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A clear vision

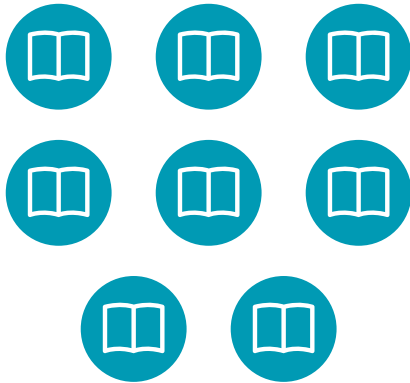
Annual report insights 2016

Planning your report

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Executive summary



On average reports got longer by **8 pages**



71% discussed value creation...

Maintaining a clear vision

The objective of making reports and accounts clear and concise is becoming harder to achieve. And despite everyone's best efforts the size of annual reports and accounts grows inexorably year on year. Every year this survey shows that reports are getting longer, this year by an extra eight pages.

The focus should be on producing better information rather than simply more of it. This is not an easy ask against the ever growing demands for more disclosure. For example 2015 reports had to include a full list of subsidiaries and other associated companies rather than just their principal ones and for 2016 this statutory requirement is further supplemented with the disclosure of registered office addresses, no doubt resulting in yet more pages of data in the annual reports.

The tide shows no sign of turning. Investors want more transparency on tax and dividend policy for example. The FRC's thematic review on tax and its Financial Reporting Lab's on dividend policy are starting to focus companies' attention on these two areas of public and investor interest. 38% of companies in our survey chose to provide information on distributable reserves in their financial statements, but thus far only 10% included detailed information on tax governance in their strategic report. As more companies are engaging in the broader debate around the social licence to operate we are seeing more examples of companies explaining the broader contribution they make to society and the broader impact they have, with 49% including a cross reference to where further corporate responsibility (CR) information could be found, compared to the 34% who did so in 2015.

Integrated reporting

<IR> by focusing on the long-term value creation is often seen as a useful framework to explain a company's broader contribution and impact. 71% of companies in our survey are now telling their value creation story compared with 54% in the previous year; furthermore 33% discussed how they were creating value for a variety of stakeholder groups. UK companies are using the principles and ideas of <IR> to innovate rather than following the IIRC framework dogmatically. For example, the number of companies presenting information similar to <IR> capitals when discussing their business model is up from 53% to 70% in the year and 23% provided a meaningful discussion of corporate culture, an area where the FRC are currently undertaking a project.

Eight companies in our sample described their report as an integrated report, but regardless of whether they were described as such we certainly found good examples of integrated thinking shining through. Authenticity is what really puts clear blue water between one report and another.

Changing course over the past year

There was much change over the past year. On the accounting side many parent companies bade farewell to old UK GAAP, in most cases transitioning across to FRS 101, the IFRS-based reduced disclosure framework. And the 2014 Corporate Governance Code and its accompanying guidance on risk and internal controls was the main change to take effect, including the new statement on longer-term viability. Most companies went for a three year lookout period, but only 48% of companies gave detail on qualifications to, or assumptions made in their analysis. Alongside this companies had to provide a new statement that directors had made a robust assessment of principal risks. 85% did so, but disappointingly out of these 12% did not provide a description of risk management processes that would corroborate this assertion; also, only 63% disclosed how risk appetite had been incorporated into their risk assessment process.



...with **33%** discussing value creation for a variety of stakeholders



8 companies described their report as integrated



79% of the FTSE 100 discussed the board's approach to cyber security



16% of companies identified a potential Brexit as a principal risk

Recognising the risks surrounding cyber security

Cyber security was clearly seen as a risk on the near horizon. 79% of FTSE 100 companies surveyed discussed the board's approach to dealing with this threat, though smaller companies took a more sanguine view, with 59% of FTSE 250 and only 12% of those outside the FTSE 350 including such a discussion.

