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Dear Jane

The Future of Narrative Reporting – A Consultation

1. Introduction

1.1. Mazars, the integrated international accounting organisation, is pleased to submit its views on the above consultation.

1.2. We welcome the consultation as we believe narrative reporting is a vital element of corporate reporting and has traditionally received less emphasis than that given to the financial statements.

2. Further legislation not necessary

2.1. We are not persuaded of the need for legislative reform at this stage. The requirements related to business reviews seem to be broadly accepted and for quoted companies the difference between those applicable and the proposals in the original Reporting Standard on the Operating Financial Review, that was not implemented in the event, are not very significant. Furthermore, it does not seem an appropriate time to be introducing additional requirements for unlisted entities as we should be seeking to minimise the regulatory burdens on them in order to give them maximum encouragement to grow and to create new jobs in our economy.

3. Supplementary reporting guidance to the UK Corporate Governance Code

3.1. Consideration might be given to whether a broadly-based working party of business and professional leaders should be convened to provide further guidance to audit committees (and finance directors) on the key elements of high quality reporting to supplement that in section C.1 of the code. There has been much emphasis over the years on providing the necessary information to comply with the relevant requirements but we should also focus on the importance of not just providing the information but seeing the need for directors to present it in a way that enables them to communicate effectively with their owners and others on their stewardship of the business. Guidance might, for instance, encourage directors to consider order and layout in terms of their impact on how effectively key

messages are conveyed in the annual report. Moreover, the business review should be written in the directors' own words. A review could also look at how to ensure that narrative reporting is properly balanced and the checks directors should make on the reliability of information included in the business review.

4. Annual standalone report from the FRC on good practice reporting

4.1. The Financial Reporting Review Panel produces an annual activity report which includes some comments on its findings of its review of around 300 accounts each year. The FRC or the FRRP also produces occasional reports on individual issues, the FRC having the scope to look at good practice whereas the FRRP needs to be more focused on compliance with the law and standards. The current arrangements broadly work well but they could be further enhanced by the FRC producing a dedicated annual review for boards on good practice reporting bringing together all its work during the year in the area so as to produce a 'must read' publication for audit committees and finance directors.

5. Reviewing the higgledy-piggledy growth of narrative reporting requirements

5.1. Narrative reporting has developed in a fairly higgledy-piggledy fashion over a number of years with a variety of different disclosures emerging, eg those relating to the enhanced business review, other longstanding directors' report disclosures, additions from the Transparency Directive, those relating to directors remuneration and other corporate governance disclosures. It would be timely to take a holistic look at narrative reporting and ask a number of questions. The way in which companies present information differs, eg some include the business review within the directors' report, others present it as a separate section. Would a move to a more common style of presentation enable investors to access information more easily? Are we making sufficient use of technology, eg the annual report could provide an overview in some areas, such as those related to remuneration and CSR, with more detailed information available on the website and suitably cross-referenced to the annual report. Are all the traditional directors' report requirements still necessary? In undertaking any review regard should be had to international initiatives already underway.

6. Relaunch of a prestigious annual award for annual reports

6.1. The Institutes of Chartered Accountants and the London Stock Exchange used to organise an annual award for annual reports with a distinguished panel of judges determining the winners but this ceased some years ago. There are a few other awards operating but they are not seen as being as authoritative. A new award scheme with the backing of investors, the London Stock Exchange, The Quoted Companies Alliance representing smaller and mid-tier quoted companies, The Hundred Group of Finance Directors, the accountancy profession and maybe BIS and /or the FRC could play a significant role in promoting good practice in corporate reporting. As well as overall winners, the award could have a number of separate categories (eg one relating to narrative reporting) and recognition could be given to all companies reaching a certain absolute standard.

7. Information to be provided with preliminary announcements

7.1. There is a widespread view that the market is mainly interested in the publication of the preliminary announcement rather than the later publication of the annual report. There

would be therefore be merit in reviewing the timing of publication of narrative reporting information.

8. Further discussion

8.1. If there are any issues in this response which you would like to discuss further please do not hesitate to contact Anthony Carey.

Yours faithfully

Mazars LLP