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Submitted by email to: narrative@frc.org.uk

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Dear Ms Raval,

Exposure Draft: Guidance on the Strategic Report

Thank you for the opportunity to respond to your consultation. By way of background, Prism Cosec is a company secretarial practice and corporate governance consultancy that seeks to promote integrity and effectiveness within the boardroom. Our principal activity is advising and assisting companies with quoted securities on the Main Market of the London Stock Exchange and AIM on company secretarial and governance matters. A number of our clients are listed in the FTSE100 index and we are Company Secretary for one FTSE100 quoted company.

We set out below responses to some of the questions raised in the **Exposure Draft: Guidance on the Strategic Report**, (the **Exposure Draft**) which was published in August 2013. For ease of reference, we specifically comment on the questions set out on pages 4 and 5 of the Exposure Draft in the table below:

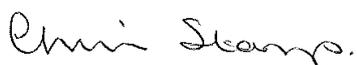
Question	Prism Cosec Response
Section 3 The annual report	
Section 3 of this draft guidance includes an illustration (Illustration 1) which is intended to clarify the purpose of each part of the annual report and help those that prepare annual reports to make judgements regarding where information would be best presented	
<p>Question 1</p> <p>Do you think that Illustration 1 is helpful in achieving this objective?</p>	<p>We consider that Illustration 1 is a very helpful document for understanding the overall structure of the Annual Report and the balance of Narrative Reporting to other types of compliance reporting. We have some specific observations set out below which we believe would improve Illustration 1.</p> <p>One consideration is the placement of the Corporate Governance Report. DTR7.2.1 says that the corporate governance statement must be included as a specific section of the Directors' report (and this would ensure that it is covered by the safe harbour provisions). Alternatively it can be a separate report or published on the company's website.</p>

Question	Prism Cosec Response
	It would be helpful to indicate that where this is the case it should be incorporated by reference into the Directors' Report – although this is mentioned elsewhere the table could perhaps do with a note to stress this.
<p>Question 2</p> <p>Do you agree with the objectives of each component and section of the annual report which are included in Illustration 1?</p>	For the most part, "yes". We think that the role of the "residual" Directors' Report is very unclear both as to its legal status and as to its purpose. This could be specified more clearly.
<p>Question 3</p> <p>Do you think the guidance on the placement of information in the annual report in paragraphs 3.10 to 3.14 will have a positive influence in making the annual report more understandable and relevant to shareholders?</p>	<p>Not entirely. The examples all tend to deal with the same point about putting detailed information in appendices. More detail clarifying the role of the Directors' Report as a central report in the Narrative Reporting section (as implied by Illustration 1) would be helpful.</p> <p>The summary of information about liability in the grey box seems a little out of place in this section and maybe should be placed in a separate section on its own. Given the directors liability issues created by the new remuneration reporting requirements; this topic will be subject to heightened interest at the moment.</p>
<p>Section 5 Strategic reports and materiality</p> <p>Section 5 of this draft guidance addresses the application of the concept of materiality to the strategic report, remaining as faithful as possible to the definition of materiality used in International Financial Reporting Standards (IFRSs).</p>	
<p>Question 4</p> <p>Do you agree with this approach? Is the level of guidance provided on the subject of materiality appropriate?</p>	The proposed approach seems to make sense.
<p>Section 6 The strategic report</p>	
<p>Question 5</p> <p>Do you agree with the proposed 'communication principles', set out in paragraphs 6.5 to 6.27 of the draft guidance, which describe the desired qualitative characteristics of information presented in the strategic report? Do you think that any other principles should be included?</p>	They seem sensible.
<p>Question 6</p> <p>In this draft guidance, we have aimed to strike a balance between the need to ensure that the structure and presentation of the strategic report is sufficiently tailored to the entity's current circumstances and the need to facilitate comparison of the strategic report from year to year. Do you think the guidance in paragraphs 6.26 and 6.27 achieves the correct balance?</p>	<p>The guidance in paragraphs 6.26 and 6.27 is very thin and therefore not particularly helpful in this regard.</p> <p>Where companies have made reference in the strategic report to particular objectives, targets or elements of strategy, the next years' report should indicate progress on these or, where changes have been made, what these are and why changes have been necessary.</p>

Question	Prism Cosec Response
<p>Question 7</p> <p>The 'content elements' in bold type described in paragraphs 6.28 to 6.73 do not go beyond the requirements set out in the Act, although the precise wording may have been expanded to make them more understandable. Do you think this is appropriate?</p> <p>If not, what other 'content elements' should be included in this draft guidance?</p>	<p>As far as it goes, it seems appropriate.</p>
<p>Question 8</p> <p>Appendix I 'Glossary' uses the same definition of a business model as the Code ('how the entity generates or preserves value'). Is the level of guidance provided on the business model description in paragraphs 6.38 to 6.41 sufficient?</p>	<p>Additional examples will always be helpful.</p>
<p>Question 9</p> <p>Do you think that this draft guidance differentiates sufficiently between the concepts of business model, objectives and strategies? If not, why not and how might the guidance be improved?</p>	<p>The box summaries following paragraph 6.29 is helpful. It might also help to have an additional aspect to these summaries to show how Risks and KPI's link into the model.</p>
<p>Question 10</p> <p>This draft guidance includes illustrative guidance (the 'linkage examples') on how the content elements might be approached in order to highlight relationships and interdependencies in the information presented. Are these linkage examples useful?</p> <p>If not, what alternative examples or approach should be used?</p>	<p>Yes</p>

We hope that these observations and suggestions are helpful. Please contact us if you would like to discuss any of the points made in this submission in more detail.

Yours sincerely,



Chris Stamp FCIS
 Director
 Prism Cosec