The Hundred Group
of Finance Directors

Investor Relations and Markets Committee

By email: Narrativereporting@bis.gsi.gov.uk

Mark Jackson
Business Environment
Department of Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

25 November 2011

Dear Mr Jackson

THE FUTURE OF NARRATIVE REPORTING

We are pleased to submit our views on, and our responses to the specific questions posed by the above consultation paper.

Who we are

The Hundred Group represents the views of the Chief Financial Officers of FTSE 100 index constituents and several large UK private companies. Our Members collectively employ over 1.8 million people in the UK, and pay, or generate, taxes equivalent to 12% of the UK Exchequer's overall tax take. We seek to assist the development of UK businesses particularly in the areas of tax, reporting, pensions, regulation, capital markets and corporate governance

Our views

As Directors of the UK's largest listed companies, we understand the importance of narrative reporting, and indeed of all our stakeholder communications. The Annual Report is the primary tool for communicating a company's historic performance but its relevance over recent years his declined as it has become increasingly cluttered with additional information required to be provided in a misguided attempt at transparency. The Annual Report has attempted to become all things to all men and in spite of the best efforts of listed companies, is often cluttered with irrelevant information presented in an incoherent fashion in accordance with regulation.

We support measures that help the Annual Report regain its importance as a communication tool, and in particular give management the freedom to present information about the Company's performance in a manner which is most suited to the requirements of its shareholders who are after all, the primary audience for the Annual Report. We think that the proposals to introduce a Strategic Review will particularly help in this regard, as will the new Additional Directors Statement which will enable the presentation of other useful information, not directly relevant to understanding the current period performance to be shown in a more appropriate format.

We welcome the premise that information should only be shown if it is relevant in understanding the business performance as it reflects our strong opinion that mandating management commentary on specific topics does not lead to good corporate reporting. To the contrary we believe that this can provide confusing, misleading and uninformative dialogue with investors.

In our detailed responses below, we have set out our views, together with a number of concerns that we hope the Department will take forward. We have two particular concerns that are not picked up in your detailed questions:

- In our view the timetable for implementation appears optimistic, particularly at a time when it is vital that businesses concentrate on growth. Whilst many of our members will be geared up to report in this way already, there will be some for whom these represent considerable changes and in particular may well require changes to systems in order to collect additional information.

- We are particularly interested in exploring how the current ‘safe harbour’ liability regime will be applied to the information presented in the Strategic Report and would welcome more guidance on this.

We have recently developed a set of principles on narrative reporting which I have attached as an appendix to this letter for the Department’s consideration. Where relevant we have referenced these principles in our detailed responses, but in our view these provide a structure for ensuring that the annual reports of the future retain their relevance as being one of the key means of communicating the performance of the company to shareholders.

Finally, we note that a number of bodies are also looking at these issues and it is critical that any framework developed by the UK Government is harmonised with the current and future regulatory environment being proposed by the European Union and the International Integrated Reporting Committee such that the overlap between these frameworks and the requirements of national authority is maximised. To fail to do so is a missed opportunity and will cause confusion amongst users and regulatory overload for preparers.

Please feel free to contact me if you wish to discuss the views expressed in this letter.

Yours sincerely

Robin Freestone
Chairman
Hundred Group – Investor Relations & Markets Committee

Question 1: Do you agree in principle with restructuring the current reporting framework into a Strategic Report and an Annual Directors' Statement?

We remain of the view that the primary tool for communicating the historic performance of a company is through the Annual Report as this provides an annual and retrospective appraisal of performance.

Recognising that narrative reporting should provide investment relevant information, set out in a manner which reflects the way the business is managed and operated, we support measures which allow the Directors the flexibility to tailor their reporting in a way that most suits their particular set of investors. We recognise also, that some users may benefit from financial and other information communicated in a standardised format and that the level of prescription applied to this information should not be allowed to dilute the message contained within the Strategic Report.

We therefore support the proposed approach in principle, although the final proposals should ensure that it is clear to the preparer community what is required in each element of the report to reduce the risk of duplication.

Question 2: Do you agree that the Strategic Report should include information on:

- ***company performance***
- ***principal risks and uncertainties***
- ***key performance indicators***
- ***key financial information (similar to that currently required for the Summary Financial Statements)***

and for quoted companies should include:

- ***strategy,***
- ***business model,***
- ***environmental and social information,***
- ***key information on executive remuneration and its link to performance?***

Broadly, yes, if relevant for the understanding of the Company's performance.