The effects of Brexit

Only 16% of companies in the survey had identified a potential Brexit as a principal risk in their last annual report (being 2015 year-ends). With the referendum decision and the FRC reminders of the need to update the assessments around principal risks and uncertainties we should see a somewhat different picture in 2016. Reports will be expected to reflect the ability to navigate possibly difficult and choppy waters.

Looking to the horizon

Along with Brexit there are many issues for preparers to navigate both in the immediate future and in the years ahead.

Alternative Performance Measures (APMs) feature greatly in UK reports and the biggest step-change for 2016 year-ends will be the ESMA Guidelines on this. Historically the UK regulator has been perhaps more accepting than some other regulators of their presence, but with the ESMA Guidelines now fully effective the FRC has made it clear that they will consider material non-compliance with those Guidelines when assessing whether the strategic report complies with the law and thus is fair, balanced, and comprehensive. We looked at the presence of APMs in the summary sections, which is often indicative of companies' use of APMs. Of those presenting APMs in the summary section, 72% failed to give equal or greater prominence to corresponding GAAP measures, 63% failed to provide clear reconciliations and 13% failed to provide comparative figures.

And there is also change ahead on the audit committee front as companies look to apply the 2016 Code and the revised accompanying guidance, although it is not effective until periods beginning on or after 17 June 2016. The survey shows that only 12 companies give the ratio of audit to non-audit fees. This is now a recommendation of the Guidance on Audit Committees, and only 35 companies had a relatively full description of their non-audit services policy. Where it was clear from the report that the auditor provided significant non-audit services, in only 28% of cases was there a clear description of the safeguards in place, despite the fact that this has been a recommendation for some time and is at least hinted at in the wording within the Code.

There will also be a focus on internal audit as a result of renewed attention in the new Guidance on Audit Committees. Only 41% of our sample of companies described clear reporting lines to the audit committee and so demonstrated independence from management. And only 34% described the internal audit plan being set with reference to the principal risks of the business, as is recommended by the Guidance on Risk Management, Internal Control and related Financial and Business Reporting.

With three important new IFRS standards on the way, IFRS 9 on financial instruments, IFRS 15 on revenue and IFRS 16 on leases, further disclosures about their expected impact will have to be made. Regulators and investors will be looking for quantification of the impact and, as a minimum, entity specific and detailed qualitative disclosures.

Setting a safe course ahead

Now is the time, ahead of the reporting season, to make sure everything is properly ship-shape and sea-worthy. This report has been designed with that objective clearly in view. Its insight and examples aim to help preparers develop a clear vision for their own annual reports and to help the annual report continue as the anchor of communication with investors, delivering a clear vision of a business to its readers.



72% gave more prominence to APMs than the associated GAAP measures...



