



**The Hundred Group**  
of Finance Directors

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Annual Review 2011/12

**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 £67.7 billion in taxes, equivalent to 13% 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**

- Membership steady at 115 CFOs
- Increased CFO participation on committees
- Two speaker events with guest speakers from the shadow cabinet and regulators
- 21 public comment letters
- 2011 Total Tax Contribution Survey published

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*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 last year has been a tumultuous one for large businesses operating in the UK. Two key events that spring to mind are the 'shareholder spring', which resulted in a number of executives stepping down over their remuneration packages compared to the perceived returns for shareholders, and over the last few weeks, the significant political and media interest in companies paying their fair share of taxation. This has

currently focussed on the UK operations of overseas companies, but the implications could be wide ranging, especially if governments decide to revisit the current transfer pricing regulations.

We continue to seek to improve the competitiveness of the UK for British business whilst defending ourselves against the continued waves of regulation that have been instigated as a reaction to the global credit crisis of 2007-2008. Much of this is responding to either public or political perception rather than the realities of the market (for example the overhaul of the audit market as proposed by EU Commissioner Barnier), but we must continue to ensure that we are seen as trying to drive Britain back to economic prosperity.

Part of our plan to achieve improved competitiveness for UK business has been through focussed interactions with key stakeholders in the Government, regulators and standard setters and I am delighted that we are achieving tangible success through this strategy, which is embodied by the new CFC regulations introduced over the summer.

We have continued to see more and more regulation being discussed at a European (the most critical being the audit reform proposals) and I believe that the Hundred Group has a significant part to play in influencing the debate in Brussels. Too often UK business has not been involved enough, leading to legislation being passed by the EU and then adopted by the UK which does nothing to further our aims. We are continuing to build our profile in Europe and have met a number of MEPs and standard setters at the European level to discuss our views. We are also continuing to work with BIS to protect the competitiveness of the UK in the face of European proposals on corporate governance, external audit, pensions and company law, all of which are currently being debated in Brussels.

We have also continued to make progress on our media profile plan, and whilst the current popular view of big business is not helpful, through targeted pieces in the print media and certain radio and TV interviews, we continue to promote the Hundred Group as a vital part of the economic recovery. Hundred Group members make an enormous contribution to the UK economy – we pay, or generate, taxes worth over £68 billion, equivalent to almost twice this year's education budget and over half the NHS budget, as well as employing over 7% of the UK workforce. 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.

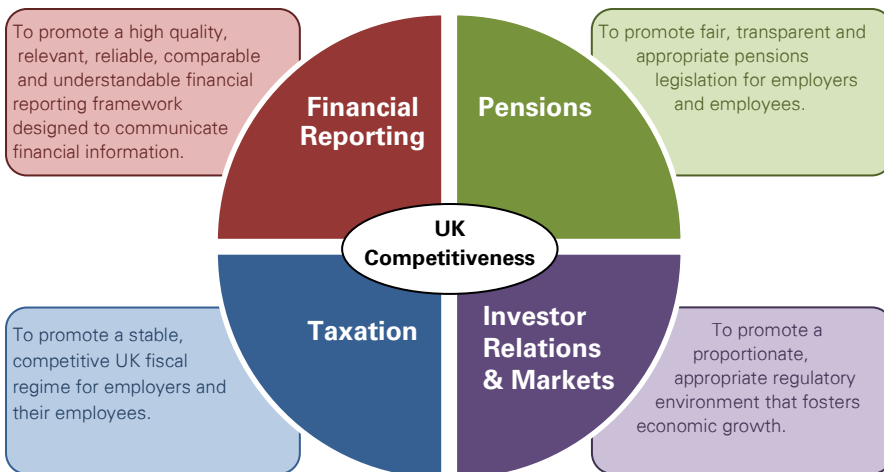
It gives me great pleasure to welcome to the Main committee one new CFO member, Simon Lowth (AstraZeneca).

We firmly believe 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 the increasing level of regulation being promulgated by the European Union and how we can ensure that our views are heard as part of the process at the European level, rather than reacting to legislation when passed by the UK Government following European endorsement.

Our sub committees have a key role to play in these debates 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)
- Robin Freestone, Deputy Chairman (Pearson)
- Ashley Almanza (BG Group)
- Andrew Bonfield (National Grid)
- Philip Broadley (Old Mutual)
- Simon Dingemans (GSK)
- Simon Henry (Shell)
- Matthew Lester (Royal Mail)
- Simon Lowth (AstraZeneca)
- Chris Lucas (Barclays)
- Deirdre Mahlan (Diageo)

## Financial Reporting Committee



*"We believe that financial reporting is fundamentally an exercise in clear and meaningful communication of financial performance by management to investors. We therefore encourage the development of principles-based accounting standards and support initiatives to cut clutter in financial statements.*

*The IASB's progress on its key revenue recognition, leases and financial instruments projects continues to be slow. Unless a pragmatic approach to the finalisation of these standards is taken, it may be necessary to defer further their implementation dates."*

*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

- Encourage the development of a conceptual framework on which to build principles-based accounting standards.
  - Support accounting standards that clearly present the results of management's stewardship of the resources entrusted to it.
  - Facilitate meaningful financial statements, free from unnecessary or boilerplate disclosures.
- Support further accounting convergence towards a single accounting language for international business.
- Encourage the development of UK GAAP appropriate for all affected businesses.

