Future of Narrative Reporting: A Consultation

Response via Surveymonkey

Respondent Details:

Gus Orchard
Sabien Technology Group Plc

Value of Narrative Reporting

1. Are company directors providing useful and relevant information on the company's: i) forward-looking strategy? and ii) principal risks and uncertainties?

In as much as they are able to, information provided is useful. However in a quoted company, given the tortuous nature of director's responsibilities and the necessity of avoiding a forecast in the market, there must remain considerable doubt whether information provided can be ever really relevant.

2. What are the constraints on companies providing information on these issues?

As noted above, a quoted company does not want to put out a forward looking statement to the market where it would be inappropriate to do so

3. Does the information provided reflect the issues discussed by the directors in board meetings?

Yes but it can only be a particular segment of what is discussed

4. Does the information help shareholders to press directors on key issues relating to strategy and risk, or inform their business decisions?

In smaller companies the answer must be "perhaps". In larger companies, the complexity and structure of such organisations would probably preclude anything meaningful being available to shareholders.

5. If a company does not provide sufficient or material information to you, do you challenge it? Is there anything which could help you to do so?

Probably not.

6. What other sources of company information do you use and how valuable are they (e.g. information provided on the website, analysts' briefings, dialogue with the company, corporate social responsibility report)?

For smaller companies, website and particularly trade shows can give a good indication of what companies are up to. Analysts briefings for quoted companies are useful.

7. Is there scope to reduce or simplify the requirements on which companies report?

Yes - there is too much focus on the reports/information that have to be reported on e.g. chairman's statement AND chief executive report AND directors' report AND corporate governance report AND remuneration report. This could surely be simplified and reduced to one report only.

8. Is there scope to arrange the information in a more useful way?

Define "useful"! Each company is its own entity so "useful" is difficult to legislate on. Reduce the number of reports and you would probably get something more useful - and save the destruction of a few rain forest.

Business Review

9. Looking at an Operating & Financial Review and the existing business review (see Annex D), do you see value in reinstating elements of an OFR and if so what would they be? In particular, would a statutory reporting standard help to improve the quality of reporting?

No. The desire for standardisation reduces the usefulness of company reporting to the lowest common denominator. Ultimately, for quoted companies where there is a large institutional investor base, the investors generally know via analysts' briefings what a company is doing.

Introducing another statutory reporting standard would be a retrograde step.

10. The business review provisions require quoted companies to report, to the extent necessary, on: • main trends and factors likely to affect the future development, performance and position of the company's business • information on environmental matters • information on employees • information on social and community matters • persons with whom the company has essential contractual and other relationships i) is this information useful to you? How do you use it? ii) Could disclosure be improved? If so, how? iii) Are there key issues which are missing? If so, please explain?

i) Only the first point. The rest tend to be irrelevant
ii) No
iii) No

11. Would more guidance be helpful? If so, what form should this take? For example, best practice example, sample Key Performance Indicators, etc?

Guidance is useful but should not be imposed compulsorily

12. Should there be a shareholder's advisory vote on the Business Review?

No

13. Are there non-regulatory solutions to increasing quality through better guidance or publicising excellence in business reports? If so, what?

Quoted companies could perhaps include a copy of their broker's analyst briefing. Brokers/Analysts might object but I'm sure there would be away round this.

Directors' Remuneration Report

14. Do the current disclosure requirements provide clear and usable information about: • the total remuneration paid to directors, and how this is made up; • the performance criteria for payments to directors, and how these relate to the company's strategic objectives; • company performance against these criteria, so that there is a demonstrable link between pay and performance; • the process by which directors'

remuneration is decided? If not, please explain including any views on how this might be improved

Yes but the problem seems to be that this starts and ends with the directors thus limiting the usefulness of the information other than to target individual board members.

Costs

15. If you can provide any information on costs associated either with the existing narrative reporting requirements eg preparing your business review or your views on potential costs and benefits in relation to any of the ideas in this consultation, please give details