...and **63%** failed to provide clear reconciliations

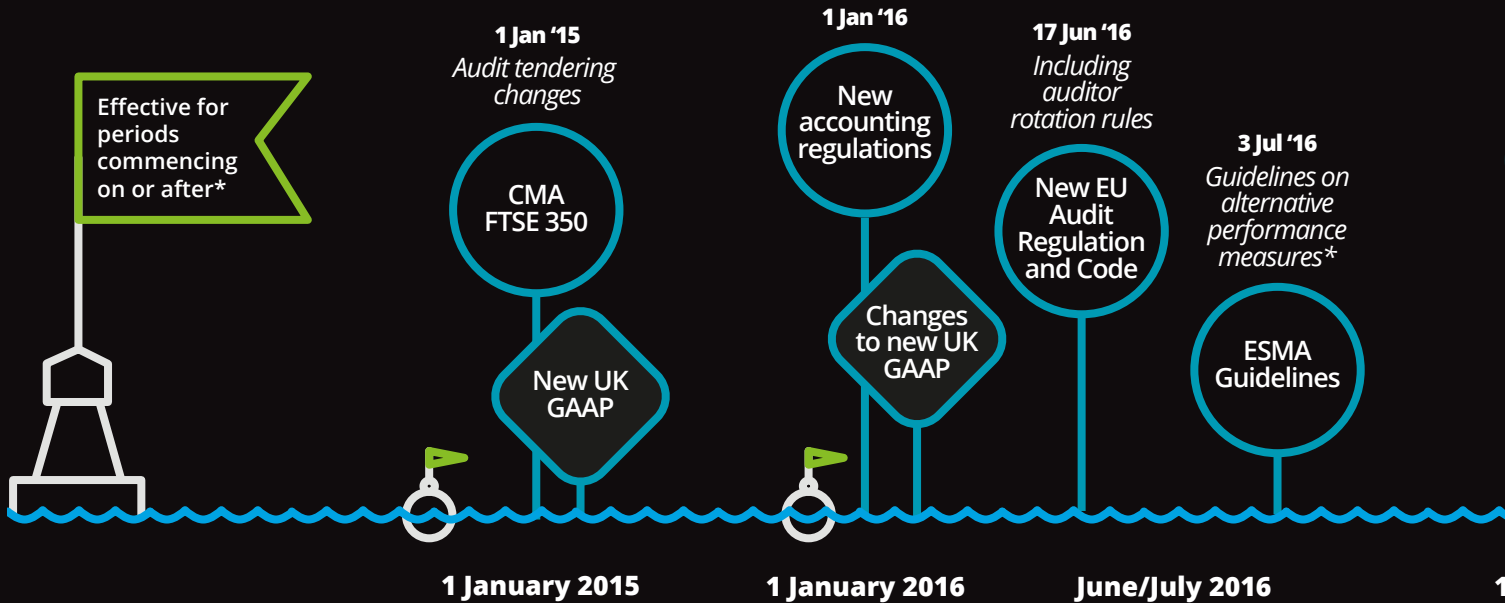
A photograph of a clownfish swimming in a coral reef. The clownfish is the central focus, with its characteristic white body, black stripes, and yellow fins. It is surrounded by various types of coral, including some with rounded, mushroom-like tops. The background is dark, making the fish and coral stand out.

Key changes that will influence
your 2016/17 reporting



Timeline of key changes

UK corporate reporting changes



Other significant initiatives:



FRC's 'Clear & Concise' initiative and 'Smaller listed and AIM company reporting' project

