The Law Society

The Future of Narrative Reporting

October 2010

supporting solicitors

Law Society Response to the Department for Business, Innovation & Skills (Corporate Law and Governance) consultation on the Future of Narrative Reporting

This response has been prepared on behalf of the Company Law Committee of the Law Society of England and Wales.

The Law Society of England and Wales is the representative body of over 120,000 solicitors in England and Wales. The Society negotiates on behalf of the profession and makes representations to regulators and Government in both the domestic and European arena. This response has been prepared on behalf of the Law Society by members of the Company Law Committee. The committee is made up of senior and specialist corporate lawyers.

This response has been endorsed by the Law Reform Committee of the Bar.

General

We do not consider that questions 1 to 11 and 15 of the consultation are applicable to us, as they are aimed more at the companies preparing information, or the shareholders or stakeholders who read the information. As lawyers who advise companies on compliance matters we do not see any need for further reporting obligations to be imposed on companies. We are also not aware of a demand for companies to publish more by way of narrative reporting.

Q.12: Should there be a shareholder's advisory vote on the Business Review?

We do not consider that there should be a shareholder's advisory vote on the Business Review. Shareholders already vote on the report and accounts. It is not clear how an additional vote on the Business Review would be beneficial given the wide range of issues that it will address.

Q.13: Are there non-regulatory solutions to increasing quality through better guidance or publicising excellence in business reports? If so, what?

We would encourage the adoption of non-regulatory solutions to increasing quality. It is not clear from the consultation whether it is aimed only at listed companies, or at all companies subject to the requirement to produce a Business Review. Better guidance may be of particular assistance to non-listed companies.

Q.14: Do the current disclosure requirements provide clear and usable information about:

- **the total remuneration paid to directors, and how this is made up;**
- **the performance criteria for payments to directors, and how these relate to the company's strategic objectives;**
- **company performance against these criteria, so that there is a demonstrable link between pay and performance.;**
- **the process by which directors' remuneration is decided?**

It is not the disclosure requirements in respect of the Remuneration Report that pose a problem but rather the complexity of the arrangements that companies enter into which can make the Report lengthy and difficult to understand.

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