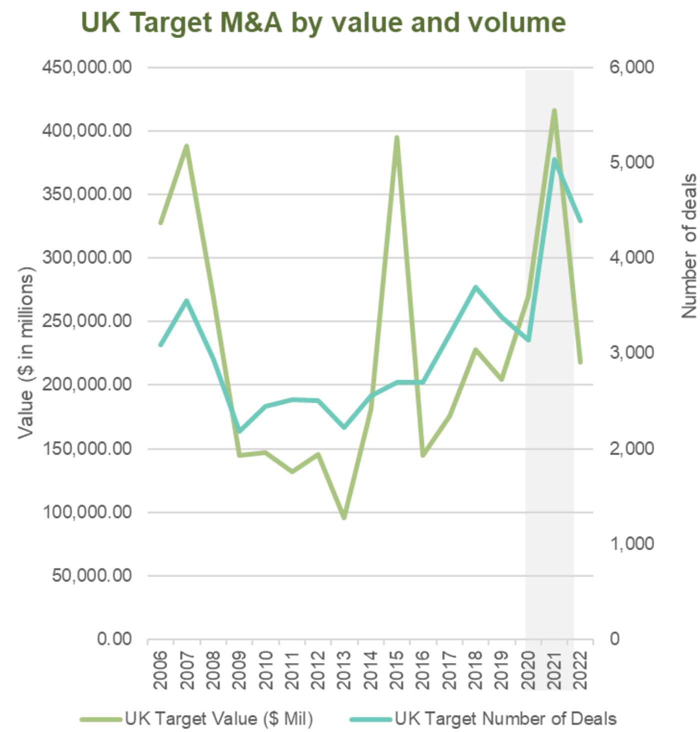
"Things are certainly a bit quieter than we would like"

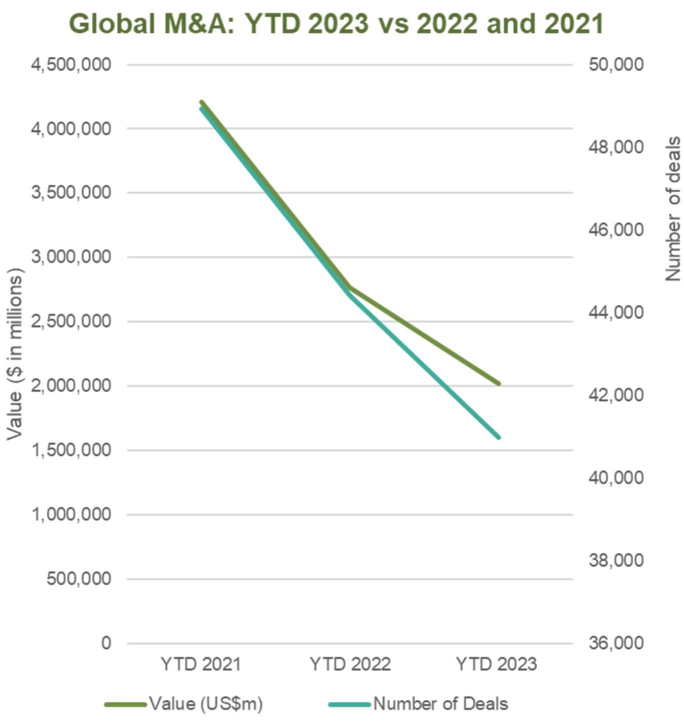
Global and UK M&A at lower levels after the peak in deals in 2021