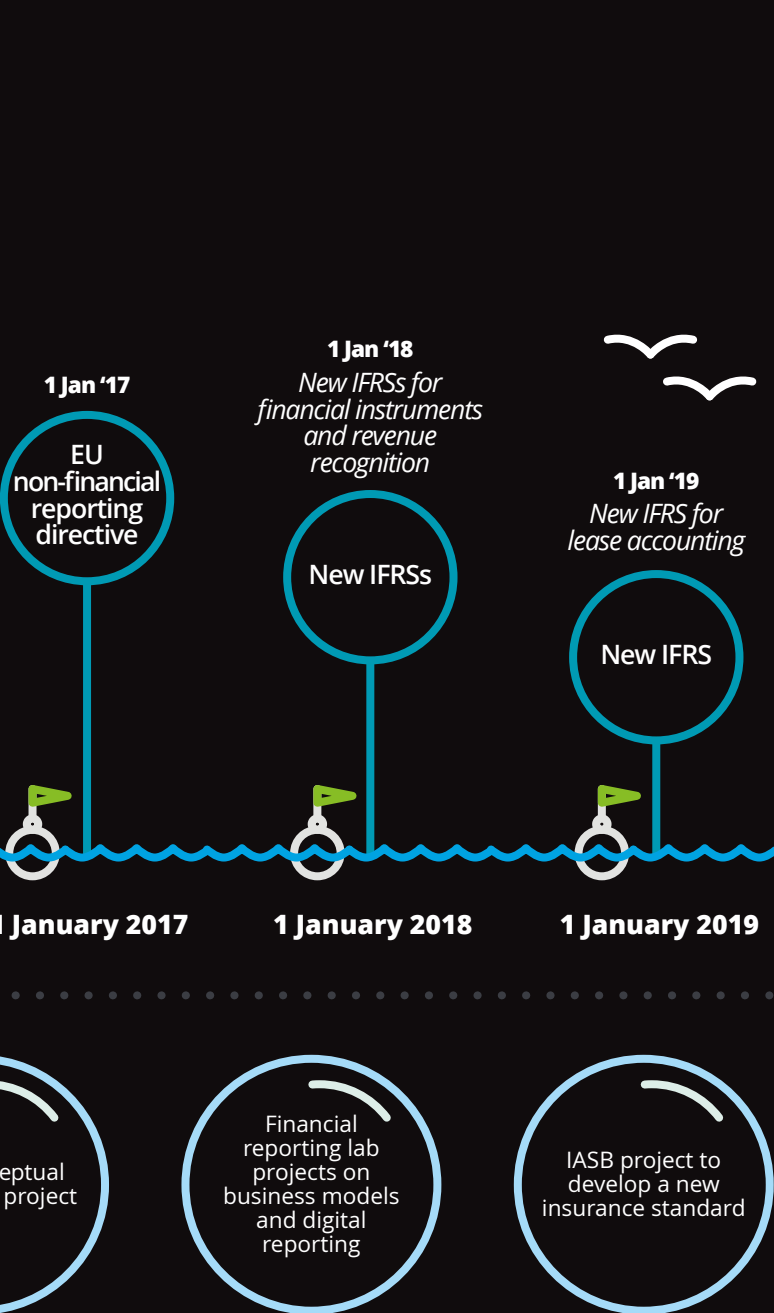
IIRC integrated reporting framework

IASB disclosure initiative

IASB conceptual framework

*The ESMA Guidelines are effective for documents issued on or after 3 July 2016, regardless of the accounting period.

See the regulatory overview



Your 2016/17 plan
(for December reporters)

October 2016

By mid October

- Planning meeting of contributors to agree responsibilities, process and governance, including how to assess whether the report is fair, balanced and understandable, plus decide the overall structure for the report
- Identify opportunities to make the report clearer and more concise

November 2016

Early to mid November

- Contributors draft templates for their areas of responsibility
- Structure of draft report pulled together and reviewed for duplication
- Areas for linkage identified and highlighted in the draft report

Late November/early December

- Auditors review the structure of the report and provide comments

December 2016

By mid December

- Disclosure Committee (or equivalent) approve overall structure and technical compliance of the report

January 2017

- Draft report presented to the Audit Committee for initial comment on key messages, themes and overall balance
- Report sections updated for final messages based on year-end results
- Cross-check for consistency with other planned or existing public reporting

February 2017

- Audit Committee assesses annual report on behalf of the Board – is it comprehensive and is it fair, balanced and understandable?
- Remuneration report reviewed by Remuneration Committee
- Report sections formally presented for review
- Chairmen of Audit, Remuneration and Nomination Committees compose introductions to their reports

By late February/March

- Final report presented to Audit Committee, Remuneration Committee and Board for approval

The preparation process

When implementing the recommendations set out in this document, it is important to work to an achievable timetable. Getting as much as possible done in advance of the year end, when there is less pressure on the timetable, reduces the burden during the post year end reporting cycle. In order to help you achieve your objectives, we have provided a 2016/17 plan, opposite, and suggestions below for what could be on the agenda for your planning meeting.

What to discuss at the planning meeting



Consider how you will ensure that all elements of your annual report meet the regulatory requirements and effectively convey strategically important information to shareholders



Agree the key messages and themes that will flow through the report, as far as they are understood at this stage, getting Audit Committee and Board buy in at a sufficiently early stage



Discuss and agree how materiality will be applied to the annual report as a whole



With the design team, discuss the key messages and themes and how these can be brought to life through design



With the website team, discuss your approach to digital communication alongside the key messages and themes, to agree any advance design work to be done on the website



Plan how you will avoid the “silo effect”:



