

Policy Team
ICSA – Institute of Chartered Secretaries and Administrators
Saffron House, 6-10 Kirby Street
London
EC1N 8TS

policy@icsa.org.uk

2 June 2014

Dear Sir or Madam,

ICSA Consultation – Annual Report Contents

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of **EuropeanIssuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Corporate Governance Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

Response

We welcome the opportunity to respond to this consultation.

We believe that ICSA has succeeded in the task requested by BIS and has produced a concise and simple contents list to assist those preparing company annual reports. In our view, this guidance contains the appropriate level of simplicity and will prove very useful to our members and the wider business community. We consider that the format of the guidance is appropriate, as we believe that this document should be regarded as a useful tool and not a complete compliance manual.

As stated on the purpose of the consultation, companies should be encouraged to tell their own story in a way that best explains to shareholders how the company has performed over the past year and how it creates long-term value. We expect that, over time, legal and accounting firms will convert the content of this guidance into a more expanded checklist with further narrative, but this should not detract from the focus of the original produced by ICSA.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

A company limited by guarantee registered in England
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We have the following suggestions for consideration:

- The comment on page 2 (Purpose of the consultation and invitation to comment), encouraging the report to tell the company's own story, could be expanded.
- We would encourage ICSA to consider including an introductory sentence (to the extent appropriate) on page 3.
- The words "performance against" should be added after "commentary on" in Section 3 (Chief Executive's Review).
- The contents list should clearly identify whether the requirements are legal requirements, UK Corporate Governance Code stipulations or matters of best practice. Currently, the footnotes address that to an extent, but we question whether the specific source could be more prominent within the list. This could be addressed by including a source reference in a column to the right hand side of the item.
- Regarding the third bullet point on Section 5.1 (Strategic Report), if the KPIs are not relevant, we suggest that they might not be the correct KPIs and need to be revised.
- The order of the bullet points within each section, particularly within Section 5.2 (Directors' Report) and Section 10 (Financial Statements) should be reconsidered so that the items reflect current best practice; for example, the first bullet point within section 5.2 is not generally the first item to be found in the Directors' Report.
- We would encourage ICSA to consider providing greater prominence to the Audit Committee Report, currently subsumed within Section 8.1 (Corporate Governance Statement), given the recent focus on this aspect of narrative reporting from the FRC, the Financial Reporting Lab and work we are currently undertaking in relation to the QCA Audit Committee Guide for Small and Mid-Size Quoted Companies. The prominence, we would suggest, should at least be equivalent to the Remuneration Report, if not greater.
- Within Section 8 (Corporate Governance Report), we would suggest that its introduction and the items within 8.1 (Corporate Governance Statement) are combined, and that an additional section is included to address the committee reports. Our QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 recommends the following as minimum disclosures:
 - Chairman's Governance Report
 - Audit Committee Report
 - Remuneration Committee Report
- On Section 8.1 (Corporate Governance Statement), we suggest that "or other applicable code" is added after "UK Corporate Governance Code" and suggest that the final words are "meaningful explanations of any departures therefrom".
- Within section 8.2 (Directors' Remuneration Report (for listed companies)), the second bullet point would benefit from the addition of the words "as a listed company", when referring to the comparative figures, and the phrase "(except in the first year)".

- Footnote 41 on page 7 could refer to the GC100 to provide clarity on the source of the guidance.

Finally, we believe that a small correction is necessary regarding the first bullet point on page 6 with regard to mandatory greenhouse gas emissions reporting: the legal reference made should be to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and not to The Greenhouse Gas Emissions (Directors' Report) Regulations 2013. The draft specific regulations are still "in circulation" but are not correct.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'T. Ward', with a stylized flourish at the end.

Tim Ward
Chief Executive

Quoted Companies Alliance Corporate Governance Expert Group

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| Edward Craft (Chairman) | Wedlake Bell LLP |
| Colin Jones (Deputy Chairman) | UHY Hacker Young |
| Victoria Barron | Hermes Equity Ownership Services |
| Edward Beale | Western Selection Plc |
| Rob Burdett | FIT Remuneration Consultants |
| Anthony Carey | Mazars LLP |
| Jo Chattle /Julie Keefe | Norton Rose Fulbright LLP |
| Richie Clark | Fox Williams LLP |
| Louis Cooper | Crowe Clark Whitehill LLP |
| Madeleine Cordes | TMF Corporate Secretarial Services Ltd |
| Mebis Dossa | McguireWoods |
| Kate Elsdon | PricewaterhouseCoopers LLP |
| David Firth | Penna Consulting PLC |
| Peter Fitzwilliam | The Mission Marketing Group PLC |
| David Fuller | CLS Holdings PLC |
| Nick Gibbon | DAC Beachcroft LLP |
| Nick Graves | Burges Salmon |
| Andrew Hobbs | EY |
| Alexandra Hockenhull | Xchanging plc |
| David Isherwood | BDO LLP |
| Nick Janmohamed | Speechly Bircham LLP |
| Dalia Joseph | Oriel Securities Limited |
| Claire Noyce | Hybridan LLP |
| Gabriella Olson-Welsh | McguireWoods |
| Anita Skipper | Aviva Investors |
| Julie Stanbrook | Hogan Lovells International LLP |
| Nicholas Stretch | CMS Cameron McKenna LLP |
| Peter Swabey | ICSA |
| Eugenia Unanyants-Jackson | F&C Investments |
| Melanie Wadsworth | Faegre Baker Daniels LLP |
| Cliff Weight | MM & K Limited |