

Examples of good corporate governance reporting

The Annotated Corporate Governance Code requires each AFM member to produce a clear statement of its approach to corporate governance as part of its annual report and accounts. This should include a clear explanation of any of the Code provisions that the company has not complied with over the whole of the reporting period.

The Code requirements have supported work by members individually to ensure that annual reports have improved over time in respect of clarity and the accountability of the Board, and as a result these important documents are much more likely to engage members. Thirings solicitor's review of remuneration in the sector this year witnessed significant improvements in corporate governance reporting across all sizes of AFM members compared to previous years.

By comparison, Mazars review of reporting on the Annotated Corporate Governance Code reporting observed that the summary statement that many members receive provides an overview of the financial position of the organisation to the exclusion almost entirely of the approach to governance. Arguably most members of a mutual insurer or friendly society would gain more from understanding how the organisation is run in order to secure the best interests of its customers and members, rather than the financial position on a specific date.

As part of the 2011 compliance exercise, AFM members provided a link to, or a pdf version of, their corporate governance statement. In time we aim to publish copies of the statements, to help our members benchmark their approach to other AFM members. At present some AFM members do not publish their annual report, so to start that process, below are links to a smaller number of AFM members, who have made a conscious effort in the recent past to improve the quality of their reporting (listed alphabetical, and inclusion in the list or not does not infer any sort of commendation):

- British Friendly Society had a number of areas of non-compliance in 2011, and avoided using its size as an explanation:
<http://www.britishfriendly.com/blue/annualreport.html>
- NFU Mutual by their own admission had scope for improving the clarity and readability of their annual report, and have worked hard to create a document that enables an effective dialogue with members:
<http://www.nfumutual.co.uk/library/files/annual-report-2011.pdf>
- Sheffield Mutual's report and accounts are easy to find and present a clear message about the work of the society:
<http://www.sheffieldmutual.com/documents/SM%20RA%202011%20Web.pdf>
- Wesleyan's summary financial statement provides a good balance between financial information and information about how the business is run:
<http://www.wesleyan.co.uk/pdf/62860/summaryfinancialstatement2011?view=Standard>

Examples from elsewhere

In response to the wave of demutualisations up to 2000, building societies have worked hard to obtain higher member engagement within the AGM. Yorkshire Building Society was an early adopter of effective corporate governance reporting: http://www.ybs.co.uk/documents/financial/2011_corporate_gover.pdf

There are few examples of the form of extensive narrative governance reporting by mutuals outside the UK, though the international trade body ICMIF publishes an aggregate report on [governance trends](#), and for more specialist reporting, has produced a paper on [measuring and reporting sustainability](#).

Here are some examples of good corporate governance reporting from the listed sector. The following won awards at this year's ICSA Hermes Transparency in Governance Awards, and have taken a clear and transparent approach to corporate governance reporting that can also be transferred to mutuals.

Award winner:	Look out for:
Best Annual Report- FTSE 100: Johnson Matthey	<ul style="list-style-type: none"> • Link between sustainability objectives and governance • Clarity of explanations
Best Annual Report- FTSE 250: Great Portland Group	<ul style="list-style-type: none"> • Clarity of business model/ strategy and transparency of risk management
Best Board Disclosure- FTSE 100: Marks and Spencer	<ul style="list-style-type: none"> • Diversity statement • Clear dialogue around core Code principles
Best Board Disclosure- FTSE 250: Telecity Group	<ul style="list-style-type: none"> • Prominent linking of Board actions to Code principles • Approach to board evaluation

The judging criteria used for these awards provides a helpful checklist of what a good corporate governance report looks like. Amongst the key criteria are: evidence; explanation; clarity and co-ordination. For a detailed list: <http://www.icsaglobal.com/assets/files/pdfs/Awards/Judging%20criteria%20v3%202012.pdf>.

The Financial Reporting Council's [website](#) contains a section dedicated to governance, including a wealth of information on corporate governance, good practice, reporting, and providing explanations in accounts.

Diversity

The latest Annotated Corporate Governance Code requires AFM members to have a gender policy. If you are looking to update your diversity statement or introduce one for your 2012 annual report, consider the examples above, and also consider the approach outlined in a presentation on the subject at the 2012 AFM Conference:

<http://www.financialmutuals.org/files/files/Presentation%20Diversity%20FINAL.pdf>