



Trust through governance

Consultation

Annual report contents



Institute of Chartered Secretaries
and Administrators

April 2014

Consultation: Annual report contents

Purpose of consultation and invitation to comment

ICSA has been requested by BIS to produce a simple contents list for company annual reports, to assist those preparing reports. This guidance is not intended to be prescriptive, nor is it intended to be a comprehensive list of all legal and regulatory requirements. It also excludes a list of contents for the financial statements.

The primary purpose of the annual report is to explain to shareholders and other investors how the company has performed over the past year and how it creates long-term value. The placement of information in the annual report is, to a great extent, at the discretion of the company and the report should be structured in a way that a company considers best tells its own story and facilitates the communication of the information contained in it. This contents list has been compiled with the assistance of a number of experienced company secretaries from the FTSE 100 and FTSE 250 and is intended to be a helpful starting point for companies to adapt to suit their specific circumstances. It is primarily intended for UK listed companies but is useful for all companies.

ICSA requests comments by **Friday 30 May 2014** on any aspect of the draft contents list. Please send your responses to policy@icsa.org.uk or by post to the Policy Team, ICSA, Saffron House, 6–10 Kirby Street, London EC1N 8TS.

If you have any feedback on the content of these resources, or additional questions that you'd like to discuss, please contact the ICSA information centre: **020 7612 7035** | informationcentre@icsa.org.uk

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The annual report of a UK company

1 Highlights

- Financial highlights
- Summary of objectives, strategy and business model, KPIs, strategic risk management

2 Chairman's statement

- Results and dividend
- Overview of trading and the business, including management, succession planning, diversity and values
- Governance overview including the impact of governance and risk management processes
- Commentary on markets and the environment
- Outlook statement

3 Chief executive's review

- Commentary on markets and the environment
- Detailed commentary on the business
- Commentary on KPIs
- Commentary on management of assets
- Outlook statement

4 Chief financial officer's review

If companies wish to include a CFO review this might include commentary on the financial results, dividends and going concern.

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5 Narrative report

5.1 Strategic report

The purpose of the strategic report is to inform members and help them assess how the directors have performed their duty to promote the success of the company.¹ It must be approved by the board, signed separately and filed with the Registrar of Companies.² The strategic report should include:

- a fair, balanced and understandable³ review, consistent with the size and complexity of the business, of:
 - (a) the development and performance of the company's business during the financial year;⁴
 - (b) the position of the company at the end of the year;⁵ and
 - (c) the principal risks and uncertainties facing the company⁶ and an explanation of how the risks are managed or mitigated⁷
- Key Performance Indicators (KPIs): both financial⁸ and non-financial⁹
- a description of the company's:
 - (a) principal objectives
 - (b) strategy¹⁰
 - (c) business model¹¹ and, where relevant, linkage to and discussion of KPIs¹²
- analysis of the development and performance of the business in the financial year and of its position at the end of the year¹³
- trends and factors likely to affect the future development, performance or position of the business, to the extent necessary for an understanding of the business¹⁴
- information on environmental matters; employees; and social, community and human rights issues, to the extent necessary for an understanding of the development, performance or position of the company's business, or a statement that the information has not been included, including which of the three types of information has not been included¹⁵

Unless stated otherwise, all references are to the Companies Act 2006.

1 s414C(1)
2 the strategic report is also covered by the directors' liability 'safe harbour' provisions under s463
3 s414C(2)(a) and UK Corporate Governance Code provision C.1.1
4 s414C(3)

5 s414C(3)
6 s414C(2)(b)
7 s414A – except for small companies
8 s414C(4)(a)
9 s414C(4)(b) including environmental and employee matters for large companies

10 s414C(8)(a)
11 s414C(8)(b)
12 for listed companies
13 s414C(2)(a) and (3)
14 s414C(7)(a)
15 s414C(7)(b)(i)(ii)&(iii) – for listed companies

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- information as at the year end about the gender diversity¹⁶ of:
 - (a) directors¹⁷
 - (b) senior managers¹⁸
 - (c) employees, in the group as a whole
- any matter that is considered to be of strategic importance, which is also required to be included in the directors' report¹⁹
- any additional explanations of amounts included in the company's annual accounts.²⁰

Supplementary material to be provided with the strategic report when it is used as a replacement to summary financial statements:²¹

- a statement that the strategic report forms part of the annual report and information on how recipients can obtain a copy of the full annual report
- a statement as to whether the auditor's report was qualified or unqualified, and further information if the auditor's report was qualified
- a copy of the section of the Directors' Remuneration Report that sets out the single figure total in respect of directors' pay.

5.2 Directors' report²²

- a statement of any qualifying indemnity provisions for the benefit of any directors (or directors of associated companies) during the financial year²³
- the names of all directors during the financial year²⁴
- the amount of dividend, if any, recommended by the directors²⁵
- a statement confirming that all relevant audit information has been provided to the company's auditor²⁶
- if applicable, a statement that the strategic report includes information required by the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 to be included, and an indication as to which information this applies

16 s414C(8)(c), (9) and (10)
– for listed companies

17 i.e. directors of the company or the parent company of a group

18 an employee who has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the

company, including directors of companies consolidated within a group

19 s414C(11)

20 s414C(12)

21 for listed companies

22 s415

Note that companies are no longer required to disclose (a) the principal

activities of the group; (b) policy and practice on payment of creditors; (c) charitable donations over £2,000; and (d) the difference between the market value and balance sheet value of land.

