



ICGN

International Corporate Governance Network

21 March 2019

Brent J. Fields,
Secretary
U.S. Securities and Exchange Commission
100 F Street NE.,
Washington, DC 20549-1090

Dear Mr. Fields,

Re: Request for comment on earnings Releases and Quarterly Reports

Led by investors responsible for assets under management in excess of US\$34 trillion, the International Corporate Governance Network (ICGN) is a leading authority on global standards of corporate governance and investor stewardship. Our membership is based in more than 45 countries and includes companies, advisors and other stakeholders. ICGN's mission is to promote high standards of professionalism in governance for investors and companies alike in their mutual pursuit of long-term value creation contributing to sustainable economies world-wide.

ICGN offers an important investor perspective on corporate governance to help inform public policy development and the encouragement of good practices by capital market participants. Our policy positions are guided by the ICGN Global Governance Principles and Global Stewardship Principles, both of which have been developed in consultation with ICGN Members and as part of a wider peer review.¹

ICGN has a Disclosure and Transparency Committee focused on enhancing company communications through robust integrated reporting, quality audit and metrics. We represent investors who are committed to improving corporate transparency and the quality of disclosures. We are writing to share our views on earnings releases and quarterly reports.

In September of 2018 we published an ICGN Viewpoint titled "*Quarterly reporting: Too much of a good thing?*"² ICGN has not issued a formal policy statement on quarterly reporting as our membership has diverse views on this question. However in this Viewpoint report we noted that in a meeting of the Global Network of Investor Associations (GNIA), an informal information sharing body convened by ICGN, there was general support of quarterly reporting by investor associations from a range of other markets, both developed and emerging, including the Council of Institutional Investors (CII) in the United States, the Asian Corporate Governance Association (ACGA), Amec in Brazil and the Minority Shareholders Watch Group (MSWG) in Malaysia. In addition, the Dutch investor association Eumedion

¹ For access to ICGN's Global Governance Principles and Global Stewardship Principles, along with other policy statements, including ICGN's 2018 Policy Priorities, please visit: www.icgn.org.

² [Quarterly-reporting-too-much-good-thing](#)

issued a policy statement (2016) titled “Long-Termism and Quarterly Reports Fit Well together.”

There remains a strong view amongst these investor bodies that quarterly reporting is an important element of transparency for investors, as well as a positive discipline for management. These investor groups embrace long-term thinking by companies and managers, and there is less acceptance of the argument that quarterly reporting itself results in short-termism, or that it is unduly costly and burdensome.

At the same time, we note that in the United Kingdom, the UK’s Investor Association has stated its opposition to quarterly reporting, largely based on the concern that this promotes short termism. In a UK context, we appreciate that the UK’s institutional investor community has built strong engagement relationships with listed companies, and that these relationships in many ways may partially compensate for less regular corporate financial reporting. Similar relationships are less common in the US.

As in our 2018 Viewpoint, we remain agnostic on the eventual outcome in specific jurisdictions, but we outline thinking on the topic below. The following factors should be taken into account:

- What does the evidence say?
- Quarterly guidance is a much greater concern than quarterly reporting.
- Beware of “hidden” agendas that can threaten investor accountability.

The Request for Comment suggests that the 8-K with quarterly financials might be a substitute for the 10-Q. This suggestion appears to minimize the importance of the 10-Q and its embedded requirements. The 10-Q is also used in many other contexts that would not be supported by an enhanced 8-K. Moving in this direction appears to create more problems than it would solve. Investors might be encouraged by this approach if companies would provide detailed information on the changes that would have been made in the 10-Q. In other words, companies would highlight the changes that would have been made to the boilerplate 10-Q rather than burying such changes in the 10-Q.

As we concluded in our Viewpoint, the issue of quarterly reporting is less of a concern than quarterly guidance. When companies give quarterly guidance, the great temptation is to manage to short term numbers. A consensus of investors discourages this approach, but quarterly guidance is already voluntary in the US. Companies are not required to provide such guidance, yet in large numbers they willingly provide it. It would make no sense to reduce mandatory reporting requirements in an environment where companies continue to voluntarily provide guidance.

ICGN operates to enhance investor rights and improve markets. We hope that our comment is helpful in your decision-making, and we look forward to engaging with you in this or other matters where we could provide meaningful input.

Should you wish to discuss our comments further, please contact me or George Dallas, ICGN's Policy Director, by email at george.dallas@icgn.org.

Yours faithfully,



Kerrie Waring,
Chief Executive Officer, ICGN

Copy:

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