



Press Release

For immediate release
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OFR fails to deliver, says IoD

Proposed Government legislation on changes to company reporting amount to a missed opportunity, the Institute of Directors (IoD) said today. The Operating and Financial Review (OFR) fails to overhaul the current system of reporting and leaves directors more burdened and exposed than ever, the IoD said.

Commenting on the Government's consultation, which closes on 6th August, Patricia Peter, Head of Corporate Governance at the Institute of Directors, said:

" By addressing company reporting in a piecemeal fashion the DTI's proposed OFR legislation falls wide of the mark. There is a need for the implementation of a systematic approach to company reporting, but the current OFR proposals do not achieve it."

Specifically, the IoD said it was concerned that the legislation would:

- Impose a standard of care on directors that will have a detrimental effect. The application of this standard will have the converse effect to that intended and will detract from the clear reporting that is the stated aim of the OFR.
- Expose directors to potential liability for honest forecasts that are not fulfilled.
- Not focus sufficiently on the intended audience for the OFR, namely the shareholders, leaving scope for frivolous claims.
- Give the auditors a role beyond their area of expertise.

- Be a costly task where there is little evidence that shareholders will want the additional information.

Patricia Peter, said:

"These proposals are a part of a piecemeal approach to implementing the 1999 Company Law Review. The areas of concern that we have highlighted demonstrate that reform of company law should not be handled in this way. They require substantial reconsideration if the OFR is not to be a costly burden on companies and their directors out of all proportion to its value as a tool to improve company reporting."

Ends

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Notes to editors

1. The IoD (Institute of Directors) was founded in 1903 and obtained a Royal Charter in 1906. The IoD is a non-party political organisation with upwards of 54,000 members in the United Kingdom. Membership includes directors from right across the business spectrum – from media to manufacturing, e-business to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies.
2. The IoD offers a wide range of business services which include business centre facilities (including six regional centres), conferences, networking events, issues-led guides and literature as well as information services and free access to a comprehensive business library and enquiry service. The IoD places great emphasis on director development and has established a certified qualification for directors - Chartered Director - as well as running specific board-level and director-level training and individual career mentoring programmes.
3. In addition, the IoD provides an effective voice to represent the interests of its members to government and key opinion-formers at the highest levels. These include ministers, constituency MPs, Select Committee members and senior civil servants. IoD policies and views are actively promoted to the national, regional and trade media.
4. For further information, visit our website: www.iod.com