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20 Fashion Street
London E1 6PX
18th October 2010

Dear Minister

Thank you for your invitation for views on the current UK narrative reporting framework.

Investis is the UK's leading provider of corporate website services to listed companies. We work with more than a third of the FTSE350 and manage the corporate websites of some 200 companies, which gives us a unique perspective on how people are accessing information and what information they access.

We agree with the Government that the regulatory framework for communications by public companies is due an overhaul. However our perspective is that by focusing narrowly on narrative reporting within the context of the annual report, you are ignoring the revolution that has taken place in the past ten years in the shift from print to the web as the primary source of information for stakeholders.

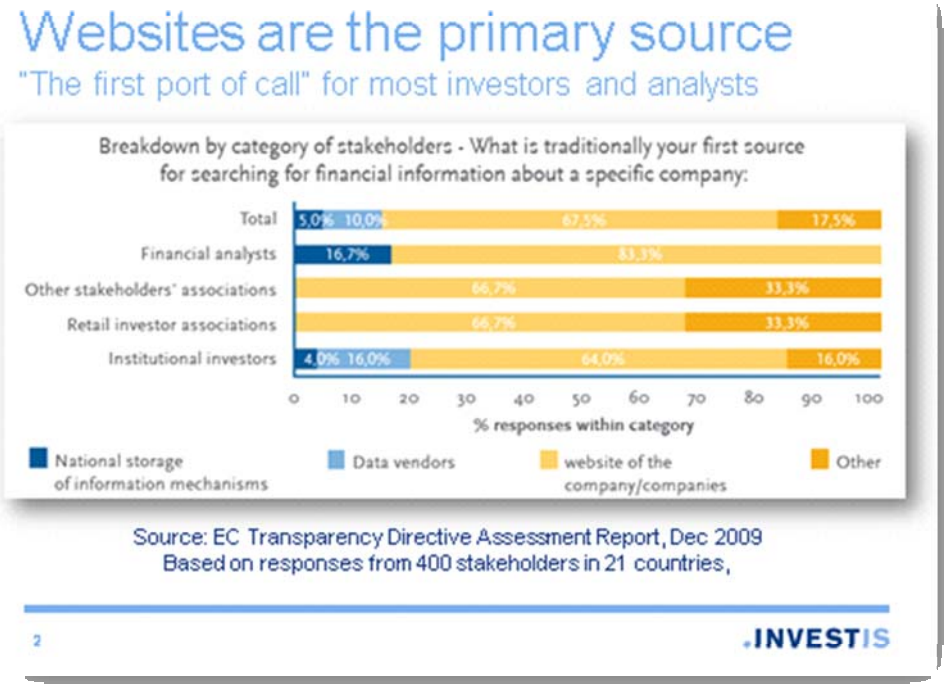
This shift is not simply a matter of where stakeholders go to find information. It has also changed fundamentally the way in which we consume information – online newspapers for example are not electronic facsimiles of the print editions, their rise has brought changes to the very nature of what a newspaper 'is' and the immediacy and reach that the internet offers has turned the print-first model on its head so that the web edition now leads. We now demand a mode of communications that is more interactive, immediate and responsive.

While corporate reporting is different in kind, there is no question that the role of the annual report has been changed by the same forces and we would urge you to look at a broader approach to reform which takes this into account. The first thing to address is that no regulatory body in the UK actually requires a listed company to have a website. It is a strange quirk that having a website is a requirement of the regulatory regime governing the Alternative Investment Market (AIM) under Rule 26, while the Main Market with all its attendant regulation has no such requirement. We believe that the requirement to maintain a corporate website with some minimum disclosure standards is an essential pre-requisite to ensuring that future legislative and regulatory reviews can take account of the changing nature of the communications landscape.

Our response is focused on questions 6-9, which do provide scope to address the problems of narrative reporting not at the level of the information that is disclosed, but the means of disclosure.

**Question 6: What other sources of company information do you use and how valuable are they (e.g. information provided on the website, analysts' briefings, dialogue with the company, corporate social responsibility report)?**