The current best in class reports are able to contextualise and explain the financial information being presented in the context of the company's overall strategy and objectives, the risks associated with the achievement of those objectives and the manner in which the management monitors its progress. As the Directors are accountable to the shareholders for the achievement of the stated objectives, we also support more clarity on the link between executive pay and company performance, although note that extensive information is already presented in the Annual Report.

What is key, is that management is able to tell the story of the company's performance in a manner which bests suits the users, using information that is relevant to the investor. Management must be given the flexibility to determine what information to present and how. This is particularly important in relation to key performance indicators and the disclosure of environmental and social information, which should only be presented in the Strategic Review if pertinent to the understanding of the company performance.

We would be very concerned if it became a requirement for companies to disclose information that they do not, as a matter of management priority, monitor and track, as that will result in a distraction of management time and effort from those items which are of relevance and which should be a priority. Imposing additional requirements in a misguided attempt to improve transparency will undermine the objective of the Strategic Report and will not improve an investor's understanding of a business.

Question 3: Do you agree that the proposed Strategic Report should replace the Summary Financial Statements?

Yes.

Question 4: Do you agree that the Strategic Report should be signed off by each director individually?

No. The Annual Report is approved by the Board prior to its recommendation to Shareholders. The Board, collectively, takes responsibility for the information being presented and is accountable to shareholders for that information.

It is common amongst our Members that the Chairman leads the Board and the Chief Executive Officer is responsible for the implementation of the strategy approved by the Board. It is equally common that a system of delegated authority is in place which enables the Chairman and the Chief Executive officer to execute (for example) commercial and other agreements on behalf of the Board and therefore we do not see the need to make an exception in the case of the Annual Report. The accountability and responsibility of the individual Board members for the information being presented would not change as a result of this additional administrative requirement.

Question 5: Do you agree that the Annual Directors' Statement for quoted companies should include:

- ***disclosures required, regardless of materiality, by the Companies Act, the Listing Rules etc.***
- ***the Corporate Governance Statement***
- ***the Directors Remuneration Report***
- ***financial information (for example, post-balance sheet events etc)***
- ***information provided voluntarily by companies (for example, additional environmental and social disclosures)?***

We do not agree that any disclosure should be provided regardless of materiality as this defeats the object of narrative reporting providing clear, concise and relevant information that enables investors to understand the company's performance. We strongly urge that the concept that information is shown regardless of materiality is reviewed and clarified.

That aside, we agree with the principle that information which is not strictly relevant in understanding the current year performance, but which is nevertheless important to some groups of investors in informing their investment decision would be more appropriately shown in a format as envisaged by the ADS. The format of the ADS as described in the consultation document does, in our view, lend itself to boilerplating and care needs to be taken in drafting the regulations to ensure that this is kept to a minimum. Allowing some flexibility for companies to adapt the content of the ADS to their particular circumstances will help in this regard.

We have already expressed a concern that there may be duplication between the various reports being proposed. We do not understand the need to provide financial information (such as post balance sheet events) in the ADS as it is already required by IFRS to be disclosed in the audited financial statements. We do not support any requirements that would introduce financial disclosures in addition to those already required by IFRS.

Finally we cannot see what incentive there would be for a company to provide any additional voluntary information in the ADS as envisaged above. If we understand the principle of the Strategic Review correctly, this information would already have been presented if necessary for the understanding of the business performance. If it is not necessary for an understanding the business performance, then there should be no need to provide it as it only serves to add clutter.

Question 6: Do you agree that companies should be able to include material in the Annual Directors' Report (for example information on policies and procedures) by cross reference to information published elsewhere (for example on the company's website)?

The most important views in relation to this question will be from the investor community and we recommend that these are taken into account.

We agree with the proposal, although we can see how this may lead to some complexity around the timing of provision of information. The ADS, as a component of the Annual Report, is intended to be a record at a point in time, whereas other information included by website cross reference may refer to live documents which are updated on a more regular basis. We would welcome some further clarity about this, and related issues, in the context of the Directors' responsibilities for the Annual Report.

Question 7: If companies are able to include material in the Annual Directors' Statement by cross reference (question 6), do you agree that they should make an annual statement confirming it has reviewed that information and noting any significant changes?

Yes.

