



**The Hundred Group**  
of Finance Directors

# **The Hundred Group**

of Finance Directors

Annual Review 2010/11

**Financial Reporting**

**Investor Relations &  
Markets**

**Pensions**

**Taxation**

**The Hundred Group represents the Finance Directors of the UK's largest companies. Membership is drawn from the FTSE 100 and other large UK private companies.**

Our Members collectively employ over 1.8 million people in the UK, and pay, or generate, taxes equivalent to 12% of the UK Exchequer's overall tax take. We seek to assist the development of UK businesses particularly in the areas of tax, reporting, pensions, regulation, capital markets and corporate governance.

## **THIS YEAR'S HIGHLIGHTS**

- Increase in membership to 123 CFOs
- Increased CFO participation on committees
- Three speaker events with guest speakers from the Government, shadow cabinet and regulators
- The Hundred Group website relaunched  
[www.100groupfd.com](http://www.100groupfd.com)
- 34 public comment letters
- 2010 Total Tax Contribution Survey published

---

## **Contents**

- 2 Chairman's introduction
  - 3 Financial Reporting Committee report
  - 4 Investor Relations & Markets Committee report
  - 5 Pensions Committee report
  - 6 Tax Committee report
- 

*The views expressed in this document are those of The Hundred Group of Finance Directors as a whole, they are not necessarily those of our individual members or their respective employers.*

## Chairman's Introduction



The uncertainties in the financial markets continue to attract sensationalist newspaper headlines and much of The Hundred Group's work over the past year has been influencing those policy makers who seem intent on making changes to the regulatory environment in a misguided attempt to repair a system perceived to have failed. Without wanting to be complacent, the vast majority of Hundred

Group member companies have remained strong in the face of extremely challenging economic conditions, and its in this context that we continue to challenge regulatory change that is not proportionate, measured or focussed.

A trend over recent years has been the increasing reach of European legislators who have been looking to 'harmonise' regulation across the EU. It is very rare that 'one size' regulation caters for variations in culture, business practices and the local environment and indeed too often the European proposals aim at 'minimum' harmonisation to the detriment of the UK where the regulatory framework in many areas is more developed. We are working with DBIS to protect the competitiveness of the UK in the face of European proposals on corporate governance, external audit, pensions and (expected in 2012) company law.

I was delighted to be elected to the Chairmanship last November. One of my aims has been to increase the Group's profile and I'm pleased to report that the re-launch of the Group's website, together with focussed engagement, has led to wider press coverage of the Group's activities, particularly following our recent public comment on the EU proposals for the reform of the audit market. The events of the past few months and in particular the populist view that big business is hampering rather than helping the economic recovery, reinforces the need for us to get across the message that Hundred Group members make an enormous contribution to the UK economy – we pay, or generate, taxes worth over £56 billion, equivalent to almost two thirds of this year's NHS budget, and employ over 6% of the UK workforce, not to mention being responsible for over 80% of total UK R&D spend. Hundred Group companies can, and are, leading the UK growth agenda and much of our current work centres on getting that message across.

The Hundred Group is a voluntary organisation, reliant upon the goodwill of the individuals who serve on our Committees and those who support our activities. Without this support, the Group would not survive and I'd like to extend my sincere thanks to everyone who has contributed over the past year. My special thanks to retiring Deputy Chairman Ashley Almanza, retiring sub committee Chairmen Eddie Weiss, Julian Heslop and Peter Williams and former Hundred Group Chairman and retiring member of the Main Committee Mark Armour. All have given distinguished service to the Hundred Group over many years and they leave with my sincere thanks and wishes.

It gives me great pleasure to welcome to the Main committee three new CFO members: Andrew Bonfield (National Grid) who also takes over the Chairmanship of the Tax Committee, Simon Henry (Shell) and Simon Dingemans (GSK).