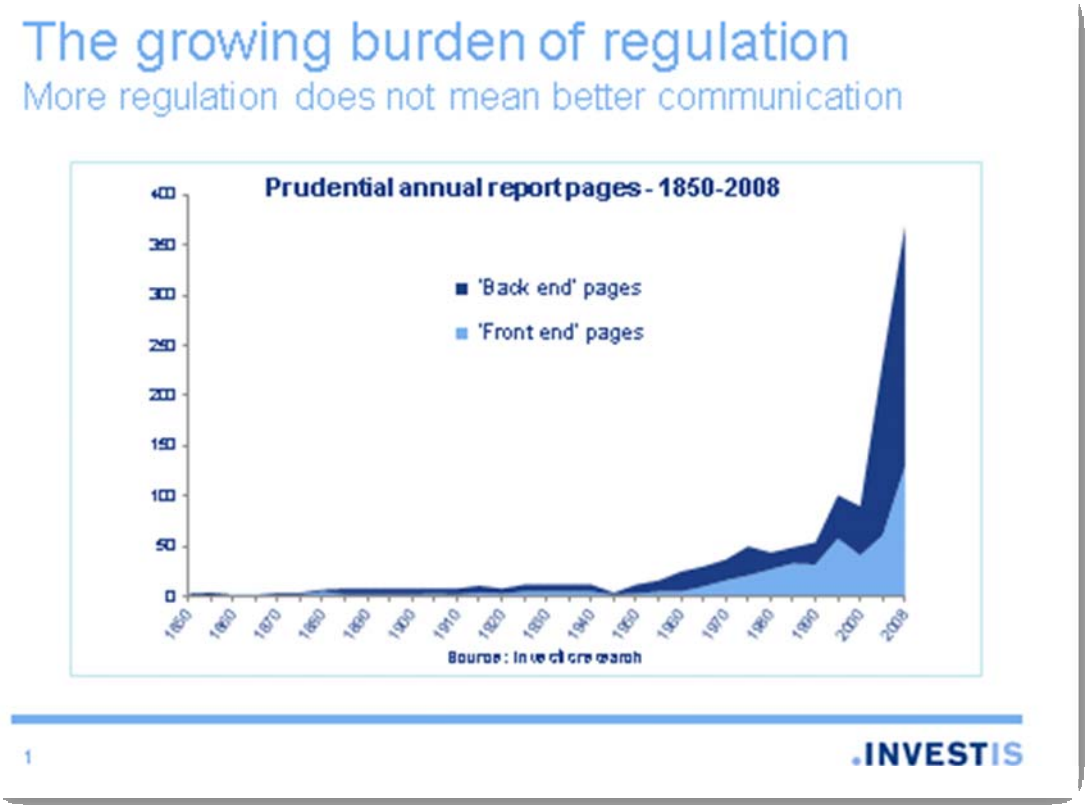
We would like to back up our comment about the importance of the corporate website as an information source. We would draw attention to a survey commissioned by the EC last year looking into the impact of the Transparency Directive that was published in December 2009. The slide below shows that websites are clearly the preferred resource for financial stakeholders. While the annual report remains an important document it is only part of the mix and any regulation should take this into account.




While the annual report should provide an account of both the financial affairs and the broader responsibilities of companies, it remains in essence a document for shareholders. If the Government wants to achieve its stated aim of "coherence" in reporting, including environmental and social issues, it should focus some of its attention more broadly and more explicitly on the corporate website, which is the one place where all stakeholders come and should expect to find a coherent account of a company's activities and performance in the context of its broader responsibilities.

**Question 7: Is there scope to reduce or simplify the requirements on which companies report?**

The regulatory requirements for corporate reporting seem to be in a state of constant flux. We know from our conversations with our clients how frustrating this is and that most companies believe that it is counter-productive to the aim of creating better communications. Changes to regulation always seem to make reports longer and the acceleration that has been seen in the last 10 years is particularly striking. One of our clients, the FTSE100 financial services company Prudential, has put every annual report since its inception on its website. The chart below shows the growth in the annual report page count, separating the narrative 'front end' from the financial statements at the 'back end'.




We do believe the Government should simplify the reporting requirements and reduce the quantity of reporting. This might best be achieved by exploring the suggestion made in paragraph 30 of the consultation, to limit narrative reporting to a summary of the strategic issues with supporting information presented separately. To do this the regulations may need to become much more prescriptive and granular about what a company should report, a move in the direction of form-based reporting (cf. the annual 10-K document required by the SEC for US listed companies) which might raise the quality of average reporting, but could also lower the standard of the best. Nevertheless we believe that this should be explored further.

**Question 9: Looking at an Operating & Financial Review and the existing business review (see Annex D), do you see value in reinstating elements of an OFR and if so what would they be? In particular, would a statutory reporting standard help to improve the quality of reporting?**

We do not believe that there is merit in reinstating elements of an OFR. The UK has opted for a principles-based accounting system and regulatory regime and there is little evidence to suggest that tinkering with the requirements of narrative reporting within this framework does much to improve the quality of the reporting.

We believe that the annual report should remain the key document of record for a company's financial performance each year, but that a static, retrospective document plays only a minor role in the ongoing dialogue with the market. Regulatory disclosures on ad hoc developments and ongoing periodic reporting are the lifeblood of the market. The professional investment community have access to one-to-one or group meetings, analyst days, site visits and the like. For other people the corporate website is the key information source and the mechanism by which companies fulfil their obligations to provide equal treatment of all shareholders.

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We would urge this Government to cast its net widely in considering the regulatory framework and the range of communications mechanisms available to companies in reaching their stakeholders. Focusing on the narrative content of the annual report seems to be a dangerously narrow approach to take.

Yours sincerely,

Alexander Loehnis

Director, Investis Ltd