



Jo Swinson  
Minister for Employment Relations and Consumer Affairs  
Department for Business, Innovation & Skills  
1 Victoria Street  
London SW1H 0ET

12<sup>th</sup> November 2012

Dear Minister

**Re: The future of narrative reporting: a further consultation. Investor Relations Society comments on the draft regulations**

Thank you for giving us the opportunity to comment on the draft regulations designed to improve the quality of narrative reporting.

The Annual Report is an important tool for communicating a company's recent and historic performance. It is a key part of the package of measures companies use to provide systematic and regular communications to investors. However its usefulness to those investors over recent years has been compromised by inclusion of new mandatory information aimed at transparency, but in fact, in our view, achieving complexity. The Annual Report has attempted to become a transparency cure-all, and in spite of the best efforts of listed companies and their advisors, can be cluttered with irrelevant information needed by regulation. We therefore support any ideas that can help the Annual Report become again a communication tool, and in particular give management the freedom to present information relevant to the company's performance.

We are supportive of BIS' intention to introduce a separate strategic report in place of the business review. We think the placing of strategic information at the front, separate from the directors' report (Regulation 3, 414A) will be welcomed by investors as it gives companies the opportunity to communicate strategy effectively and succinctly from the outset of the document in way that is unique to them, and of relevance to their stakeholders. We feel that

it is important, however, that companies are not expected to include information other than what is deemed material, to avoid needless and counter-productive boiler plating. With that in mind we note with interest that in the ministerial forward a sentence reads: "Overall there is no net burden to companies from these changes". To this end we support the removal of specific reporting requirements from secondary instruments (for example information about contractual arrangements and charitable donations) whereby these are required elsewhere or are no longer providing meaningful information. We feel strongly that for the proposed reforms to carry the support of both issuers and investors going forward that the promise of no net burden translates into practice once the regulations come into force from October 2013.

We consider the implementation date of October 2013 to be realistic.

We are pleased to see an emphasis on 'joined-up regulation'; in particular the reference to the proposals for a binding vote on executive remuneration. However, we would like some clarification with regards the reporting of executive remuneration - should this be presented as a summary or as full figures within the strategic report?

We recognise the Government's commitment to improve transparency and governance as supporters of the current disclosure and transparency regime and the principles of universal, proactive and prompt dissemination of information to shareholders. Transparency is at the heart of best practice investor relations. We stress, however, that with the regulatory burden on issuers already high the Government must ensure it avoids regulatory duplication on the issue of narrative reporting.

We would urge BIS to ensure that the relationship between it and the FRC be structured so as not to overburden issuers and their advisors with excessively lengthy and varied guidance standards to ensure business confidence. We look forward to viewing the style of draft guidance that BIS and the FRC will release early next year and trust this will offer real, practical assistance to quoted companies.

We note with interest that the proposed Annual Directors Statement has not been carried forward into the draft regulations. We had previously supported the idea of an ADS in principle with the proviso that the format allow for sufficient flexibility for companies to adapt the content of the ADS to their particular circumstances. We think it sensible to hold off for now with the debate over format still in place and we endorse the sentiment of wishing to avoid stifling innovation through legislation. We are pleased that increasing the level of audit

assurance that applies to reporting has not been incorporated as we had concerns over the potential practical implications on often stretched IR departments. We are also pleased that each director of the company will not be required to sign off the strategic report given that there is already a collective board responsibility for the annual report.

We are not entirely convinced by the requirements to report on human rights issues in the strategic report. Please note, this should not be misinterpreted as a lack of support from our part for companies to undertake reporting of their human rights considerations. Our concern is over measuring and reporting human rights issues as we feel this is practically difficult to arrange and will invariably lead to boiler plate. In our view, as per current requirements, companies should use their own judgement as to which human rights issues are relevant to their businesses and report on them as they consider appropriate, within the description of their business to the extent necessary for investor and stakeholder understanding.

We support the proposed requirement for quoted companies to report on the number of men and women on their board, in executive committees and in the organisation as a whole. This is both measurable and tangible and we have previously voiced our endorsement of Lord Davies' recommendations which go a long way towards the encouragement of gender diversity while allowing companies sufficient flexibility for implementation (rather like 'comply or explain' in the wider corporate governance area).

In sum, we believe that these draft regulations update legislation to where best practice in reporting currently lies and we are, notwithstanding our expressed caveats, supportive of them.

Kind regards

A handwritten signature in black ink, appearing to read 'E Burdett', with a horizontal line underneath.

Emma Burdett

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