



A new narrative for an old story

The consultation on a new reporting framework for companies

Following on from last year's general consultation on the future of narrative reporting, the Department of Business Innovation & Skills has published a second consultation paper seeking views on a proposed new framework for narrative reporting.

The government's objectives are to create a framework which:

- improves the quality of narrative reporting without increasing the burden on companies;
- provides clear and relevant information enabling investors to make well-informed decisions;
- results in increased transparency and accountability;
- removes unnecessary disclosure requirements and duplication and inconsistency between the various reporting obligations; and
- results in minimal changes for companies other than listed companies.

What interesting changes are proposed?

Some of the more interesting changes proposed for listed companies include disclosure of:

- the proportion of women on the board and throughout the organisation as a whole (with a description of jurisdictions or regions where gender information is not available, where relevant);
- the pay of the highest earning senior executives below board level;
- the ratio between pay of the CEO and the median earnings of the workforce;
- the total spend on directors' remuneration as a proportion of profit;
- estimates of total future executive directors' remuneration if performance criteria are exceeded, met or missed;
- fees paid to remuneration consultants; and

- information about human rights (to the extent necessary for an understanding of the development, performance or position of the company's business).

How will the reporting framework change?

Under the proposals, the directors' report and business review will be replaced with a **Strategic Report** and an **Annual Directors' Statement**.

For a company admitted to the Official List (Premium and Standard Listings), the **Strategic Report** will set out:

- its strategy;
- business model;
- the main risks it faces;
- environmental and social information;
- together with key information on executive remuneration and corporate governance,

all evidenced by key financial and performance information and indicators. The intention is for the Strategic Report to be easily accessible and succinct.

The Strategic Report will be supported by detailed information and disclosures in the **Annual Directors' Statement**. This will:

- be produced with online viewing and searching rather than printing in mind (without removing the right for shareholders to request a hard copy);
- follow a prescribed layout with standard headings - helping investors and other stakeholders to use it for comparison purposes and acting as a preparation checklist for companies;
- contain the directors' remuneration report, corporate governance statement, the audit committee's report and disclosures required by legislation and standards of practice including the Companies Act 2006, the Listing Rules and the UK Corporate Governance Code.

What happens next?

The consultation closes on 25 November 2011 and the government intends that any changes will become effective for financial years beginning on or after 1 October 2012 with flexibility for early adoption.

Where can we get more information?

The consultation paper is available [here](#)¹. If you would like to discuss the impact of the proposed changes on your company with us please call your usual contact at Burges Salmon or:



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¹<http://www.bis.gov.uk/assets/biscore/business-law/docs/f/11-945-future-of-narrative-reporting-consulting-new-framework>

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