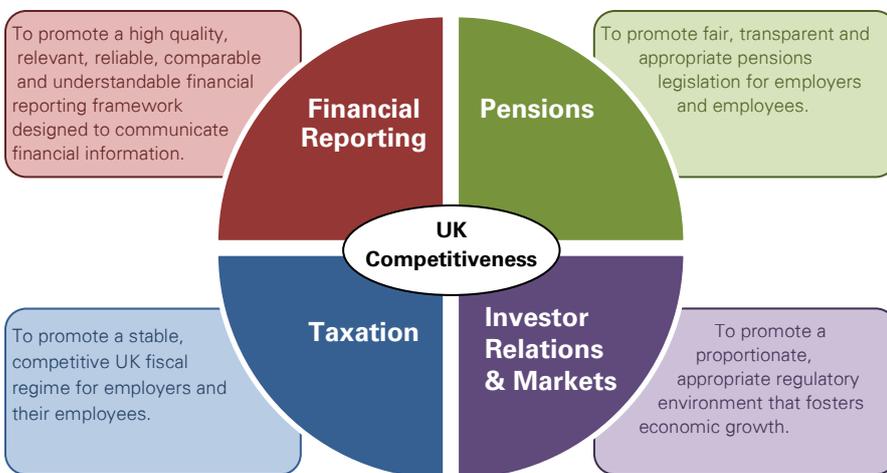
We have continued to offer members the opportunity to engage with senior figures from the Government and the regulators through our regular events – the highlight undoubtedly our bi annual event at No 11 Downing Street in April 2011. Hosted by David Gauke MP, Exchequer Secretary to the Treasury, I was pleased that over 80 guests were able to come along and provide the Minister with some food for thought.

The Committee has reaffirmed its view that the principle objective of the Hundred Group is to promote the competitiveness of the UK. Our current work is focussed in particular on how this will be impacted by European external audit proposals and the various ideas on the future of narrative reporting. This is being led by the sub committees and I have set out below a summary of each committee's priorities. On pages 3 to 6 the sub committee chairmen report achievements against these objectives, which serve to demonstrate that the Group's influence remains as strong as ever.

Thank you for your continued support.

Andy Halford

*Chairman  
The Hundred Group*



### Members of the Main Committee

Andy Halford, Chairman (Vodafone)  
 Ashley Almanza, Deputy Chairman (BG Group)  
 Mark Armour (Reed Elsevier)  
 Andrew Bonfield (National Grid)  
 Philip Broadley (Old Mutual)  
 Simon Dingemans (GSK)  
 Robin Freestone (Pearson)  
 Simon Henry (Shell)  
 Matthew Lester (Royal Mail)  
 Chris Lucas (Barclays)  
 Deirdre Mahlan (Diageo)

## Financial Reporting Committee



*“There is a growing wave of feeling that financial statements have become too cluttered with detailed information that obscures a proper understanding of the financial results. We have long been concerned about this proliferation of disclosures and so welcome the initiatives taken by the FRC, and in particular ICAS / NZICA in their recent reports proposing changes to the disclosure framework. The IASB has recently issued a consultation on its future agenda – we firmly believe that the time has come to address the disclosure issue, but are also encouraging the IASB to complete its conceptual framework and its convergence standards before allowing a period of calm to reflect on the overall financial reporting framework and address the increasing complexity of financial reports.”*

*Chris Lucas (Barclays), Financial Reporting Committee Chairman*

### Key Objective

To promote a high quality, relevant, reliable, comparable and understandable financial reporting framework designed to communicate financial information.

### Priorities

- Development of robust accounting standards clearly aligned with a principles based accounting framework.
- Promotion of accounting standards which are capable of consistent application and aligned with the shareholder value proposition.
- Meaningful financial statements.
- IFRS / US GAAP convergence.
- An appropriate future for UK GAAP.

### 2011 Activity Snapshot

- 6 public consultation responses covering the future of UK GAAP, EDs of Revenue and Leases, effective dates and the proposed US GAAP condorsement approach.
- The Committee continues to meet with representatives of the IASB and the ASB on a quarterly basis to exchange views on standard setting activity.
- Following his appointment to the IASB, Committee members met Hans Hoogervorst to discuss the IASB’s future agenda, and in particular the proposals around IFRS 9.
- The Committee has met regularly with the GPF, EFRAG, the CBI and the CRUF by way of developing joint positions on matters that are important to financial reporting.

