

FRC Exposure Draft: Guidance on the Strategic Report

1. I am responding to the ED as a private individual who served as an Investment Director for a major insurance company for 10 years. Subsequently I have served as a non-executive director over the last 11 years but principally in non-quoted firms.
2. I welcome your desire to see 'conciseness' in the Strategic Report and other parts of the annual Report and Accounts. There are plainly issues when annual report and accounts exceed 400 pages in length as several of those in relation to my personal holding have recently achieved.
3. As you say in par. 5.2 'The inclusion of too much information or detail may obscure matters of importance'.
4. Unfortunately some of your requirements and those of legislation and regulation conflict with that aim. Maybe these need re-visiting.
5. In par. 3.7 you opine that various other persons than shareholders need to have issues of relevance to them covered in the report and accounts. I very much doubt that any of these seek information from the account themselves. Their first source of information will be the website of the company. I suggest therefore that you should amend par. 3.7 with a suggestion that a brief reference to matters covered on the website is sufficient.
6. This would be in accord with the Accounting Council's view set out in par. 23 of their advice to you. i.e. 'a narrow definition of users is necessary to ensure that annual reports provide information that is relevant to shareholders and, *in turn ,assist(s) in cutting clutter.*' (My italics)
7. In para. 3.12 you sensibly suggest that data that is unchanged from year to year in the financial statements might be placed in a 'financial appendix'. This idea could well apply to matters within the Strategic Report. I doubt that a company's 'business model' will change from year to year. And it might be helpful to readers if unchanged sections and paragraphs are indicated as such in some way.
8. I am concerned about the implications of par.6.7. There is a danger that inclusion in the Strategic Report of performance data will divert consideration of strategy and strategic issues. I suggest that performance data should remain in the Directors Report.
9. Certainly 'cash flows' (par.6.62) belong other than in the Strategic Report for most companies and in most circumstances. They are, of course, covered in the financial reports. There will be occasions when they are of strategic importance but you are wrong to include them every year in every report.

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