

## BEST PRACTICE ON DISCLOSURE

Box 8.1 mentioned some of the many awards made to companies which show best practice in the area of corporate reporting. Here the focus is on the ICSA Hermes Transparency in Governance Awards 2011. By the time you read this the awards will have been made, at the time of writing we know only the shortlists in the various categories.

Chartered secretaries play an important role in the governance process. Among other activities they advise board members on regulatory and governance issues, so it not surprising that their professional association takes such an active interest in disclosure. The ICSA argues that disclosure leads to transparency which in turn makes organisations accountable to stakeholders who can be confident in them and trust them which leads to better corporate reputation - a key aim for all businesses.

All companies in the UK are required to report on either how they comply with the UK Code of Corporate Governance or to explain why they deviate from it. The ICSA argues that simple statements indicating compliance or otherwise are insufficient, stakeholders need good narrative reporting which avoids the so-called 'boilerplate' reporting based on familiar phrases taken from the Code. Awards are made for six categories of disclosure, sustainability and stakeholder, audit, risk management, board, strategy and remuneration, as well as for the best annual report. In each category one award goes to a company from the FTSE100 and another to a FTSE250 company.

It will probably come as no surprise that each of the nominees for the award for the best annual report, 2010, has also been nominated in other categories. Looking at the FTSE100 nominees, GSK has been nominated in five other categories, BAE systems in two and both Man Group and Standard Chartered in three categories.

The interesting feature of these companies' reports is just how different they are. Of course each annual report includes all the features required by relevant law and regulation, and each makes good use of tables and graphs as you would expect, but there is huge variety in terms of length and layout. Standard Chartered has the longest report, coming in at 254 pages. Like the GSK report, which is 216 pages long it includes a business review and a governance section covering all aspects of the company. BAE Systems, by contrast discusses the type of issues covered in their business review sections in the context of segment reports discussing particular parts of the group. Man Group has the shortest report at just 138 pages. Rather than using headings like business review each section of the report begins with a question, examples include 'how is our business performing?' and 'what makes our business model sustainable?' which is then answered using both data and narrative. These reports illustrate one of the key features of the ICSA assessment methodology, the idea that boilerplate reporting is unhelpful. Companies can choose how to communicate even if they cannot choose what to communicate. Creative choices can make annual reports easier and more interesting to read, which is very important given that they provide information for a wide range of stakeholders.

1. Can you see any advantages to boilerplate reporting?
2. In the light of your answer to (1) would you, as a shareholder, like the companies in which you invest to report in the same or similar style and format?
3. If you have been or are employed either full- or part-time, have you ever read a copy of your company's annual report? If not, what would make you want to read it?