### Future Agenda

- We share the increasing concern over the complexity of financial reporting and have fully endorsed the recent ICAS / NZICA report on reducing disclosures. 100 Group members are part of the Financial Reporting Lab Steering Group and we hope that this, and other initiatives, will lead to a reporting regime which will result in more meaningful financial statements in the future.
- The IASB is expected to complete a number of important projects over the coming months, including Revenue, Leasing and Financial Instruments – we look forward to the opportunity to work with the Board to reach an acceptable position on these standards.
- Equally important is to ensure that there is an appropriate future for UK GAAP and we will continue to work with the ASB to provide input into their standard setting process.

## Investor Relations & Markets Committee



*"It has been a busy year for the Investor Relations & Markets Committee as Governments and other regulatory bodies have sought to address the perceived learning points arising from the financial crisis. All too often though, the measures being proposed are aimed at solving a problem that we do not think exists or putting forward draconian measures that are unlikely to have prevented the financial crisis in the first place. We have worked hard to influence the direction of regulation on external audit, corporate governance and narrative reporting to ensure that the resulting framework is proportionate and measured. It is more important than ever that business is given the right environment in which to grow and that the competitiveness of the UK is put to the fore."*

*Robin Freestone (Pearson) Investor Relations & Markets Committee Chairman*

### Key Objective

To promote a proportionate, appropriate regulatory environment that fosters economic growth.

### Priorities

- Proportionate response to the financial crisis.
- Regulatory oversight of narrative reporting (including European).
- Promotion of principles based approach to good governance and stewardship, including the role of audit.
- Shareholder communication, including identification.
- Trading regulations.
- Promotion of long termism.

### 2011 Activity Snapshot

- 20 public comment letters expressing views on narrative reporting, the form and content of annual reports and the market for audit. The committee also responded to the EU consultation on corporate governance expressing support for the comply or explain framework.
- Members of the committee gave evidence to the House of Lords Economic Affairs Committee and subsequently met with the Office of Fair Trading in connection with the reform of the audit market.
- The Committee continues to meet with representatives from the Government, the Institutes and the regulators, most recently to discuss the DBIS narrative reporting consultation and European audit proposals.
- Guests are invited to speak at each quarterly committee meeting. Recent guests have included the GC 100, the Investment Management Association, DBIS and the Corporate Reporting Users Forum.
- Following the leaked EU external audit proposals, the Committee sent a letter to the UK's Commissioner Ashton highlighting that the measures being proposed would damage audit quality and increase costs.

### Future agenda

- The next few months are expected to be very busy: we are expecting the EU to publish its final proposals on the reform of the audit market, a summary of responses to its previous green paper on corporate governance and to launch a consultation on harmonisation of EU company law. We will continue to work hard to ensure that the competitiveness of the UK is not damaged by proposals which fail to take into account that a one size fits all approach is rarely appropriate.
- We are currently refining our set of guiding principles on external audit to include recommendations on how the market could be reformed without harming quality or cost. These come on the back of a member survey on the external audit.
- There continues to be considerable interest in the future of narrative reporting, with a number of bodies looking to make recommendations, including DBIS, the EU and the International Integrated Reporting Committee. We will continue to promote our vision of narrative reporting as being relevant, meaningful and clutter free.

## Pensions Committee



*"The regulatory environment continues to challenge the provision of retirement benefits, particularly through defined benefit pension schemes. As major UK employers, our members are at the forefront of these changes, which all too often result in funds moving their investments from UK equities into bonds, which has the knock on impact of reducing yields and increasing net deficits. With funds sorely needed to foster economic growth, now is not the time to divert cash to shore up deficits artificially increased by lower discount rates. Recent proposals from the EU to reform the IORP Directive will accelerate and exacerbate this trend – together with other stakeholders we are working hard to demonstrate that a solvency regime for defined benefit pensions in a misguided attempt to harmonise cross border pension provision is the worst outcome at this time."*

*Philip Broadley (Old Mutual), Pensions Committee Chairman*

### Key Objective

To promote fair, transparent and appropriate pensions legislation for employers and employees.