Arrange for regular communication between all teams involved



Create an example storyboard identifying all elements to be included in the front half at the beginning of the process to help avoid duplication, and achieve a holistic, concise story



Identify the relationships to be drawn out and links to be made in the report



Identify who will do a “cold read” of the report in full to assess clarity of message, conciseness and duplication, as well as determining whether the report is fair, balanced and understandable



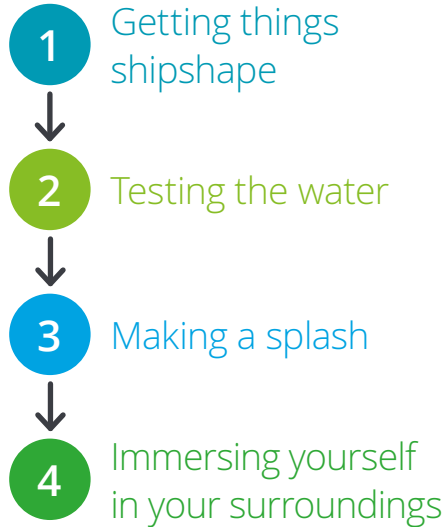


Preparing for your 2016/17
annual reporting cycle

Coming up for air

Each year, you have an opportunity to revisit and revitalise your annual report to best meet the needs of your company and its shareholders. Each year, the demands of investors and other stakeholders – industry and reporting regulators, government and the wider public – increase and cover more ground. By highlighting the findings from our research of 100 UK listed companies' annual reports, we provide accurate and timely insight along with better practice examples to help you take this year's opportunity to improve your reporting.

We have separated our insights into four levels, each of which is tailored to reflect the different appetites of preparers. They range from simply meeting regulatory compliance requirements, to immersing yourself in the idea of integrated thinking and enabling insightful, high-quality reporting to emerge.



Pearls of wisdom

Throughout this report we indicate key insights – our pearls of wisdom – using this icon.



Resources

Throughout this document we have included references to web resources, including UK Accounting Plus, Deloitte's one stop shop that updates you on all accounting, governance and regulatory developments.



Good practice examples

You will also find links to good practice examples of how UK companies have recently addressed these topics in their real life annual reporting. For more examples, see [A clear vision: The full details](#).



Getting things shipshape

A shipshape report is one that complies with the rules. It identifies and responds to new reporting requirements and the key areas of regulatory challenge – ticking off the compliance checklist. Making sure your report is shipshape helps new investors understand your business and reduces the risk of challenge from regulators.



Testing the water

With a thorough understanding of what is needed to make your report shipshape, you can focus on how you can better communicate your company's message. A clear and concise report focusing on company-specific information and insight keeps the user well-informed.



Making a splash

Going that bit further to respond to regulatory and investor recommendations and introduce value-added disclosure which means the user can truly understand your company and appreciate how well it responds to changes in the reporting landscape.



Immersing yourself in your surroundings

The best reports are authentic: they don't just tell a story, they tell the story that the company lives. If your story is about long term value creation, engagement with broader stakeholders, recognition of the impact of broader environmental and societal factors on your business prospects, strategy and performance are you letting this integrated thinking shine through your annual report and other communications?



Getting things shipshape

A close-up photograph of a person's hand turning a blue-handled valve on a large, dark-colored industrial tank. The background is a blurred industrial environment with various pipes and equipment.

A shipshape report is one that complies with the rules. It identifies and responds to new reporting requirements and the key areas of regulatory challenge – ticking off the compliance checklist. Making sure your report is shipshape helps new investors understand your business and reduces the risk of challenge from regulators.

In this section we look at the basic elements that every annual report should consider, including new requirements and areas where we anticipate stronger regulatory focus.

New for this year



Alternative performance measures (APMs)

Have you taken into account the new Guidelines on APMs? Is the annual report, taken as a whole, fair, balanced and understandable? Do GAAP measures have equal or greater prominence than non-GAAP measures? Will users understand why alternative performance measures have been used and be able to see comparative figures?