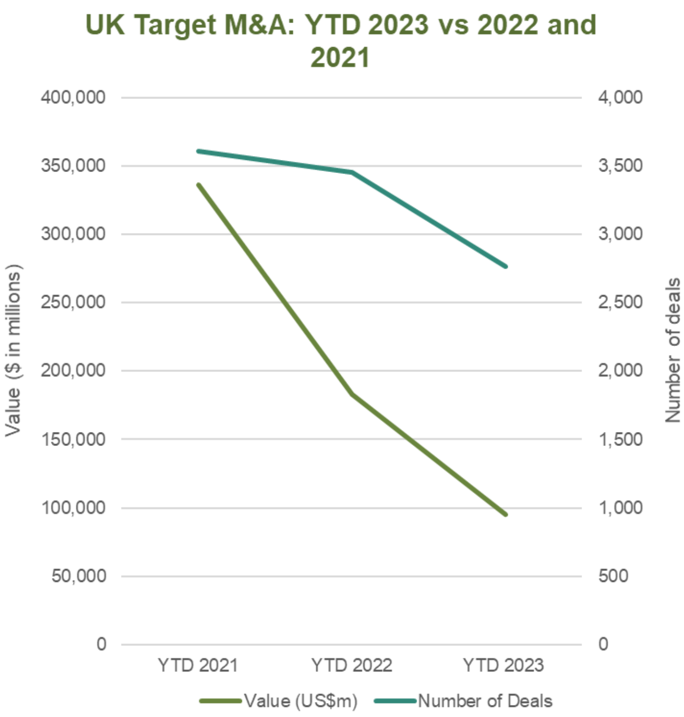


Source: LSEG

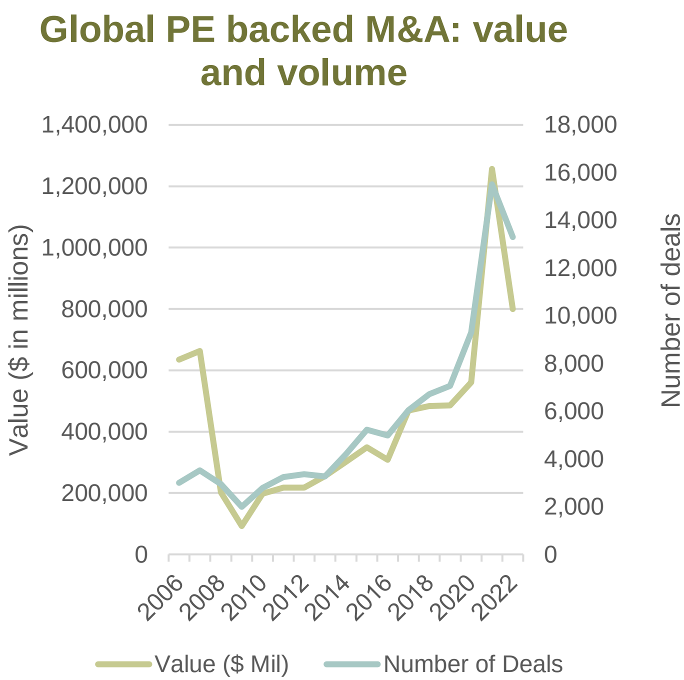
Size and volume of global and UK deals has declined from the peak in 2021

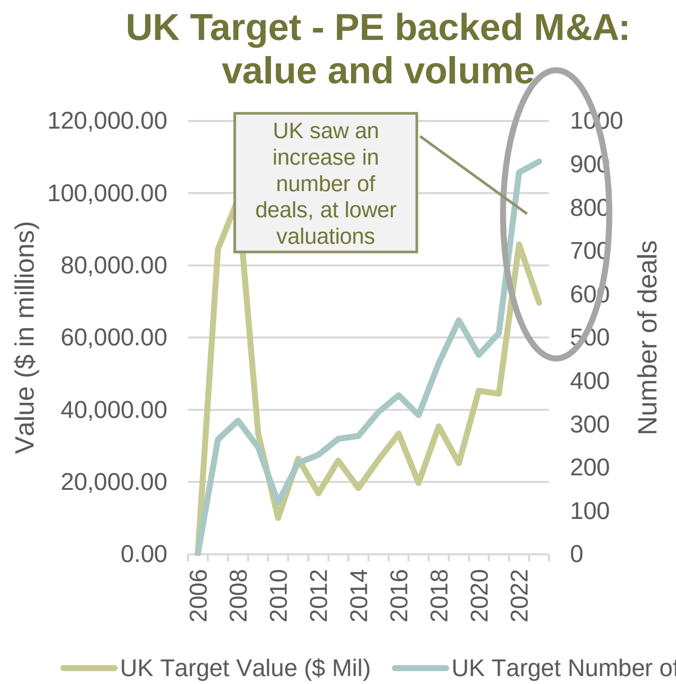


Source: LSEG



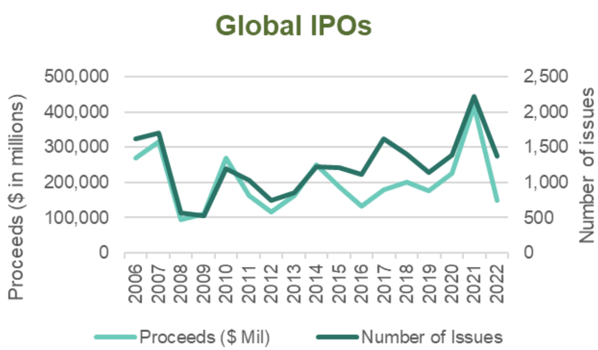
Private Equity backed deals have also reduced, but are still very significant

