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The Future of Narrative Reporting  
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Submitted by email to: [narrativereporting@bis.gov.uk](mailto:narrativereporting@bis.gov.uk)

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Dear Minister

**ICSA response to consultation on the future of narrative reporting: a new structure for narrative reporting in the UK**

We welcome the opportunity to respond to this important consultation on a new structure for Narrative Reporting in the UK. The Institute of Chartered Secretaries and Administrators (ICSA) is the professional body that qualifies Chartered Secretaries. Our members are closely involved in the drafting of UK companies' annual reports and have first-hand experience of the issues around narrative reporting.

We have formulated this response with a working group of company secretaries and consulted more widely with the ICSA Company Secretaries Forum - which includes company secretaries from more than 30 large listed companies from the FTSE 100 and FTSE 250 - to formulate this response. However the views expressed in this response are not necessarily those of any individual members of the ICSA Company Secretaries Forum, nor of the companies they represent.

We support the ambition to simplify narrative reporting and think that separating the existing Annual Report into a Strategic Report and a separate Directors' Report will make a positive contribution to this ambition. We set out below some general comments, followed by more detailed comments on the wording of the Draft Regulations.

## **1. General comments**

Overall we think that the proposed new Regulations are well thought through, clear and concise. The changes would provide for increased, meaningful reporting on strategy. We are grateful that the proposals have taken account of comments made at an earlier stage in the consultation process and that many of the concerns expressed at that time have been addressed.

### **1.1 Strategic Report**

We note that the draft Regulations for the Strategic Report do not contain any requirements for reporting on directors' remuneration or remuneration policy and we think that investors will expect to see some summary remuneration reporting included in the Strategic Report. We also think that companies will wish to demonstrate a clear link between remuneration and the company's strategy. However we are aware that, following a recent consultation on remuneration reporting, new proposals are expected shortly and these questions may be addressed in those proposals.

### **1.2 Directors' Report**

We support the plan to remove the requirement for certain information to be included in the Directors' Report, as set out under the summary of proposals on page 4 of the consultation document. We also agree with the comment that an important aspect of the implementation of these new Regulations will be the new guidance for the Strategic Report to be produced by the Financial Reporting Council in 2013.

## **2. Specific comments on the Draft Regulations: chapter 4A Strategic Report**

### **2.1 s414A: duty to prepare Strategic Report**

We have some concerns over the use of the terms 'company' and 'group'. We think it would be helpful to make clear that the term 'company' in s414A(1) refers only to the group as a whole, and not individual subsidiary companies, where a consolidated (group) Strategic Report is being prepared.

### **2.2 s414C: contents of Strategic Report**

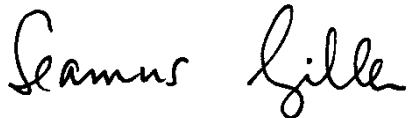
In addition to our comments in 2.1 above, we think that the definition of a 'manager' of a 'company' under s414C(6) needs to be clarified in relation to groups of companies, so that it is not interpreted as including individuals that merely have responsibilities and control over subsidiary companies that may not be strategically important for the group as a whole. We suggest the wording '*in subsection (5) "manager" means a person who has responsibility for planning directing or controlling the activities of the company and is an employee of the company*' should be limited by adding the words '*... and is the chief executive, an executive director or a person that reports directly to the chief executive or other executive director*'.

We also think that s414C(10) is unnecessary. S414C(10) states '*The report must, where appropriate, include references to, and additional explanation of, amounts*

*included in the company's annual accounts'*. This section requires the company to assess where it is appropriate to include additional explanations; however where a company identified an area that required additional explanation, they would naturally wish to include the explanation. We do not think that section 414C(10) adds anything and it should therefore be removed.

We hope that our comments provide some useful input to your discussions and we would be happy to expand on the points raised if we can be of further assistance.

Yours sincerely

A handwritten signature in black ink that reads "Seamus Gillen". The script is cursive and fluid, with the first name "Seamus" and the last name "Gillen" clearly distinguishable.

Seamus Gillen  
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