### 2012 Activity Snapshot

- Six consultation responses covering the IASB's future agenda, its proposals on revenue recognition and leases, the ASB's proposals with regard to the future of UK GAAP and the SEC's deliberations on the use of IFRSs in the US.
- Committee members meet semi-annually with IASB members and staff and with representatives of the Accounting Council (formerly the ASB) to discuss current and future standard setting activities.
- Committee members have regular dialogue with Hans Hoogervorst and other IASB board members to discuss the IASB's future agenda, and in particular the timetable and proposals around IFRS 9.
- Continued cross-membership of the GPF and the CBI Financial Reporting Panel and liaison with members of EFRAG and CRUF with a view to co-ordinating efforts on shared interests.

### Future Agenda

- During the coming year, we look forward to working with the IASB to help it finalise its projects on revenue recognition, leases and financial instruments.
- We will continue to support initiatives to develop a disclosure framework with a view to reducing clutter in financial statements.
- We will encourage standard setters and regulators to adopt a more consistent approach so as to avoid minor differences in definitions or disclosure requirements that can cause significant administrative burden and increased clutter in financial statements.
- We will monitor wider developments in corporate reporting, including the Government's proposals on reporting by listed companies in the UK, country by country reporting and integrated reporting initiatives.

## Investor Relations & Markets Committee



*"Whilst we have had a quieter year than last, we have been busy engaging with regulators and members of the European Parliament. We have continued to work 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 remains vitally important that business is given a reasonable environment in which to grow and that the UK continues to remain a competitive and well regulated market."*

*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 and management of regulation that is driven by the perception of what caused the crisis rather than facts.
- Regulatory oversight of narrative reporting (including at a European level).
- Promotion of principles based approach to good governance and stewardship, including the role of audit.
- Increasing shareholder communication, including their identification and the role of proxy agencies.
- Trading regulations.
- Promotion of long termism.

### 2012 Activity Snapshot

- 6 public comment letters expressing views on narrative reporting, executive remuneration reporting, the EU audit proposals and integrated reporting.
- Members of the committee met the FRC to discuss their proposals for Effective Company Stewardship and the audit tendering proposals.
- Members of the committee met with Members of the European Parliament to discuss our views on the EU external audit proposals and continue to be involved in the debate as it progresses through Parliament in Brussels.
- Guests are invited to speak at each quarterly committee meeting. Recent guests have included Tomorrow's Company, the Corporate Reporting Users Forum, the ACCA and ICAS.

### Future agenda

- The next few months are expected to remain busy: we are expecting the EU to publish its final proposals on the reform of the audit market early in 2013, as well as the full report from the UK Competition Commission. We will continue to work hard to ensure that the competitiveness of the UK is not harmed by proposals which fail to take into account that a one size fits all approach is rarely appropriate.
- There continues to be considerable interest in the future of narrative reporting, with a number of bodies looking to make recommendations, including BIS, 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. As part of this, in November, we responded to BIS's updated narrative reporting proposals, which whilst well meaning still have a number of areas that concern us, principally in relation to the relationship between the new Strategic Report and current Summary Financial Statements. We will continue to engage with BIS on these proposals.

## Pensions Committee



*"We continue to see proposed European pension reforms as a significant risk to our members. Lower discount rates are already increasing deficits for many pension schemes and the revised IORP Directive will only accelerate this trend at a time when cash management and preservation is a major focus for most businesses."*

*"We continue to work closely with The Pensions Regulator and DWP to set an appropriate agenda that balances the desires of both employers and employees."*

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.

### 2012 Activity Snapshot

- A major public response to EIOPA on the review of the IORP Directive, plus several consultation responses on other issues relevant to the Committee.
- Publishing a central list of guidance on DC schemes on the Hundred Group website to help businesses quickly find relevant help and information.
- Committee members had meetings with senior representatives from HMT, DWP, The Pensions Regulator and the NAPF, making representations on matters of interest and providing them with information and advice. In particular, the Chairman met the Pensions Minister, Steve Webb, to discuss his plans for 'defined ambition' schemes and concerns over European proposals for pensions.

### Future Agenda

- The Committee continues to debate the future of retirement provision amongst Hundred Group members and the viability of third way 'defined ambition' pensions in the UK. We will continue to engage with the DWP and other departments to contribute positively to the future of UK pensions regulation.
- 2013 is expected to continue in the same vein as 2012 with developments in Europe (particularly the IORP Directive) coming to the fore. 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



*"HMRC have made significant progress in their corporate tax roadmap during 2012 with the revised controlled foreign companies legislation encouraging inward investment in the UK, despite the recent negative publicity many foreign corporates have received regarding their tax contribution in the UK. We have continued to work with PwC on assessing the total tax contribution of our members which in 2011 shows that 100 Group members paid or generated taxes of £68 billion, equivalent to 13% 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.

### 2012 Activity Snapshot

- 2011 Total Tax Contribution survey highlighting the contribution our members make to the wider UK economy – in 2011 members paid or generated £68 billion of taxes, representing 13% of government receipts from tax, including over 23% of all corporation tax collected.
- Five public comment letters expressing views on double non taxation and the introduction of a general anti abuse rule.
- Private meetings with senior representatives from HMT and HMRC to discuss HMRC strategy and engagement.
- Private meetings with senior representatives from HMRC to discuss controlled foreign companies, which resulted in legislation that we believe is fairly balanced between the needs of the Exchequer and growth of the UK. This is evidenced by the decision of some companies to move their head office back to the UK.
- Committee members have been involved in several of HMT's working groups, including the general anti abuse rule.

### 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 claiming big business is not meeting its moral obligations regarding tax payments, it is vital that there is a greater understanding of our members' contribution and their potential to drive the UK growth agenda.
- The Committee will continue to monitor developments in relation to EU Country by Country reporting with the aim of contributing positively to the development of legislation affecting the UK.