Question 8: Do you agree that the Annual Directors' Statement should be presented online with a hard copy available to shareholders only on request?

Yes, however this is likely to have the biggest impact on the Shareholders and consequently we recommend that DBIS takes full account of their view in this regard.

Question 9: Do you support removal of the disclosure requirements arising from company law identified in Table 1? If not, please provide evidence of their relevance to users, including why disclosure in the Annual Directors' Statement is necessary for meeting their needs.

Are there any other disclosure requirements arising from company law that in your view could be simplified or removed?

We do not see the need to continue to include these disclosures. Other disclosures that we recommend for omission are those which are already available in the public domain, either because communicated through the RNS (e.g. relating to shareholders) or those which relate to information contained in documents accessible at Companies House (e.g. incorporation information). The inclusion of these items in current reports represents duplication and adds clutter.

Question 10: Are there areas where the Listing Rules, IFRS, company law and the Corporate Governance Code are inconsistent or require similar disclosures? If so, how could these best be resolved?

We recommend that a thorough triangulation exercise is undertaken to identify those areas where there is inconsistency. Examples would include the Listing Rule requirements to disclose remuneration and shareholding information, which are similar, but not exactly the same as, the Companies Act and other regulations.

Question 11: Should quoted companies be explicitly required to include information about human rights (to the extent necessary for an understanding of the development, performance or position of the company's business) in the Strategic Report?

A common criticism of the current disclosure regime for Annual Reports is that additional requirements have been bolted on over a number of years in response to specific issues, resulting in the presentation of extensive information in a manner that lacks coherence.

Our members take very seriously their corporate, social and environmental responsibilities, including human rights, not least because to do so makes sound commercial sense, both from a cost and a reputational point of view. We are supportive of initiatives that promote a greater awareness of how our Members view this and indeed many of our Members already disclose information on the human rights record of their companies, on the basis that this information is relevant to a holistic understanding of their business performance and is important to their investor community.

We do not understand how an explicit requirement to disclose this information is consistent with the aim of the Strategic Review which we understand as being the vehicle for presenting information of importance to shareholders in understanding the business. Consequently we would only support the presentation of this in the context of it adding to the understanding of the business.

We would remind DBIS that the primary audience for the Annual Report is the company's shareholders and that disclosures should be provided to meet their needs, and not the perceived needs of other organisations, including NGOs.

Question 12: Do you support the Government's proposals for company disclosure of the proportion of women on boards and in companies as a whole?

Yes. Company performance is enhanced by ensuring the appropriate diversity amongst the Board of Directors and so this information can help in a users understanding of the business. Gender balance is an important part of any diversity policy, but it is important to recognise that it is not the only consideration and focussing solely on this issue risks missing other important aspects of board room balance. We do, however anticipate that collecting this information may prove difficult in some cases.

Question 13: Do you agree that the current UK liability regime does not discourage companies from making meaningful forward looking statements? If you believe that there are issues with the current regime, do these relate to:

- ***companies listing in the US as well as in the UK,***
- ***companies contemplating a prospectus,***

- ***common misunderstandings about the UK liability regimes***
- ***other concerns?***

Where possible, our Members seek to provide meaningful forward looking information to illustrate the Board's view of the future prospects of the Company. These statements are often presented with caution, not least because of the reputational impact on the individual Directors should the actual performance fail to live up to expectations.

Equally as important are the commercial constraints which exist over the disclosure of certain aspects of detailed forward-looking statements. Whilst an understanding of the direction and intentions of a company are required for investors to make appropriate investment decisions, this must be offset by the need to keep some commercially sensitive developments inside the company. We would urge caution if considering requirements which could put UK companies at a competitive disadvantage.

The safe harbour provisions in the UK mitigate concerns over the provision of this information to a certain extent, although we would welcome clarity as to how these will apply to the proposed Strategic Report.

Question 14: Would improved understanding and awareness of the UK liability regime help encourage more meaningful, formal looking statements? Are there other activities or changes that the UK Government could make that you believe may be necessary?

No, our Members are familiar with the UK liability regime, and to the extent there are concerns over the provision of meaningful forward looking information, these are more likely to be as a result of other factors as outlined above.

Question 15: Do you agree that the key information on remuneration should be included in the new Strategic Report? If so, would a standard format for this information be helpful?