23 s236

24 s416(1)

25 s416(3)

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- a report on the annual quantity of greenhouse gas emissions from activities for which the company is responsible, as required in The Greenhouse Gas Emissions (Directors' Report) Regulations 2013²⁷
- a statement of approval by the board and signed on behalf of the board²⁸
- if applicable, a prominent statement that advantage has been taken of the small companies' exemption²⁹
- information on political donations totaling in excess of £2,000³⁰
- unless not material, financial risk management objectives and policies³¹ and exposure to price, credit, liquidity and cash flow risk³²
- details of any post year-end important events affecting the company or group³³
- likely future developments in the business;³⁴ research and development;³⁵ and details of branches outside UK³⁶
- information on acquisition of own shares³⁷
- the company's policy on employment of disabled persons³⁸
- a description of actions in relation to employees³⁹
- information on the company's capital and holders of securities and agreements in relation to change of control/takeover⁴⁰
- going concern statement
- directors' interests
- share capital
- voting rights
- disclosure of major shareholders (holding over 3%)
- directors' responsibilities statement
- auditor's independence statement
- details of annual general meeting.

26 s418(2)

27 for listed companies. This report should include 'the combustion of fuel' and 'the operation of any facility'; and the emissions resulting from the purchase of electricity, heat, steam or cooling by the company for its own use, to the extent it is practical to obtain the information (Sch 7.15(2), (3) & (18)). The preceding year's data must be provided for comparison and reasons must be given for any information omitted (inclusion of at least one ratio of quantifiable factor in relation to the company's activities and comparatives (Sch 7.17 & 18)). A statement of what information in Sch 7.15(2) & (3) is not disclosed and why (Sch 7.15(4)) and methodologies used to calculate Sch 7.15(2) & (3). The period of which the company is reporting if different from the period the directors' report is being prepared (Sch 7.19).

28 s419(1)

29 s419(2) Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

30 other than for wholly owned subsidiaries of UK incorporated companies (Sch 7.3(2) & 4(1); Sch 5.2(2) & 3(1))

31 Sch 7.6(1)(a)

32 Sch 7.6(1)(b)

33 Sch 7.7(1)(a)

34 Sch 7.7(1)(b)

35 Sch 7.7(1)(c)

36 unless an unlimited company (Sch 7.7(1)(d))

37 Sch 7.9

38 Sch 7.10(3) and Sch 5.5(3) for companies with more than 250 employees

39 Sch 7.11(3) for companies with more than 250 employees

40 Sch 7.13(2) and (14) for companies quoted on an EU-regulated market

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6 Report on sustainability, ethics, values, and/or corporate and social responsibility

Summary of information contained on the company's website or in a separate report.

7 Board of directors and secretary

Profiles of the board of directors and the secretary.

8 Corporate governance report

Introduction by the chairman, including governance overview and diversity statement.

8.1 Corporate governance statement

- statement of compliance with UK Corporate Governance Code and explanations of any non-compliance
- information on governance/risk management structures
- report on board responsibilities, activities, attendance etc
- report on each committee including a letter from the committee chairman, committee responsibilities, activities, attendance etc
- report on board evaluation and outcomes.

8.2 Directors' remuneration report (for listed companies)⁴¹

- statement by the chairman of the remuneration committee, including key messages on remuneration, showing clear links to strategy, the context of decisions taken and major changes during the year⁴²
- single total figure of remuneration for each director, set out in the required table and with required comparator figures (except in the first year), explanatory notes and graphs⁴³
- details of any payments to past directors⁴⁴

41 detailed guidance on Directors' Remuneration Reporting can be found at <http://uk.practicallaw.com/6-540-9731>

42 Part 2 Schedule Directors Remuneration Report Regulations 2013 (DRR)

43 Part 3 Schedule DRR
44 Part 3 Schedule DRR

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- where the directors' remuneration policy is *not* being put to a resolution at the AGM, performance targets for the financial year in which the meeting is held (unless a statement of performance targets was included in the last approved policy), subject to any matter which, if disclosed, would in the opinion of the directors be seriously prejudicial to the company⁴⁵
- details of the remuneration committee including members, providers of services, fees paid and assessment of independence⁴⁶
- a statement of voting on the remuneration report and remuneration policy in the previous year⁴⁷
- a separate section on remuneration policy⁴⁸ including the required statements; the required table on future policy and explanations of assumptions used; policy on loss of office payments; statement of consideration of pay and employment conditions of employees; and a statement on whether any shareholder views have been taken into account⁴⁹
- supplementary information and explanations as necessary.⁵⁰

9 Independent auditor's report

10 Financial statements

Details of the financial statements are not covered in this list of contents but this section of the annual report should include:

- accounting policies
- consolidated income statement
- consolidated statement of comprehensive income
- statements of financial position (consolidated and company)
- consolidated statement of changes in equity
- company statement of changes in equity
- statement of cash flows (consolidated and company)
- notes to the financial statements
- five year financial summary.

45 Part 3 Schedule DRR

46 Part 3 Schedule DRR

47 Part 3 Schedule DRR

48 and any revised policy – Part 6 Schedule DRR

49 Part 4 Schedule DRR

50 Part 7 Schedule DRR

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- 11 Shareholder information**
- 12 Financial calendar**
- 13 Company information**
- 14 Registrar and corporate advisers**
- 15 Glossary and reference to online information**



Trust through governance

ICSA is the chartered membership and qualifying body for professionals working in governance, risk and compliance, including company secretaries.

We seek to develop the skills, effectiveness and profile of people working in governance roles at all levels and in all sectors through:

- A portfolio of respected qualifications
- Authoritative publications and technical guidance
- Breakfast briefings, training courses and national conferences
- CPD and networking events
- Research and advice
- Board evaluation services
- Market-leading entity management and board portal software.

Consultation documents are prepared by the ICSA policy team to support the work of company secretaries and other governance professionals working in the business and not-for-profit sectors, and in NHS trusts.

**The Institute of Chartered Secretaries
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