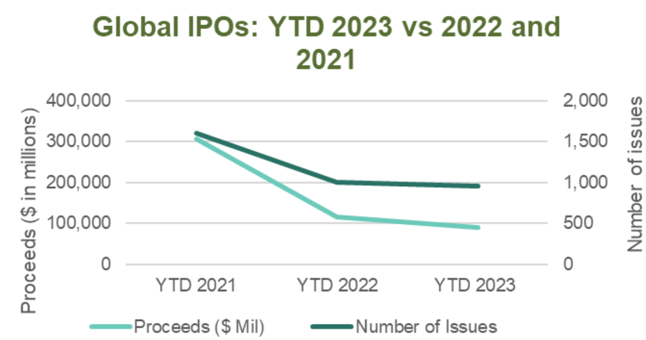


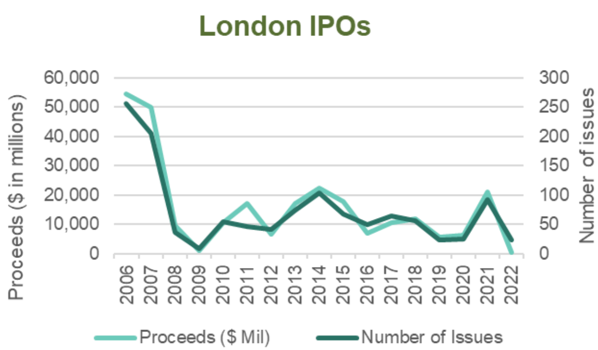


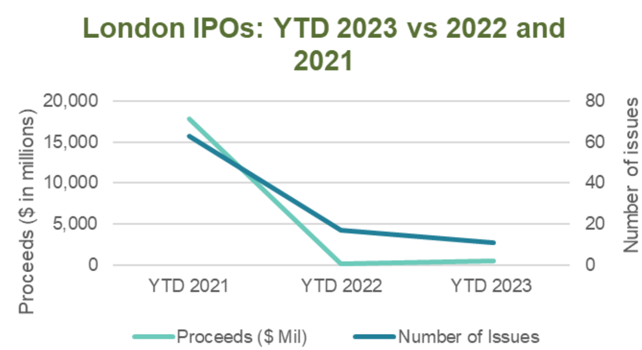
Source: LSEG

Global capital markets down for IPOs, and London not back to former glories









Source: LSEG

Trends and themes

3

"There's a lot to think about in deals these days"

Trends and themes

- Rebuilding and the “new normal”
- Capital Markets
- Private Equity
- Infrastructure
- Private Company
- Public to Private
- ESG and Climate Change
- Geopolitics

Legislative and regulatory developments

4

The output from government and regulators matches, or even exceeds the level of deal activity

The Faculty is involved at all levels - policy and practical

- The faculty is actively engaged with early stage policy making relating to the conduct of investment and corporate finance
- We also respond to legislation at Green and White paper stage and maintain strong relationships with regulators enabling representation at pre-consultation stage
- The Faculty's Technical Committee includes members drawn from professional services, law firms, brokers, private equity, academia
- Chaired by Yvette Allen, partner, Deloitte the Technical Committee:
  - evaluates legal and regulatory proposals and responds to consultations
  - identifies trends and developments in market practice for sharing with faculty membership
  - commissions best-practice guidelines
  - develops market guidance for chartered accountants and other market participants

Recent faculty work

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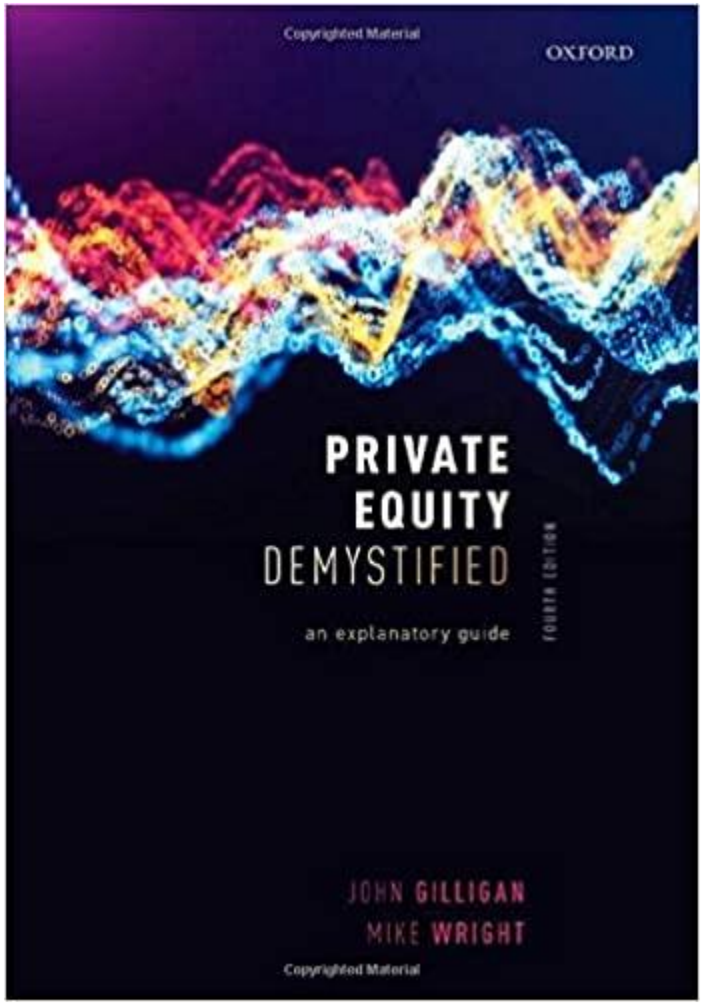
Capital markets, Private Equity, ESG and the impact of geopolitics on M&A and investment have been the focus – and investment for continuing recovery from the pandemic