### Priorities

- Proportionate taxation and levies for DB and DC pension schemes.
- Personal and business incentives for establishing and maintaining occupational pensions through DB or DC schemes.
- Maintaining contact with, and providing information and advice to, relevant Government Departments.
- Supporting an environment where individuals can appropriately access DC schemes.

### 2011 Activity Snapshot

- Public response to the DWP's consultation on the State pension for the 21st Century.
- Public letter to EIOPA expressing concern over proposals to introduce a Solvency II type regime to DB pension arrangements.
- Public response to the DWP expressing concern over its proposals not to allow for schemes to introduce CPI as the measure of price increases on private sector occupational pension schemes where this is not possible under their scheme rules.
- The Committee continues to meet privately with representatives from the Department for Work & Pensions, HM Treasury, the Pensions Regulator, the NAPF and the PPF to actively contribute to the development of fair and proportionate pensions regulation.

### Future Agenda

- The Committee has launched a wide ranging debate on the future of retirement provision amongst Hundred Group members. We expect to share the output of this debate with the Department for Work & Pensions by way of positively contributing to the future of UK pensions regulation.
- 2012 is expected to be characterised by significant developments in Europe, including the expected EC Pensions White Paper and the continued EIOPA response to the call for evidence on the review of the IORP directive. The Committee will ensure that the voice of UK business is heard and will work to promote a regulatory framework that protects the existence of UK retirement provision.

## Tax Committee



*"As the UK government continues along its corporate tax roadmap, the activities of the tax committee in promoting a UK regime that not only fosters investment by UK resident companies but also serves to attract overseas companies into the UK economy are as important as ever. HMRC has made progress in its engagement with big business and we have supported process changes around the litigation and settlement strategy, but there is still work to do if the UK is to create an environment which encourages inward investment. We have continued to work with PwC on assessing the total tax contribution of our members which in 2010 shows that 100 Group members paid or generated taxes of £56 billion, equivalent to 12% of the UK Exchequer's overall tax take."*

*Andrew Bonfield (National Grid), Tax Committee Chairman*

### Key Objective

To promote a stable, competitive UK fiscal regime for employers and their employees.

### Priorities

- Policy that engenders investment in the UK, i.e. is internationally competitive.
- Stability in tax legislation.
- Promote a wider focus on the tax regime to include all taxes, not just corporate taxes.
- Transparent fiscal policies and consistent consultation process.
- Monitoring current fiscal developments to promote balanced legislation.

### 2011 Activity Snapshot

- 2010 Total Tax Contribution survey highlighting the contribution our members make to the wider UK economy – in 2010 members paid or generated £56 billion of taxes, 12% of government receipts from tax.
- Public letter to HMT expressing concern over the detail contained within the proposed reform of controlled foreign companies.
- Written evidence to House of Lords Economic Affairs Committee expressing support for the overall CT roadmap.
- Private meetings with senior representatives from HMT and HMRC to discuss HMRC strategy and engagement.
- Committee members continue to be active on several of HMT's working groups, including patent box, monetary assets and intellectual property.

### Future Agenda

- The Tax Committee will continue to promote the contribution of Hundred Group members to the UK Exchequer and the wider economy through the Total Tax Contribution Survey and other initiatives. With so many sensationalist headlines blaming the extent of the financial crisis on big business, it is vital that there is a greater understanding of our members' contribution and their potential to drive the UK growth agenda.
- Legislation on controlled foreign companies is expected in 2012 – the Committee will continue to provide input into HMT to assist in designing a regime that balances the needs of the Exchequer with the growth agenda by attracting and retaining inward investment into the UK.
- The Committee will continue to monitor developments in relation to EU Country by Country reporting, the Common Consolidated Corporate Tax base, General Anti Avoidance proposals and other aspects of CFC reform with the aim of contributing positively to the development of UK legislation.