The European Securities and Markets Authority's Guidelines on Alternative Performance Measures (APMs) came into force for certain public statements published on or after 3 July 2016, including the narrative reporting in listed companies' annual reports. The Guidelines explain that APMs need to be understood by users, with the purpose of the measure clearly explained and placed squarely in the context of the overall financial statements.



[Need to know – Alternative performance measures: A practical guide.](#)

In particular, the Guidelines require the following disclosures.

- Each APM should be meaningfully labelled, clearly defined and its calculation method explained.
- The purpose of each APM should be clearly set out.
- For each APM, the equivalent GAAP measure should be presented with equal or greater prominence.
- Comparatives should be given for all APMs.
- A clear reconciliation to the most comparable financial statement line item should be presented.
- Unless there are good reasons for change, the presentation of APMs should be consistent over time.



[National Grid Plc](#) demonstrate equal prominence of APMs and GAAP measures and [BT Group plc](#) show how reconciliations could be presented.

76% of companies surveyed used APMs in the summary section of their annual report, demonstrating how broadly these measures apply and how important they are to preparers and users of annual reports.

Of the companies presenting APMs in their summary section:

72% failed to give equal or greater prominence to corresponding GAAP measures.

63% failed to provide clear reconciliations to financial statement line items.

13% failed to provide comparatives.



The ESMA Guidelines and the FRC's approach to implementing these in the UK indicate a step-change in the UK approach to disclosure, moving the UK closer to the worldwide regulatory position. Preparers of financial statements and audit committees should ensure they are familiar with the detailed requirements as well as the principles of the new Guidelines. This area no doubt will create a new tension between communication and compliance. The challenge will be to achieve both.



The impact of Brexit

With the UK exit now definite and the strategy starting to take shape, what effect will this have on the business? Has the impact of Brexit been covered in strategy, business model and principal risk disclosures as necessary?

Market and foreign exchange volatility may have significant impact on forecasting and key judgements. It is unlikely that any company will be immune. The UK decision will no doubt affect future strategy and prospects with new risks and opportunities to manage.



[Brexit: Plotting a new course.](#)



[2016 update on half-yearly financial reporting.](#)



16% of companies surveyed identified Brexit as a principal risk in their last annual report.



In half-yearly financial reports, companies have started to make it clear that they are in the process of assessing the potential effects of Brexit on their business and their principal risks.



Other changes for 2016 year-ends

Do any of the amendments to IFRSs that come into force this year affect you? Have you considered the impact of the revised Accounting Regulations?

There are no new IFRSs coming into force for December 2016 year-ends. The main change that impacts disclosure requirements is the [amendments to IAS 1](#) as a result of the IASB's Disclosure Initiative but there are various other minor amendments coming into force.

Application of the [2015 amendments to the Accounting Regulations](#) is also mandatory for December 2016 year-ends. These require companies to disclose in their accounts the registered office of all subsidiaries and associated companies and, where a parent company-only profit and loss account is not presented, require the disclosure of the parent's profit or loss on the face of its balance sheet.

More detail on these changes can be found in chapter 3 of [A clear vision: The full details](#).



Pulling it all together

Areas of regulatory focus



Clear and concise reporting

Is the annual report in plain English? Can it be easily understood? Is there confusing repetition or is key information missing? Have you considered initiating a “Clear and Concise review” of the annual report?

Better information does not necessarily mean more information and the Financial Reporting

Council (FRC) has continued to emphasise the value of clear and concise reporting this year. However, regulatory requirements introduced last year have added to the number of pages needed by companies in their annual reports – particularly the requirement to include a full list of subsidiaries and associated companies. This is a difficult balancing act for preparers.

Reports have become longer by an average of **8** pages this past year.



Going concern

Have you achieved the right balance between information in the going concern statement and the longer term viability statement? Are any material uncertainties clearly explained in the financial statements?