Yes as we recognise the importance of the understanding of the link between company performance and executive remuneration. Requiring such information in a standard format would seem incompatible with the spirit of the Strategic Review and we recommend that standard formats are reserved for the ADS.

Question 16: Which elements of the current disclosure requirements could be moved to the Annual Director's Statement, or removed entirely?

Please see our response to question 5.

Question 17: Do you agree that quoted companies should be required to disclose the total remuneration of each director in a single cumulative figure?

If so, how should be calculated so that it accounts appropriately for the various elements of remuneration packages, including share options, LTIPs and pensions?

Directors remuneration arrangements are often complex, involving multi year provisions to introduce an element of incentivisation beyond the short term. Further, the remuneration package may include cash as well as non cash benefits, for example in the form of shares or share options. Finally, a remuneration package will have elements which vary according to performance of the individual compared to personal objectives as well as elements which depend on company performance.

Attempting to define a single figure to represent these complex arrangements is likely to lead to a measure that lacks meaning and comparability and consequently we are not in favour of this approach.

Question 18: Would there be benefits in introducing a requirement to disclose the pay of the highest earning executive officers below board level and, if so, to which companies and individuals should such an obligation be extended?

Are there alternative ways of improving shareholder oversight of the performance and pay of influential non-board executive officers?

No we cannot see the benefit in disclosing this, with the possible exception of in the banking sector. Elsewhere amongst our Membership, it is not typically the case that Executives below Board level have a higher remuneration than Board level Executives.

We note that IFRS requires the disclosure of the aggregate remuneration for key management personnel, which usually includes Executives below Board level.

Question 19: Do you agree that quoted companies should be required to disclose how remuneration awarded relates to performance in the relevant financial year and to the company's strategic objectives?

Yes, this is the best practice that is followed by the majority of our Members.

Question 20: Should quoted companies be required to illustrate performance and the total remuneration of the CEO for the last five financial years, to enable shareholders to assess the relationship between total pay and performance over time?

If so, which performance measure would be the most appropriate?

The appropriate benchmark for an individual's remuneration should be against those factors on which it depends. We recommend that any disclosure is undertaken at the appropriate level of disaggregation so as not to confuse the dependence of remuneration on long term company performance, short term company performance and individual performance.

In particular, any benchmark comparison should be against factors that are within the control of the individual.

Clearly if Companies are adopting the disclosure that is recommended in question (19) then this should already be picked up.

Question 21: Should quoted companies be required to explain how the performance criteria for remuneration policy for the year ahead relates to the company's strategic objectives, as set out in the new Strategic Report?

Yes, this is the best practice that is followed by the majority of our Members.

Question 22: Should quoted companies be required to provide estimates of the total future remuneration of executive directors if they exceed, meet or do not meet their performance criteria?

Clearly if Companies are adopting the disclosure that is recommended in question (19) then this should already be picked up.

Question 23: Should quoted companies be required to disclose the performance criteria for annual bonuses?

If so, should companies be permitted to delay the publication of commercially sensitive performance criteria for up to two years?

Yes, this is the best practice that is followed by the majority of our Members, and indeed is often of considerable interest to shareholders. There are aspects to remuneration which are specific to the company's circumstances, or the disclosure of which may be commercially sensitive, therefore we therefore do not favour a mandatory disclosure of this information – disclosure should be aimed at meeting the specific needs of shareholders. We do not think a provision to disclose this information after a delay is consistent with providing relevant and timely information.

Question 24: Would disclosure by quoted companies of the ratio between the pay of the company's Chief Executive and the median earnings of the organisation's workforce provide useful information to shareholders?

If so, how should the ratio be calculated?

For investors who would find this information of value, it is already possible to calculate the ratio of the Chief Executive's pay to the average earnings of the workforce using information that is disclosed in the accounts in accordance with Companies legislation. If there is a demand for this information, we struggle to see how a meaningful comparison can be made for any company not least those with multinational operations such as represented by our Members.

Different industries, and indeed different companies within the same industry, will have different demographics, including age range, gender diversity, education and qualifications, not to mention different periods of service and levels of responsibilities and will each have a different mix of local conditions, including price inflation, foreign exchange rates and local custom and practice.

Question 25: Do you agree that quoted companies should be required to disclose the total spend on directors' remuneration as a proportion of profit for the relevant financial year?

The information to enable this calculation is already required to be disclosed in the financial statements.

