BIS | Department for Business Innovation & Skills

# Consultation response form: The Future of Narrative Reporting

A copy of the consultation available at: http://www.bis.gov.uk/consultations.

Responses to the Consultation by be received by 19 October 2010

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**Organisation (if applicable):**

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**Please tick the box from the following list of options that best describes you:**

| | |
|---|---|
| / | **Quoted company** |
| | **Other company** |
| | **Investor or investment manager** |
| | **Business representative organisation** |
| | **Investor representative organisation** |
| | **Non governmental organisation (NGO)** |
| | **Trade Union** |
| | **Lawyer or accountant** |
| | **Other (e.g. consultant or private individual)** |

## Value of narrative reporting

**<u>Question 1</u>: Are company directors providing useful and relevant information on the company's:**

**i) forward-looking strategy and**
**ii) principal risks and opportunities?**

| Comments |
| --- |
| We consider that we provide such information. |

**<u>Question 2:</u> What are the constraints on companies providing information on these issues?**

| Comments |
| --- |
| 1. Commercial sensitivity.<br>2. Danger of data being perceived as a forecast. |

**<u>Question 3:</u> Does the information provided reflect the issues discussed by the directors in board meetings?**

| Comments |
| --- |
| The information provided reflects the outcome of such discussions. |

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

| Comments |
| --- |
| We believe the information we provide should enable them to do so. |

**Question 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?**

| Comments |
| --- |
| We believe that we provide sufficient information, but our shareholders are welcome to ask for additional information. |

**Question 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)?**

| Comments |
| --- |
| Not applicable |

**<u>Question 7:</u> Is there scope to reduce or simplify the requirements on which companies report?**

| Comments |
| --- |
| **Annual reports are now so lengthy and the content so detailed that they have become difficult to read and interpret. We believe shareholders would be better served with shorter, more understandable disclosure which concentrates on important issues.**<br><br>**Furthermore, there are a variety of bodies insisting on different (and sometimes conflicting) disclosure.**<br><br>**It is worth considering the growth in the disclosure required for Prospectus documents which has led to them being of such a size that they are unreadable to the majority of investors. The same will be the case for Annual reports unless the requirements are simplified.** |

**<u>Question 8:</u> Is there scope to arrange the information in a more useful way?**

| Comments |
| --- |
| **Yes** |

## Business Review

**<u>Question 9</u>: 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?**

| Comments |
| --- |
| **No – the key requirement would be to ensure there is no overlap of reporting requirements by different bodies.** |

**<u>Question 10</u>: 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?**

| Comments |
| --- |
| **As an issuer, we consider that we provide useful information to a high standard of disclosure which covers all key issues pertinent to investors.** |

**<u>Question 11:</u> Would more guidance be helpful? If so, what form should this take? For example, best practice example, sample Key Performance Indicators, etc?**

| Comments |
| --- |
| No |

**<u>Question 12:</u> Should there be a shareholder's advisory vote on the Business Review?**

| Comments |
| --- |
| No – we see no useful purpose in voting on separate parts of an annual report. |

**<u>Question 13</u>: Are there non-regulatory solutions to increasing quality through better guidance or publicising excellence in business reports? If so, what?**

| Comments |
| --- |
| Industry bodies (and their recognition systems of awards) promote increasing quality. |

## Directors' Remuneration Report

**Question 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?**

| Comments |
| --- |
| The level of detail now required hinders clarity. |

## Costs

**Question 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**

| Comments |
| --- |
| We do not cost the work involved in production which is absorbed by those with responsibility for the various areas covered in the Annual Report. |