

# CAPITA

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## Business Briefing February

A quarterly publication from Company Secretarial Services keeping you updated on current industry issues



# Inside this month's issue

Welcome to the February edition of our *Business Briefing*. In this edition we look at trends in carbon reporting. We also discuss in detail iXBRL which involves the application of computer-readable tags to business data such as annual accounts and the impact on HMRC filing and options companies need to consider.

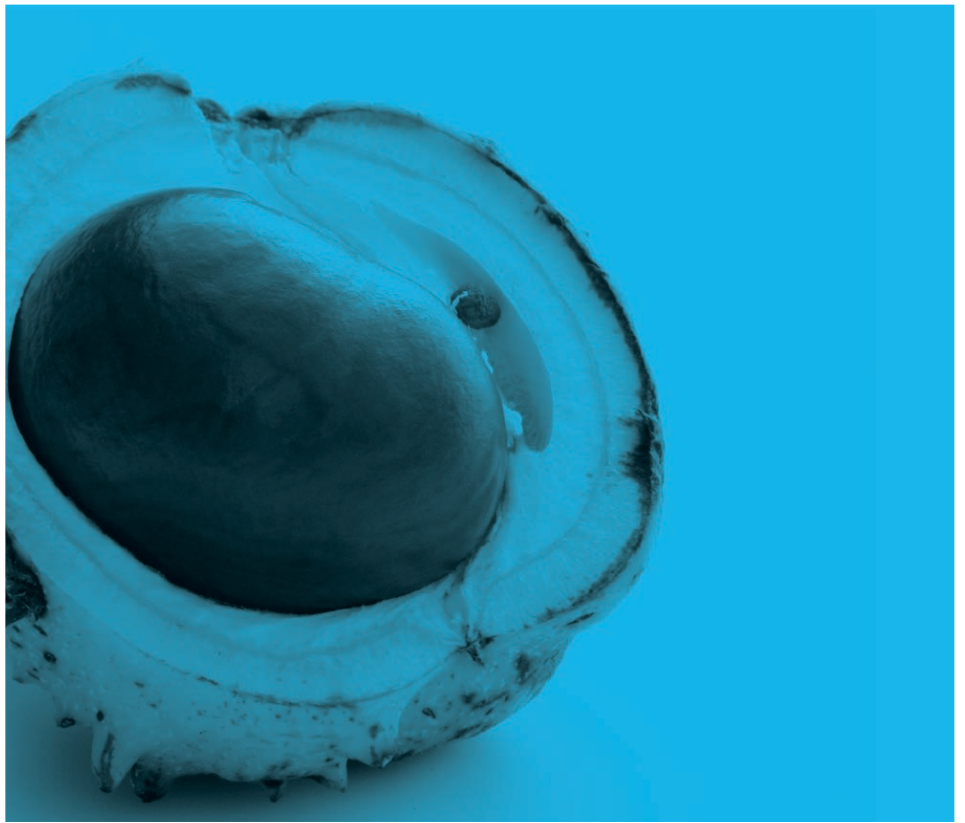
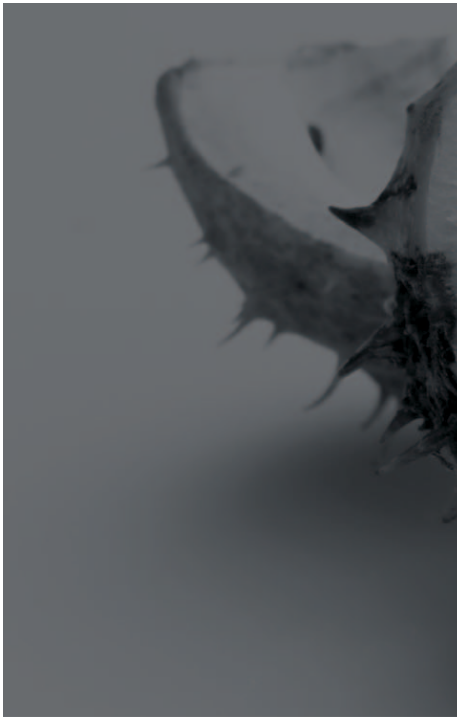
Other key industry developments covered in this edition include a recent announcement from Companies House about electronic filing; diversity within board rooms and recent Government initiatives in this area; and a recent update from the UKLA relating to its List publications.