Question 26: Should the amount of fees paid by companies to remuneration consultants be disclosed, and is there any further information which should be disclosed by companies in relation to the procedure for setting directors' remuneration?

We do not object to such a disclosure.

Question 27: Do you agree that company law and the Listing Rule disclosure requirements on remuneration should be made fully consistent?

Yes, we support any measures which remove duplication.

Question 28: Would reporting under International Financial Reporting Standards provide an appropriate basis for disclosure of remuneration in the preceding financial year if this were required on both an aggregate and individual basis?

IFRS requires the disclosure of aggregate remuneration for key management personnel and individual remuneration for Directors. As per our response to question 18, we do not support a wholesale extension of the IFRS requirement for individual disclosure to cover Executives below Board level.

In the spirit of removing the duplication between different reporting requirements, we would support a harmonisation to the requirements of IFRS.

Question 29: Do you agree that the current legislative regime for audit and assurance for narrative reporting is adequate for your needs?

If you support assurance beyond the consistency of the Strategic Report and the Annual Directors' Statement with the accounts, then please explain what you believe assurance should be provided on and the benefits that you believe will ensue.

We strongly believe that the Directors of the Company should be clearly accountable for the accuracy, integrity and balance in non-financial reporting, through the auspices of the Audit Committee.

We do not believe that information outside the financial statements should be included in the remit for statutory audit beyond the current requirement to report on consistency, however we recognise that in certain circumstances stakeholders may benefit from non financial data being externally assured, either on a 'reasonable assurance' or 'limited assurance' basis depending on the identified need. It is therefore important that investors' views are taken into account in this regard.

Given the diversity of the information that would be provided by different sectors, it is not possible to generalise over the nature of information that would benefit from assurance. A voluntary code which permits a separate assurance engagement – rather than an 'audit' engagement – would be more appropriate and allow a more tailored approach. This is because the preparedness of businesses and the level of interest in non-financial information among stakeholders is likely to be different according to jurisdiction, industry or entity.

Question 30: Are there any actions that the Government could take to make the process of obtaining additional assurance on specific information in company narrative reports easier or less costly?

Assurance reporting is governed by a set of international standards and usually undertaken by private assurance providers. Consequently we do not see that there is any role that the UK government can play here.

Question 31: Do you agree that the Audit Committee Report should contain, in addition to existing requirements:

- ***How long the current auditor has been in post; and when a tender was last conducted.***
- ***The length of time since the directors, including members of the audit committee, have held discussions with principal shareholders about the company's relationship with its auditors, including the quality of service provided?***

The frank, open and challenging relationship which is demonstrated in our Audit Committees is one which both management and non-executives value and is, in our view, effective at appropriately challenging management and auditors.

We do not object to the provision of this information, however we would welcome clarity over what is meant by a tender. Our Members regularly benchmark the cost and performance of their auditor (in the same way as other suppliers) but this does not necessarily lead to a process involving other providers which is time consuming and costly for the company. Activities such as these rightly, in our view, qualify as an exercise in audit tendering.

We also welcome measures which help to enhance shareholder engagement. Our concern with this particular disclosure is that in our experience, not all shareholders are interested in engaging in a debate on this topic. It would be unfortunate if a disclosure such as this was led to the perception of poor governance within a company when the willingness on the part of the management was not matched by that of the shareholders.

Question 32: The Government would also welcome views on the impact of these proposals, both on the cost of preparation of the Audit Committee Report, and of the benefits to investors of having access to this information.

We do not comment on the benefits of these disclosures as this is more appropriately left to the investor community. The incremental cost of including these disclosures in the Audit Committee report would not be significant.

Question 33: What guidance should be provided for preparers of the Strategic Report and the Annual Directors Statement? For example, what form should the guidance take (case studies, best practice, minimum compliance requirements), how should it be disseminated and should it be high-level and principles-based or more detailed and specific?

We recommend that guidance is disseminated in the form of examples of best practice taken from actual reports. Case studies, unless based on real life data, often make simplifications which do not reflect the complexity of the real world in order to demonstrate the point.

We recommend a principles based approach and are not in favour of detailed rules as these will add to the already significant regulatory burden on our Members and often attempt to apply a ‘one size fits all’ approach which in this case is not compatible with the aim of narrative reporting being tailored to provide investment relevant information.

