

Draft bill on the preparation of annual reports and interim reports in English and adjusted rules on gender distribution in management out for public comment

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The Danish Business Authority is seeking public comment on a draft bill on Danish enterprises' possibility of preparing annual reports and interim reports in English. The bill also includes proposed adjusted rules on gender distribution in management bodies.

The consultation paper has been sent to organisations etc who are requested to comment on the draft. We expect the bill to be introduced in the autumn. The public comment deadline is 12 July 2013.

It is proposed that the amendments take effect as of 1 January 2014, see below.

Annual reports and interim reports in English

So far, it has been an indispensable requirement for Danish enterprises to prepare annual reports in Danish. The consultation paper introduces the use of English as an alternative. The provision concerning the possibility of preparing annual reports in English supplements the possibilities already existing in the Danish Companies Act according to which the General Meeting may by an ordinary majority vote resolve that the General Meeting be conducted in English. It may moreover be resolved that documents to be used at the General Meeting and subsequently be prepared in English only. Furthermore, under the Danish Companies Act, meetings in the supreme governing body may on certain conditions be held in English only. Thus, already today, both owners and management members may have to accept that the decision processes in the enterprises be carried out in English.

The bill proposes that the possibility of submitting annual reports in English should apply to all companies – both listed and unlisted. The procedure is only going to be an option; it will still be possible to prepare Danish annual reports or



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bilingual annual reports in both Danish and English. If an enterprise wants to prepare its annual report in a third language, this must still be done in a bilingual version, one of the languages being either English or Danish.

An enterprise wishing to present its annual report in English must resolve this with a simple majority at a General Meeting. The resolution must be included in the company's articles of association.

The proposed amendment is going to take effect as of 1 January 2014, which means that the annual report for 2013 may be presented in English. For the first year in which the enterprise presents its annual report in English only, advance inclusion of the resolution in the Articles of Association is not required. In connection with first-time preparation of the annual report in English, this must be proposed in an agenda item which is to be discussed prior to discussing the adoption of the annual report. If the proposal is adopted, the English annual report may be adopted immediately after. If the General Meeting rejects the proposal concerning future preparation of annual reports in English only, the Ordinary General Meeting must be interrupted, and an annual report must be prepared in Danish. The General Meeting can then be resumed and the Danish annual report be adopted. In practice, this presumably means that a simple majority in respect of the change should be ensured in advance before the model is put into use.

Therefore, listed companies are generally expected not to prepare their annual reports in English only until this has been adopted at the General Meeting. Consequently, such companies will normally wait until the presentation of the 2014 annual report.

The General Meeting may at any time choose to reverse its resolution and again prepare the annual report in Danish.

Adjusted rules on gender distribution in management

As of April 2013, large companies as well as listed companies and state-owned public limited companies were required to set targets for the underrepresented gender on the Company's board of directors. Moreover, these companies were required to adopt a policy as to how to increase the share of the underrepresented gender in the company's other management bodies.

The previous rules meant that small companies that were parent companies of large groups could avoid setting targets and establishing policies because the rules in this respect only applied at company level and not at group level. Now the rules will be adjusted so that a small company that is the parent company of a large group and prepares consolidated financial statements is in future required to set targets and establish policies in the area.

Furthermore, such companies are required to report in management's review on the status of the company's efforts concerning the underrepresented gender as part of the preparation of the annual report. This reporting requirement applies to the presentation of annual reports for 2013 and onwards. Similar rules are going to apply to commercial foundations.

The adjusted rules concerning the underrepresented gender are also going to take effect as of 1 January 2014.