

The future of narrative reporting: consulting on a new reporting framework. Response form

Please send your response by: 25 Nov 2011

About You	
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I am responding on behalf of (please tick)	
√	UK Individual Shareholders Society (ShareSoc)
√	Investor representative organisation
	Other (e.g. consultant or private individual)

Questions

Question 1

Do you agree in principle with restructuring the current reporting framework into a Strategic Report and an Annual Directors' Statement?

Yes	No
	√
Comments	
The current reports should be revised, not replaced. This would be massively less costly. Private shareholders, along with others need to be involved.	

Question 2

Do you agree that the Strategic Report should include information on:

- company performance
- principal risks and uncertainties
- key performance indicators
- key financial information (similar to that currently required for the Summary Financial Statements)

and for quoted companies should include:

- strategy
- business model
- environmental and social information,
- key information on executive remuneration and its link to performance?

Yes	No
√	
Comments	
Many annual reports already contain most of this.	

Question 3

Do you agree that the proposed Strategic Report should replace the Summary Financial Statements?

Yes	No
	√
Comments	
No. Only a revision of the current documents is needed.	

Question 4

Do you agree that the Strategic Report should be signed off by each director individually?

Yes	No
	√
Comments	
No need for this, but they should, as directors, separately carry responsibility for the contents.	

Question 5

Do you agree that the Annual Directors' Statement for quoted companies should include:

- disclosures required, regardless of materiality, by the Companies Act, the Listing Rules etc.
- the Corporate Governance Statement
- the Directors Remuneration Report
- financial information (for example, post-balance sheet events etc)
- information provided voluntarily by companies (for example, additional environmental and social disclosures)?

Yes	No
√	
Comments	
Yes, but as above, many companies already do this.	

Question 6

Do you agree that companies should be able to include material in the Annual Directors' Report (for example information on policies and procedures) by cross reference to information published elsewhere (for example on the company's website)?

Yes	No
√	
Comments	
As already happens with some.	

Question 7

If companies are able to include material in the Annual Directors' Statement by cross reference (question 6), do you agree that they should make an annual statement confirming it has reviewed that information and noting any significant changes?

Yes	No
√	
Comments	
They should be doing this at the moment	

Question 8

Do you agree that the Annual Directors' Statement should be presented online with a hard copy available to shareholders only on request?

Yes	No
√	
Comments	
There are still many elderly shareholders who need hard copy, and others who much prefer to read complex documents on paper. (There are plenty of shareholders who do not read their written reports.	

Question 9

Do you support removal of the disclosure requirements, arising from company law, identified in Table 1? If not, please provide evidence of their relevance to users, including why disclosure in the Annual Directors' Statement is necessary for meeting their needs.

Are there any other disclosure requirements arising from company law that in your view could be simplified or removed?

Yes	No
√	
Comments	
No comments	

Question 10

Are there areas where the Listing Rules, IFRS, company law and the Corporate Governance Code are inconsistent or require similar disclosures? If so, how could these best be resolved?

Yes	No
Comments	
No comments	

Question 11

Should quoted companies be explicitly required to include information about human rights (to the extent necessary for an understanding of the development, performance or position of the company's business) in the Strategic Report?

Yes	No
	√
Comments	
I do not see this document as a human rights forum for any kind of investor.	

Question 12

Do you support the Government's proposals for company disclosure of the proportion of women on boards and in companies as a whole?

Yes	No
√	
Comments	
It must be expressed as a "gender balance". I.e. Male/Female members = 7 male / 5 female. To highlight the females per se would surely be illegal – discriminating in their favour.	

Question 13

Do you agree that the current UK liability regime does not discourage companies from making meaningful forward looking statements? If you believe that there are issues with the current regime, do these relate to:

- companies listing in the US as well as in the UK,
- companies contemplating a prospectus,
- common misunderstandings about the UK liability regimes.
- other concerns?

Yes	No
√	
Comments	
Yes, it does not discourage...	

Question 14

Would improved understanding and awareness of the UK liability regime help encourage more meaningful, formal looking statements? Are there other activities or changes that the UK Government could make that you believe may be necessary?

Yes	No
	√
Comments	
I very much doubt this.	

Question 15

Do you agree that the key information on remuneration should be included in the new Strategic Report? If so, would a standard format for this information be helpful?

Yes	No
√	
Comments	
A standard format would certainly be useful	

Question 16

Which elements of the current disclosure requirements could be moved to the Annual Director's Statement, or removed entirely?

Yes	No
Comments	

Question 17

Do you agree that quoted companies should be required to disclose the total remuneration of each director in a single cumulative figure?

If so, how should it be calculated so that it accounts appropriately for the various elements of remuneration packages, including share options, LTIPs and pensions?

