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Submitted by email to: disclosure@frc.org.uk

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Dear Ms Raval

ICSA response to discussion paper on thinking about disclosures in a broader context – A road map for a disclosure framework

We welcome the opportunity to respond to this discussion paper on a disclosure framework. 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 corporate 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.

The proposals behind the disclosure framework are ambitious and the concept, as part of cutting the clutter debate, can be appreciated. We set out below some general comments, followed by more detailed comments on particular aspects of the framework.

1. General comments

Overall the aim to make disclosure clearer, more concise, easily navigable, timely and easily communicated is commendable. We would agree with the discussion paper that the ideas presented are a good 'starting point for debate' and 'a basis to encourage innovation and experimentation'. However, further development of concepts will be needed before decisions are made.

Although it is not intended that this paper ‘be a ‘straightjacket’ this could result if it is considered in isolation and not as part of the wider debate surrounding narrative reporting and cutting the clutter. We believe it is important that this discussion paper and the proposals therein are developed alongside initiatives by other bodies (i.e. BIS, IASB, FRRP) and in particular the new Strategic Report to be introduced for all but ‘small’ UK companies from October 2013.

Another observation is that the paper is approached from the need of the user and addressed to regulators for consideration. More attention needs to be given to the role played by preparers (auditors, issuers and audit committees). It should also be recognised that other users, such as employees, have a legitimate interest in the content of company reports.

A cost/ benefit analysis of the ideas contained in the paper should be considered, working with the various stakeholders involved.

2. Specific comments on

2.1 Structure of road map framed around four questions:

1. What information do users need? – Aim - to make disclosures targeted and relevant to meet needs of user
2. Where should disclosures be located? – Aim – To use placement criteria so disclosures are organised, informative and consistently applied.
3. When should a disclosure be provided? – Aim – Reduce disclosure burden through use of proportionality and materiality concepts.
4. How should disclosures be communicated? – Aim – to develop set of communication principles to improve quality of disclosure.

When read in isolation the above questions and their aim appear sensible and logical steps towards achieving a streamlined system of reporting. However, further discussion of each raises more questions and, in some cases, concerns, than it provides solutions. Below are some specific areas of concern that have been raised.

2.2 What information do users need and who are the users?

We would agree with the statement that disclosure ‘needs to be sufficient...rather than a ‘phonebook’ of disclosures that satisfy the specific needs of different types of user’. Neither is it desirable to open the debate further as to who the users of financial reports are. However, the paper states that it has adopted the IASB’s Conceptual Framework definition as ‘existing and potential investors, lenders and other creditors’. Investors are the prime user/audience, to which companies address their financial reports, but there are other legitimate users/audiences, and companies should have the discretion to choose who these are and the information provided to them.

2.3 Where should disclosures be located?

The concept of disclosures being organised, informative and consistently applied sounds an initially attractive and sensible proposal. However, the discussion on placement criteria would appear to run counter to the concept of encouraging companies to ‘tell their story’ and instead wish to standardise reporting both in terms of content and placement. This needs further discussion and research before embarking on a final model. It also needs to be considered how it would work in practice alongside the Strategic Report and other reporting regimes (i.e. Financial Reporting Standard disclosures). We are pleased that corporate governance is seen as an ‘integral component of a financial report’ and hope that the importance and continually changing role that corporate governance plays is reflected and not seen as a static policy item within the financial reports, as this would frustrate the intentions of the UK Corporate Governance Code (the “Code”).

2.4 When should disclosures be provided?
Again the aim to reduce the disclosure burden through use of proportionality and materiality concepts is to be applauded. The concern is less with the definition of proportionality and more over materiality. It is agreed that accounting standards need reviewing as disclosures have increased considerably since 2005. The different levels of materiality mentioned appear sensible on first reading. However, concern has been expressed as to how this would be applied in practice. To encourage adoption of disclosure which is less ‘compliance-based’, there will need to be common ground between preparers, auditors and regulators on how materiality will be applied against often very prescriptive accounting standards. Prepares will tend to err on the side of caution, rather than risk sanction for perceived non-compliance with an accounting standard.

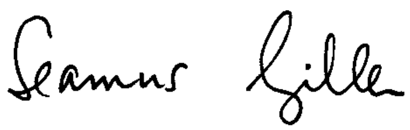
Another concern is corporate governance disclosure. Boilerplate disclosures are neither desired nor desirable, but there should not be a presumption that only certain aspects of governance change and others remain static. Further debate and consideration is needed when considering the materiality aspects of governance disclosure, both those made in accordance with the Code, and those in relation accounting standards. An unintended straightjacket, or difficulties regarding inclusion or exclusion and placement, would not achieve the desired aim of cutting clutter.

2.5 How should disclosures be communicated?

The proposals to have disclosures that are entity specific, clear, concise, written in plain language, current and explaining the substance of a transaction, providing a clear link between an entity’s business, financial performance and position are attractive. It is not clear how this would impact on the role of the issuer’s production teams, whether it would require extra involvement of the audit committee and the approach that would be taken by auditors. As noted in the paper, further experimentation and identification of ways to improve corporate reporting (via the Reporting Lab, and by companies embracing integrated reporting) is required before changes are concluded.

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



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