In our **And Finally** section, we take a brief look at the new governance guidance for unlisted companies; the updated guidance on audit committees from the FRC; the recently published guidance from the NAPF and the first Capita breakfast briefing of the year.



**Mark Cleland, Managing Director,  
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**We hope you find this edition  
informative and if you would like to  
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## Contents

- 4 Carbon reporting update
- 5 The digital revolution: XBRL – extensible business reporting language
- 5 Companies house electronic only filings
- 6 Diversity in the board room  
UKLA publications update
- 7 **And finally...**
  - New governance guidance for unlisted companies
  - FRC updated guidance on audit committees
  - NAPF guidance published
  - Capita breakfast briefings programme kicks off.



# Carbon reporting update



A recent survey conducted by Deloitte has indicated that fewer than 60 percent of listed companies are providing information on their carbon footprint; with a mere 9 percent following government guidelines on environmental reporting. Although still in its early stages of progression, reporting on greenhouse gas (GHG) emissions is set to quickly become an area of increased focus and regulation.

The Department for Environment, Food and Rural Affairs ("DEFRA") issued guidelines in late 2009 setting out how organisations could measure and report on GHG emissions. Whilst compliance with the guidelines is currently voluntary, it is important to note that the government will be making further announcements on regulation in this area during the next year, which may see reporting put on a mandatory footing.

The Carbon Reduction Commitment (CRC Energy Efficiency Scheme) has already seen the landscape change for high energy consumption businesses and, importantly, companies should

bear in mind that they are already under a statutory obligation under the business review provisions of the Companies Act 2006 to report on environmental matters.

In common with other areas of performance reporting, the identification of KPI's, benchmarking and setting of associated targets is emerging as a common theme in emissions reporting and best practice guidance. The Defra guidelines further considered that, as for financial reporting, emissions data may be verified by an independent firm in order to increase stakeholder confidence in the accuracy and completeness of the data.

With the annual reporting cycle in full-swing for many companies, now is the ideal time to bring this matter onto a Board's agenda. The regulatory tide is clearly flowing in a direction that will require businesses to become more transparent in communicating the impact they have on the environment and the steps they are taking to reduce this. By studying the Defra

guidelines and implementing a plan for reporting, companies can now begin to reap the associated cost-saving and reputational benefits, as well as ensure that they are ahead of the game when further regulation in this area is inevitably implemented.

One group making changes is Millennium & Copthorne Hotels. Interim Assistant Company Secretary Patricia Dregent said, "Millennium & Copthorne has disclosed its UK carbon footprint previously but now that our global carbon footprint has been calculated for the first time we can give more information in our annual report. What can be measured can be managed and the Board expects energy inefficiencies to be addressed worldwide, leading to savings on usage and a reduction in our carbon footprint: a practical demonstration of our commitment to "responsible hospitality".

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# The digital revolution: XBRL – eXtensible Business Reporting Language



From 1 April 2011 onwards, the HMRC will not accept paper returns or PDF attachments for accounting periods ending after 31 March 2010. Accounts will need to be filed electronically in XBRL format.

So what is XBRL? XBRL involves the application of computer-readable identifying tags to individual items of business data (for example, 'operating profit' has its own unique tag, as does 'current assets'). This enables the data to be processed automatically by software and brings greater gains in efficiency by cutting out laborious and costly processes of manual re-entry and comparison. Computers can treat XBRL data 'intelligently', they can recognise the information in an XBRL document, select it, analyse it, store it, exchange it with other computers and present it automatically in a variety of ways for users. XBRL greatly increases the speed of handling financial data, reduces the chance of error and permits automatic checking of information.