Yes	No
√	
Comments	
A good spreadsheet should do this. I think a full answer is beyond the scope of this document and might need the work of a small committee	

Question 18

Would there be benefits in introducing a requirement to disclose the pay of the highest earning executive officers below board level and, if so, to which companies and individuals should such an obligation be extended?

Are there alternative ways of improving shareholder oversight of the performance and pay of influential non-board executive officers?

Yes	No
√	
Comments	
Restricted to top 10 or 20. Not necessary to name them. A reason is to prove that retiring directors do not move to high paid jobs such as president.	

Question 19

Do you agree that quoted companies should be required to disclose how remuneration awarded relates to performance in the relevant financial year and to the company's strategic objectives?

Yes	No
√	
Comments	
Most companies make this too complex intentionally to make it difficult for analysts	

Question 20

Should quoted companies be required to illustrate performance and the total remuneration of the CEO for the last five financial years, to enable shareholders to assess the relationship between total pay and performance over time?

If so, which performance measure would be the most appropriate?

Yes	No

√	
Comments	
EBITDA surely, and share price max/min during each year	

Question 21

Should quoted companies be required to explain how the performance criteria for remuneration policy for the year ahead relates to the company's strategic objectives, as set out in the new Strategic Report?

Yes	No
√	
Comments	
Yes but they should be the same. No need to do this again.	

Question 22

Should quoted companies be required to provide estimates of the total future remuneration of executive directors if they exceed, meet or do not meet their performance criteria?

Yes	No
√	
Comments	
In line with our answers in the Executive Pay Discussion Paper	

Question 23

Should quoted companies be required to disclose the performance criteria for annual bonuses?

If so, should companies be permitted to delay the publication of commercially sensitive performance criteria for up to two years?

Yes	No
√	
Comments	
Yes to the first question. The second question does not belong here.	

Question 24

Would disclosure by quoted companies of the ratio between the pay of the company's Chief Executive and the median earnings of the organisation's workforce provide useful information to shareholders?

If so, how should the ratio be calculated?

Yes	No
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√	
Comments	
<p>The formula depends on several factors, including the size and profitability of the company at a given moment. But it should be linked.</p>	

Question 25

Do you agree that quoted companies should be required to disclose the total spend on directors' remuneration as a proportion of profit for the relevant financial year?

Yes	No
√	
Comments	
<p>Speaking as a private investor, I always work this out myself from information available in the annual report</p>	

Question 26

Should the amount of fees paid by companies to remuneration consultants be disclosed, and is there any further information which should be disclosed by companies in relation to the procedure for setting directors' remuneration?

Yes	No
√	
Comments	
<p>The Remuneration Consultant's reports should be disclosed - which is likely to be unpopular with the companies.</p>	

Question 27

Do you agree that company law and the Listing Rule disclosure requirements on remuneration should be made fully consistent?

Yes	No
√	
Comments	
<p>I agree</p>	

Question 28

Would reporting under International Financial Reporting Standards provide an appropriate basis for disclosure of remuneration in the preceding financial year if this were required on both an aggregate and individual basis?

Yes	No
?	?
Comments	
Sorry, not qualified to answer this.	

Question 29

Do you agree that the current legislative regime for audit and assurance for narrative reporting is adequate for your needs?

If you support assurance beyond the consistency of the Strategic Report and the Annual Directors' Statement with the accounts, then please explain what you believe assurance should be provided on and the benefits that you believe will ensue.

Yes	No
√	
Comments	

Question 30

Are there any actions that the Government could take to make the process of obtaining additional assurance on specific information in company narrative reports easier or less costly?

Yes	No
	√
Comments	
None that I know	

Question 31

Do you agree that the Audit Committee Report should contain, in addition to existing requirements:

- How long the current auditor has been in post; and when a tender was last conducted.
- The length of time since the directors, including members of the audit committee, have held discussions with principal

shareholders about the company's relationship with its auditors, including the quality of service provided?

Yes	No
√	
Comments	
Yes to question one. Neutral on question two.	

Question 32

The Government would also welcome views on the impact of these proposals, both on the cost of preparation of the Audit Committee Report, and of the benefits to investors of having access to this information.

Yes	No
√	
Comments	
A standardised report would be a benefit. Note that I have never decided not to buy shares because of the Annual Report's quality.	

Question 33

What guidance should be provided for preparers of the Strategic Report and the Annual Directors Statement? For example, what form should the guidance take (case studies, best practice, minimum compliance requirements), how should it be disseminated and should it be high-level and principles-based or more detailed and specific?

Yes	No
Comments	

Question 34

Do you agree with the Government's proposal that the reporting statement and supporting guidance should remain voluntary? If you support a mandatory statement, please explain why that is necessary for your requirements.

Yes	No
√	
Comments	

Question 35

Do you agree that understanding of the profile and working practices of the FRRP should be enhanced, but that the remit of the FRRP should remain unchanged?

Yes	No
√	
Comments	