

Melanie Kerr  
Financial Reporting Council  
5th Floor, Aldwych House  
71-91 Aldwych  
London WC2B 4HN

October 30 2009

24 Charlotte Road  
London EC2A 3PB  
T +44 (0)20 7033 0700  
F +44 (0)20 7033 0800  
[www.ry.com](http://www.ry.com)  
[info@ry.com](mailto:info@ry.com)

Dear Melanie

Radley Yeldar would like to thank the Financial Reporting Council for the opportunity to respond to its "Louder than Words" Discussion Paper. We applaud your focus on these issues, and agree with the broad conclusions you reach. Indeed we have been promoting for many years the "cut the clutter" communication principles that you discuss, in our guidance to listed corporate clients.

Radley Yeldar is a consultancy that helps companies communicate through corporate reporting, corporate responsibility, online investor relations, digital media, employee engagement, branding and marketing communications. We have been assisting clients for 23 years.

We believe firmly in taking part in the wider debate about standards and best practices. We are a partner in the Report Leadership initiative referenced in your work. We produce regular white papers on regulatory and best practice themes, as well as conducting our annual "How Does It Stack Up?" evaluation of annual reports. The prime purpose of this evaluation is to allow companies wanting to improve the quality of their reports to examine best practice, and adapt it to their own circumstances.

We are passionate about narrative reporting – which is where we are focussing our reply. We believe in the power of words and design to allow flexibility of expression and precision, by providing the context in which numbers are seen, more effectively than any notes to the accounts.

And as the valuation process becomes ever more automated – for example with the wider adoption of XBRL – skilled analysts differentiate themselves by the depth of their analysis of the non financial elements of a company.

"Stewardship" is much in the news and the need for investors to engage with the companies they own. We believe this is right, but the logistical arguments around whether institutional investors have the resources are persuasive. The annual report clearly represents an opportunity to tell the company story, not only on governance issues, but on strategy, the company's measurement metrics, the risks of the business, and compensation.

We also note the interesting shift in your Discussion Paper on the audience for annual reports between "stakeholders" and "investors". Much of the recent focus – Companies Act 2006 for example – has been on the wider stakeholders. Issuers have therefore broadened their target audiences to include employees, suppliers and the community. Some companies have achieved that change well; others not so. It is a function of good design, flow and "story telling".

We also support your call for less complexity in regulation. We note that since 2005 when we instigated our “How Does It Stack up?” research, the entire regulatory base of those working in investor communication has changed. From the FSA Disclosure and Transparency Rules, Listing Rules, Prospectus rules, Companies Act, to the market abuse rules and The Takeover Panel regulations, investor communication is operating against a constantly shifting compliance regime. We therefore support your call for “proportionate” and “principles based” regulation, which places the burden on the company to communicate rather than just to comply.

In the 4 years we have produced “How Does It Stack Up?” we have seen a steady improvement in several areas by the best reporters:

- Business description; what does the company actually do? There is now a coherence and flow that was missing 4 years ago. “At a glance” sections are more prevalent – helping to outline an organisation’s business model in an accessible form
- The best reports have moved from just describing their strategy to saying why they were following them, how they are implemented across the business, and how their strategies are influenced by marketplace trends
- Key Performance Indicators have improved, by linking them to the strategy, graphical presentation and providing context for performance
- Reporting on market place trends has improved among the best reporters but many companies skate over this valuable topic
- Corporate responsibility has become more integrated within reporting, with related KPIs given prominence, but many reporters overload CR reporting with immaterial content
- Risk reporting has improved with good reporters settling on presenting risk, impact and mitigation in a tabular form
- Meanwhile, volume of narrative reporting has increased, from 18% to 25% of the total.

To continue this improvement, Radley Yeldar would like to see the Financial Reporting Council offer guidance to companies:

1. Stress the importance of the narrative in the annual report. An analysis of even the FTSE 100 reports shows a marked variation in the approach of companies. Some evidently care a great deal and invest time in it. They see it as a “communication” opportunity that sits alongside a wider investor relations programme, not just a compliance chore. We would encourage the FRC to promote this approach among all companies, whether they have substantial numbers of retail shareholders or not, or whether they are large or smaller companies.

2. We would encourage a more disciplined approach to project management in annual reports. Bringing together the various contributors (secretarial, IR, HR, CSR teams, corporate communications, treasury etc) creates a consistent theme.

3. “Consistency” is an important word. Many reports are patchwork quilts, with sections evidently authored by different people, with different approaches. Some companies adopt a style guide, and a professional ‘sub editor’ to ensure that the story is told well. The difference between reports written in an engaging style, and those in a turgid, fractured, compliance style is extraordinary.

4. From our perspective as an advisor to companies, we believe that design is also crucial to encouraging readership. Navigation, graphics, typeface and 'flow' make a huge difference to accessibility.

5. Online annual reports have also changed markedly in recent years, especially since the permitted changes of default from hard copy to online. Giving readers the chance to delve deeper – outside the annual report itself – into areas of interest, may well be a solution to the stakeholder/ shareholder issue.

Thank you again for the opportunity to comment on your work. We remain available for any clarification on the issues we have raised in this reply.

Yours sincerely

Clive Bidwell  
Head of Corporate Reporting