The XBRL format which is being used in the UK for company reporting is known as Inline XBRL or iXBRL. This consists of a human-readable report, which has XBRL tags embedded in it. The human readable text is effectively HTML, the basic language of the web.

The submission of tax computations and statutory accounts using iXBRL is going to become compulsory. There will be two phases;

- Phase 1: for the first two years of iXBRL filing, up to April 2013, HMRC has set a reduced tagging requirement in order to assist companies adapt to iXBRL. These minimum tagging lists represent about a third of the available tags

- Phase 2: From April 2013, companies will have to use all available tags to fully tag their financial accounts.

The introduction of iXBRL will affect processes in many companies, especially those who currently assemble data in text-based software such as word or excel.

There are a number of options for companies to consider:

- elect to integrate final accounts preparation software into their systems and processes
- use conversion software to turn data from Excel or similar programs

into iXBRL. This will involve considerable manual effort in identifying and applying the correct tags

- outsource the conversion of reports into iXBRL to an external organisation.

The HMRC has produced a useful guide to tagging in January 2011, which can be found at:

[www.hmrc.gov.uk/ct/ct-online/file-return/online-xbrltag.pdf](http://www.hmrc.gov.uk/ct/ct-online/file-return/online-xbrltag.pdf)

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## Companies House electronic only filings

Companies House has recently announced their intention to make the majority of core company filings 'electronic only' by March 2013. Initially the change to 'digital' filing is likely to include limited company incorporations, annual return filings, statutory accounts filings and the main company information changes for the core company types. The described changes are subject to consultation and the required regulations being passed by Parliament. However, if this ambitious and forward looking project becomes a reality the submission of paper documents will become a thing of the past for the vast majority of filings.

The proposed changes have many advantages for those submitting company filings for and on behalf of UK companies, not least a 25% saving on electronic company incorporations and a 50% saving on electronic annual returns. Electronic filing will afford faster more efficient processing,

guaranteed delivery and increased security and in an age where data security and fraud awareness are key issues for many companies this is welcome news. In addition, the move to electronic accounts filing should create the potential for new products to be developed by the company information market which could make it easier to analyse and benchmark company accounts.

Overall, this is clearly great news for company secretaries and for all those who make submissions to Companies House on behalf of UK Companies. When it comes to company filings, the digital revolution is very much upon us!

More information is available at [www.companieshouse.gov.uk/about/mandatingServices.shtml](http://www.companieshouse.gov.uk/about/mandatingServices.shtml)

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# Diversity in the board room

Diversity is a current hot topic and issue for company secretaries, not least because the UK Corporate Governance Code, which was published in May 2010 and updated the Combined Code, emphasises the importance of a 'formal, rigorous and transparent procedure' for making board appointments and states that these should be made 'on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.' Creating a more diverse Board can lead to the introduction of new ideas as well as increased knowledge and understanding of both the market and the customers of businesses.

However, at present, only 12.2% of FTSE100 directors are female (The Female FTSE Board Report 2010). A key issue for companies is how they tap into the available talent pool. Lord Davies of Abersoch is currently leading a review on behalf

of the Government into the obstacles which prevent women from reaching Board level, the outcome of which is due to be delivered this month. His recommendations are expected to form a new business strategy in this area.

Norwegian company law now requires all Boards to consist of 40% female directors and France is also working towards reaching the same quotas within the next six years. However, the Institute of Directors has expressed their concerns regarding the possibility of setting quotas for the number of female directors in the UK and the impact this could have on the appointment process. Introducing such quotas may lead to companies viewing recruitment as a 'box ticking exercise' to ensure that the correct levels of diversity are met and that the company is fully compliant with the UK Corporate Governance Code, rather than recruiting the best

candidate for the job. One outcome of the review which has been mooted is a 30% target for companies and the introduction of a "comply or explain" statement in the annual report against that target.

