

AccountancyAge

FRC publishes strategic report guidance

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THE FRC has published [guidance on the strategic report](#), following its introduction to annual accounts from October 2013.

The best practice guide, which was developed in line with the EU Directive on Non-Financial Reporting and the International Integrated Reporting Framework, is the first of a series of steps from the FRC to help shareholders better assess value through improved reporting.

In addition to a "fair, balanced and understandable" view of company's strategy, objectives and [business model](#), the report should also include information about the "internal and external

environment" the company works in and its business performance, the FRC said.

Within these categories, it highlighted environmental, employee, [social](#) and human rights factors, as well as non-financial key performance indicators (KPIs) and board gender diversity details as important elements. Where a company does not include environmental and social issues on the grounds of immateriality, it will be expected to explain what has been excluded and why.

The guidance also encourages businesses to demonstrate and explain linkages between individual elements in other areas of the annual accounts, such as an entity's [business strategy](#) and director pay arrangements, in an effort to "provide a deeper insight" into company policy.

FRC chief executive Stephen Haddrill (*pictured*) said investors continue to have concerns that "key messages about the [business](#) are buried in too much verbiage of little value or are obscured by boilerplate", despite a range of legislative and policy changes since 2012.

This publication will be followed by further measures to improve reporting quality, including a review of progress towards clear and concise reporting this year and publication of Financial Reporting Lab case studies. The FRC's Corporate Reporting Review team will also identify reports that include too much "clutter".

Haddrill added: "The programme we launch today is designed to tackle this persistent problem and promote clear and concise reporting. We will be seeking the views of stakeholders through roundtable discussions."

KPMG head of audit Tony Cates said the guidance might "help [companies](#) look beyond current year earnings to provide a broader picture of shareholder value creation" in annual accounts.

He said: "The business-centric focus of the guidance is an opportunity for companies to focus their reports on those factors that are most important to the long term prospects of their business."

Last week, the FRC reconfirmed the true and fair concept can be used to override reporting standards in exceptional circumstances, although accounting standards are expected to achieve this principle in the "vast majority" of cases.

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