

AccountancyAge

Integrated reporting nudges closer with new FRC guidance

by Rachael Singh

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THE PROFESSION'S WATCHDOG has stepped up the integrated reporting debate with the launch of a consultation on guidance for strategic reporting.

The Financial Reporting Council said the guidance applies to requirements for strategic reporting under the recently updated [Companies Act 2006](#) (Strategic Report and Director's report) regulations 2013 which must contain more narrative reporting.

From 1 October, annual reports will have to include information about a company's human rights approach, gender representation and greenhouse gas emissions.

The amendments will see the introduction of the so-called strategic report, which will replace the current business review. The change is designed to help companies "tell their story" which will include strategy, business model, principle risks and challenges the organisation has faced.

The FRC encourages companies to experiment and be innovative in drafting annual reports, presenting narrative information in a way that allows them to communicate company strategy to investors concisely; linking related information in a fair, balanced and understandable way.

The International Integrated Reporting Council ([IIRC](#)), which hopes to create better narrative reporting that is inclusive of social economic costs has welcomed the guidance.

Paul Druckman, chief executive officer of the IIRC, said the FRC's encouragement of innovation and experimentation in reporting "should support a shift in the mind-set of a business away from rigid compliance, and towards the better communication of its individual value creation story for its providers of financial capital".

"There is of course more to do, in terms of articulating a common vision, a clearer roadmap for businesses to follow and, perhaps, more clarity around the definitions of key terms. But are we moving in the right direction? Yes, absolutely," he added.

Although the concept has been widely backed by large companies, with HSBC, Deutsche Bank, all the institutes and large firms on the IIRC team, questions have been raised as to the viability of such a task.

The Department for Business, Innovation and Skills asked the FRC to prepare non-mandatory guidance on the application of strategic reporting requirements.

As part of the updated Companies Act, businesses with a year end on or after 30 September 2013 will have to adhere to the new rules.

Melanie McLaren [pictured], executive director codes & standards at the FRC, said: "While the new regulations represent a relatively modest change to the existing legal requirements, we hope that our proposed guidance will act as a catalyst for companies to publish more relevant narrative reports, facilitating communication and engagement with investors."

"The guidance is aimed at "cutting clutter" and improving relevance of corporate reporting to investors. In drafting the guidance we have borne in mind developments in integrated thinking and reporting."

The guidance consultation closes on 15 November.

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