Nomination Committees will need to ensure that, whilst diversity is considered when recruiting a new Board member, the candidate with the most appropriate skill set is chosen and the consideration of "diversity" does not become the overriding factor in making any recruitment decision.

More information is available at

[www.bis.gov.uk/Consultations/women-on-boards](http://www.bis.gov.uk/Consultations/women-on-boards)

[www.som.cranfield.ac.uk/som/ftse](http://www.som.cranfield.ac.uk/som/ftse)

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## UKLA publications update

The UKLA has produced the newsletter 'List' since January 2003 and has published 25 different editions to keep the market up to date on listing regime developments. As a result of amendments to the Listing Rules over this period, including the implementation of the Prospectus Directive and the Listing Rules review in 2005, a number of the articles published in the List are now out of date. The UKLA has now produced Technical Notes and Procedural

Notes to encompass the still relevant information in one place. Each document is a consolidation of current and updated articles, with updated Listing Rule references, from previous editions of the List arranged into topics. These Notes can be found on the UKLA website at: [www.fsa.gov.uk/Pages/Doing/UKLA/ukla\\_publications/index.shtml](http://www.fsa.gov.uk/Pages/Doing/UKLA/ukla_publications/index.shtml)

As well as the Technical and Procedural Notes, there are also links to forms, checklists and a new form which

summarises the document approval items for different transaction types.

The past versions of List are still available on the UKLA website at: [www.fsa.gov.uk/pages/Doing/UKLA/ukla\\_publications/old\\_publications.shtml](http://www.fsa.gov.uk/pages/Doing/UKLA/ukla_publications/old_publications.shtml)

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## And finally...

### New governance guidance for unlisted companies

The Institute of Directors has published a guide to corporate governance for unlisted companies, which deals with designing a governance framework, and sets out good governance principles and a road map for small growth companies.

The guide is available free at

<http://press.iod.com/2010/11/22/corporate-governance-guidance-for-unlisted-companies-launched-by-iod/>

### FRC updated guidance on audit committees

This was published in December 2010 and gives greater prominence to audit committees having auditor independence policies for the use of auditors for non-audit services.

Companies should consider introducing an auditor independence policy or updating existing policies. Please contact Madeleine Cordes for details of how Capita can help in this area at:

[madeleine.cordes@capita.co.uk](mailto:madeleine.cordes@capita.co.uk)

[www.frc.org.uk/corporate/auditcommittees.cfm](http://www.frc.org.uk/corporate/auditcommittees.cfm)

### NAPF guidance published

Guidance for pension funds and investors on the UK Stewardship Code and updated Corporate Governance and Voting Guidelines, which take account of the new UK Corporate Governance Code have recently been published by the NAPF and are available at

[www.napf.co.uk/PolicyandResearch/DocumentLibrary/0153\\_Stewardship\\_Code\\_Guidance\\_for\\_Investors\\_2010\\_261110.aspx](http://www.napf.co.uk/PolicyandResearch/DocumentLibrary/0153_Stewardship_Code_Guidance_for_Investors_2010_261110.aspx)

[www.napf.co.uk/PolicyandResearch/DocumentLibrary/0154\\_Corporate\\_governance\\_policy\\_and\\_voting\\_guidelines\\_2010.aspx](http://www.napf.co.uk/PolicyandResearch/DocumentLibrary/0154_Corporate_governance_policy_and_voting_guidelines_2010.aspx)

### Capita breakfast briefings programme kicks off

On 17 February Capita hosted a lunchtime briefing in conjunction with Brodies in Edinburgh for FTSE company secretaries and directors. Participants enjoyed a facilitated discussion on hot topics - such as the impact of the new UK Corporate Governance Code, the Bribery Act, remuneration, diversity and the government's governance review – together with the opportunity to network .

To register your interest in attending future briefings, please email [Madeleine Cordes, Senior Manager](mailto:Madeleine.Cordes@capita.co.uk) at [madeleine.cordes@capita.co.uk](mailto:madeleine.cordes@capita.co.uk)

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