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Doing better next time?

*Lessons on governance reporting from
2004/5 annual reports*



Be clear about what you're trying to achieve

Have you got a decent story to tell? Well ahead of time, take a fresh look at how your board and committees are operating. How have they spent their time, and what's been accomplished? What aspects of your governance are you proud of? If you don't have a good story to tell, perhaps there is an opportunity to improve the reality rather than worrying about the reporting.

What do you want to achieve in your report? Do you want to remind your shareholders of just how right they are to trust you to run the company, or do you merely want to avoid provoking PIRC? More seriously, make sure you're clear about your investor relations strategy, and how that translates into goals for your governance reporting. Make sure that key people agree the goals. Before the report is finalised, check whether it is actually achieving those goals.

Communicate your reporting policy. Your objectives will determine the style of reporting that you should adopt. Minimalist boilerplate designed to give the appearance of reporting without actually saying anything, or an enthusiastic attempt to communicate meaningfully and convincingly? If you don't make it clear to the drafters where between these extremes you want to be, you're likely to get a hotchpotch of styles which will fail on all counts.

Determine your stance on comply-or-explain. Much boilerplate compliance is defended on the basis that investors are stuck in box-ticking mode and either unwilling or incapable of absorbing explanations, no matter how good they are. But investors aren't all the same and the lowest common denominator shouldn't be the default option. Anxiety on this score might be a sign that you need to be working harder on your major investor relationships.



Getting it done

Start earlier. Governance is the Cinderella of corporate reporting, and it shows. Since it isn't the fastest-changing part of your business, it doesn't really need to be left until the last minute... If it's planned well ahead, a decent draft can be produced at an early stage of the reporting process, while there's still some chance of it getting attention.

Don't write by committee. It's all too obvious that most governance reports are assembled from separate sections drafted by different people with different ideas and who rarely, if ever, speak to each other. Appoint an editor-in-chief to ensure consistency of approach, style and tone.

Match your editor to your reporting policy. Not every General Counsel is good at engaging the reader with vibrant, elegant prose. And not everyone possessed of outstanding literary abilities is good at writing with the primary purpose of avoiding risk exposure.

Drafting it. The single most useful thing you can do for your report is to make sure it's written in the past tense. Extended use of the present tense turns your report into a dreary statement of aspirations. The past tense keeps your report grounded in reality.

Ask the experts

Independent Audit doesn't only provide expert advice on reporting. More importantly, we help our clients have a good story to tell.