Maintaining the competitiveness of the City of London and capital markets

- Lord Hill's Review of UK Listings
  - 2 roundtables for Lord Hill and the Review's Advisory Group
  - report, and govt response, in March 2021
- HM Treasury, Power to block listings on national security grounds
- FCA, Investor protection measures for special acquisition companies (SPACs)
  - changes to Listing Rules effective from 10 August 2021
- FCA, Primary markets effectiveness review
- HM Treasury, UK Prospectus Regime Review
  - roundtable for HM Treasury
- UK Secondary Capital Raising Review
  - connected faculty members with Mark Austin, who led the Review
- Edinburgh Reforms and Mansion House Compact

Private Equity Demystified



- A comprehensive review of the asset class and its impact published by ICAEW and OUP
- Widely consulted (public policy experts, economic analysts, institutional investors and private equity practitioners)
- On university and business school reading lists from Harvard to Hong Kong
- Authored by a practitioner and an academic
- Complimentary access to UKGI faculty members at icaew.com/privateequity

National Security and Investment Act

- Mandatory (and voluntary) notification regime - covering 17 Industrial Sectors
- No turnover or market share thresholds
- Also covers land, IP, Patents etc.
- A new unit – the Investment Security Unit
- Govt. expects 1,000 -1,830 deals per year to be notified
- 75-90 called in and 10-20 blocked or adjusted
- Other powers - including to declare an existing deal null and void and call in up to six months post completion
- Went live 4 January 2022 and applies to any deals completed after 12 November 2020

17 industrial sectors

1. Advanced materials
2. Advanced robotics
3. Artificial intelligence
4. Civil nuclear
5. Communications
6. Computing hardware
7. Critical suppliers to Government
8. Critical suppliers to the Emergency Services
9. Cryptographic authentication
10. Data infrastructure
11. Defence
12. Energy
13. Engineering biology
14. Military and dual use
15. Quantum technologies
16. Satellite and space technologies
17. Transport

Also – non-mandatory sectors – this is not an exhaustive list

Impact – some considerations

- Notify all plc deals - the new default – could impact c.50% of UK deals
- Increased investment risk
- Reduction in pool of investors and potential purchasers
- Entry - pricing
- Exit – process
- Increased cost of capital
- Increased transaction risk – due to extended timetable, loss of confidentiality, public scrutiny
- Decrease in attractiveness of technology sector
- Reduction in investment and innovation in core technologies vital to our national security and also important to the national interest
- Increase in “red tape”, but also in advisory fees

Corporate Finance Faculty - on NSIA

- Regular coverage of geopolitical issues in *Corporate Financier,* the faculty's magazine, which is distributed to all members 10 times per year
- Responded to Green Paper
- Large-scale event at Chatham House on Geopolitics and M&A
- Active dialogue with BEIS and other market participants, including major law firms and City of London Law Society, leading investment banks and PE houses
- Roundtable convened at Chartered Accountants' Hall with BEIS
- Submitted a very detailed response to White Paper in 2018
- Meetings with Rt Hon. Alok Sharma, Nadhim Zahawi MP and Lord Grimstone
- Oral evidence to Parliamentary Bill Review Committee in November 2020
- Faculty Board Member and former chair of the Corporate Finance Faculty spoke in House of Lords Debate – Lord Leigh and Lord Clement-Jones
- Hub for Faculty and ICAEW members at www.icaew.com/nationalsecurity
- "Switch on" event with BEIS and Lord Callanan at ICAEW on 1 December 2021

General discussion

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Other current issues and interests