King opposed to JSE results publication rules

By Evan Pickworth

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The doyen of global financial regulation, Prof Mervyn King, drove a spoke into the wheels of the JSE's efforts to scale down rules on the publication of listed companies' financial results.

From January, the JSE will allow short-form announcements of financial results to be published in only one newspaper, a move that is likely to hurt financial print media that rely on this advertising revenue.

The JSE says the change is in line with the global move to digital publishing and that listed companies have complained that they find it hard to justify the expense as the figures are historic by the time they are published.

An outcry over a move in this direction 12 years ago put paid to the proposal, but the JSE said this week that a full consultation had been completed and that the amendment would kick in from January next year, following approval by the Financial Services Board, which regulates the exchange.

But King said there was a major problem with the proposal in its current form if it neglected the now legally required integrated report, as well as the needs of the bulk of capital providers - a demographic that is not fully online.

"The providers of capital need to know what is going on and those providers have changed as they are not private families any more," he said. "The majority of providers of capital will not see the report if it is posted online."

He noted that pension funds made up the bulk of investing and therefore included investments on behalf of ordinary people.

The Public Investment Corporation, which has the Government Employees Pension Fund as its largest client, contributes 13% of the market capitalisation of the JSE and is one of the largest investment managers in Africa, already managing assets worth more than R1.17-trillion.

King said he did not understand how a full integrated report - which can run close to 100 pages - could be presented in an abbreviated form if it only included a financial summary.

He also questioned whether such a "short form" would abide by the intention of the legislator in the new Companies Act, which allows a summary of results with a link to the full report.

The act specifically refers to a summary that complies with "any prescribed requirements", and King said one such requirement was an integrated report.

His understanding is that directors would need to "apply their minds" to the integrated report and compile a summary in concise, clear and understandable language rather than in accounting jargon.

"I believe the intent of the government in drafting that section (in the Companies Act) and the listing requirement is the same, and what is wanted is a summary of what has happened inside the company," he said.

King said he was not convinced the "bibles" - the hundreds of pages of annual reports sent to shareholders - were read in full, and that a clear reflection of an integrated report in a newspaper would serve to inform people about the state of play in a company, even serving as a useful marketing tool.

However, John Burke, director for issuer services at the JSE, refuses to budge.

He said the JSE was not flouting any requirements around transparency and that publication of company results in the press would not deliver full transparency anyway. He added it was all about price discovery, and if that was achieved electronically the day before, there was no need to republish the results in full.

"You can't tell me this is not transparent," he said. "It's not that you can't get the information; it is about when you can get it instantaneously electronically."

Specifically, he said, the JSE rule change referred to minimum content. This did not mean a "glossy" full annual report sent to shareholders would contain all the information, as they would be able to get copies on a company's website. If there was no website, then the company would need to publish the full report in the press.

Burke admitted that while the recommendations of what is required in the short form only referred to financial issues, environmental and governance issues as required by King III would be available on the websites.

The US and London moved to e-filing decades ago, but the world now increasingly faces a new requirement, driven by the King codes on corporate governance, to clearly describe their "triple bottom line".

South Africa is one of the first countries in the world to make the King code integrated report a prerequisite for listed companies.

The JSE did, however, make one late change to its reporting rules. Announcements must be made in a widely circulated daily newspaper, taking into account the specific composition and demographics of the issuer's stakeholders.