Question 34: Do you agree with the Government’s proposal that the reporting statement and supporting guidance should remain voluntary? If you support a mandatory statement, please explain why that is necessary for your requirements.

Yes. As Directors of listed companies, we recognise the importance of having clear, balanced, focussed communication with stakeholders. Companies that do not do this tend to be valued lower and so in our view, the market will serve to drive good behaviours in this regard in a way that compulsory reporting would not.

Question 35: Do you agree that understanding of the profile and working practices of the FRRP should be enhanced, but that the remit of the FRRP should remain unchanged?

Our Members represent companies who tend to be the focus of the FRRP and consequently we are already familiar with the profile and working practices of the Panel. We are satisfied with the current remit of the FRRP.

The Hundred Group
of Finance Directors

Statement of Principles: Narrative Reporting

Position Statement of the Hundred Group of Finance Directors, Investor Relations and Markets Committee

1. The objective of financial reporting: ‘ a single consistent story’

Narrative Reporting should provide:
- Investment relevant information
- The voice of management speaking with one voice, consistently, concisely and focused.
- Fair and balanced report of the directors’ stewardship
- Balanced and comprehensive analysis of the development, performance and position of the company’s business.

Information provided should be aligned to the method of delivery and the nature of the stakeholder and is the responsibility of the Board

Integrity of information provided to investors is key to the effective operation of the capital market

The primary tool for communicating the historic performance of a company is through the Annual Report as this provides an annual and retrospective appraisal of performance. However other methods of information disclosure are more appropriate throughout the year for current information through a different media.

Consistency and coherence between management commentary, non-financial disclosures and the financial statements is also important. This requires management to go beyond ensuring that where the same numbers appear they are in agreement, but is more a consideration of the messages, terminology and coherence of information.

2. Framework for narrative reporting

Narrative Reporting Guidance and Requirements should consider the following.
- Stability and consistency of views on requirements is important to developing narrative reporting
- The international community - requirements should not put UK companies at a competitive disadvantage.
- Information provided in an annual report must be critical and relevant to the particular company’s operations and business model.
- Flexibility in how / where information is provided - form and content should be more variable and based on the company and the judgements made by management.
- Companies should focus on what they perceive to be the most significant information and not extensive lists of generic disclosure applicable to any company.
- In some circumstances, less disclosure can provide more meaningful information to users.
- Mandating additional disclosure on numerous facets of company business could in fact serve to confuse and dilute key messages rather than clarify.

3. Context of narrative reporting

- Use of financial statements is of primary importance and a key communication tool in our ongoing dialogue with investors.
- Role of other communication tools cannot and should not be ignored when considering the appropriate requirements for narrative reporting within the financial statements. Management reports and regulatory filings are only one of a range of communications companies adopt
- Information included in our investor presentations and within our websites as live, relevant and adaptable communication tools vital to our ongoing stakeholder relationships. We ensure that all communications are available to all stakeholders ensuring that information reaches a wide audience. Companies are embracing technological change to refine the communications
- Annual reports and the narrative reporting within them are not and should not be designed to be all things to all stakeholders.
- Listed companies recognise the importance of having clear, balanced, focussed communication with stakeholders. Companies that do not do this tend to be valued lower and so the market has driven the improvements already seen.

4. Principles of narrative reporting

- Clear, relevant, timely communication of information has been consistently shown to improve investment decisions and boost investor confidence.
- Narrative Reporting is the strong arm of Corporate Governance.
- To be useful, disclosure must be tailored to the position of the particular company and must not descend to boilerplate. Boilerplate disclosure reduces relevance, quality, depletes transparency and boosts complexity.
- In our opinion, mandating management commentary on specific topics or metrics does not lead to good corporate reporting. To the contrary we believe that this can provide confusing, misleading and uninformative dialogue with investors. Metrics are as distinct as an organisation's business model and as such are bespoke to that organisation's policies and circumstances.
- If a company believes that its stakeholders, including investors, employees and customers, would be interested in ancillary information we believe that companies should be able to choose the medium, information and positioning of this information in a way that is most relevant to them.

5. Limitations of narrative reporting

- Commercial constraints exist over the disclosure of detailed forward-looking strategy. Understanding of the direction and intentions of a company are required for investors and stakeholders to make appropriate investment decisions, this must be offset by the need to keep some commercially sensitive developments inside the company.
- Narrative reporting is not the solution to all behavioural changes sought by interested bodies.