There was a great deal of variation in the level and nature of disclosure both in the front half and in the financial statements, suggesting that practice in this area has not yet normalised. We recommend that companies should assess the level and nature of disclosure that would be helpful for users of the annual report. Approaching the strategic report, financial statements and longer term viability statement holistically should avoid duplication of information.

43% of companies surveyed positioned the going concern statement adjacent to the longer term viability statement and **8%** presented a combined going concern and longer term viability statement.



Narrative reporting

Areas of regulatory focus

Have you dealt with the requirements of the strategic report clearly and concisely? If you are looking for guidance on how to do this effectively, you will find this in the next chapter, [“Testing the water”](#).



Principal risks and uncertainties – an area of regulatory focus

Have you made sure that only genuinely principal risks are identified as such? Is there a clear description of what is done to manage or mitigate those risks? Have changes to the principal risks, their impact or likelihood, been disclosed? Has the directors’ statement regarding the robust assessment of principal risks been included in the annual report?

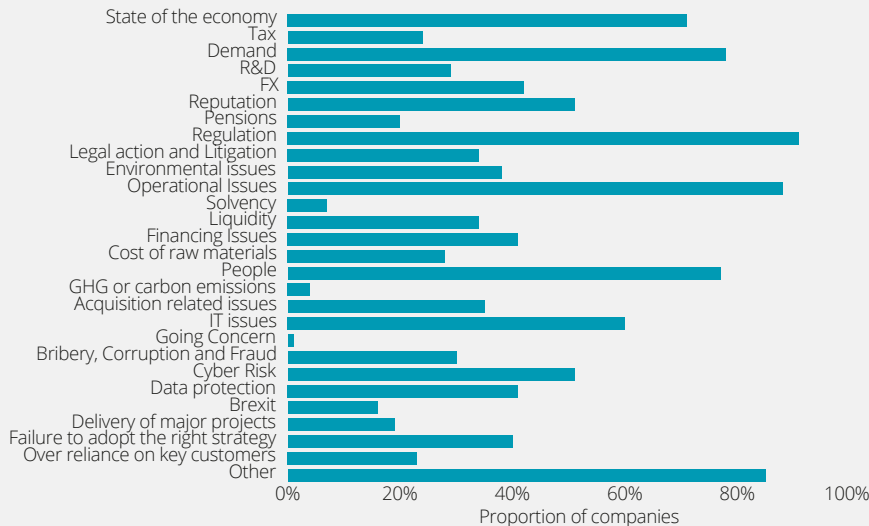
The 2014 Code has increased the focus on

principal risks and uncertainties. The directors now need to confirm they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

The FRC also encourages companies to disclose where principal risks have changed and the nature of any change in the impact or likelihood of the principal risks, including disclosures on management or mitigation.

See chapter 8 of [A clear vision: The full details](#) for more information.

What are the main categories of risk disclosed?



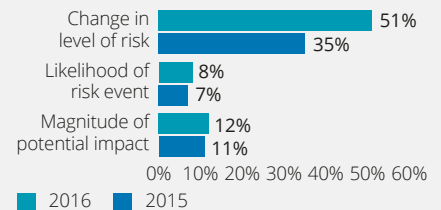
85% of companies surveyed made a clear statement regarding their robust assessment of principal risks.

Of these companies, in our opinion **12%** of accompanying risk management disclosures were insufficient to corroborate that statement.

34% of companies surveyed indicated that internal audit plans are set with reference to the principal risks of the business.

78% of companies surveyed discussed principal risks or risk management in the first 20% of their report.

What information have companies disclosed in relation to their principal risks?



[Halma plc](#) and [AO World plc](#).



For the first time this year we assessed how prominent risk disclosures are in the annual report. This is an area of regulatory focus and all companies should consider whether there is appropriate balance and linkage between disclosures on the strategy and opportunities for the company and the associated principal risks.

Corporate governance

Areas of regulatory focus



Longer term viability statement

Have the reasons for the lookout period chosen been made clear? Is the statement included with the principal risks in the strategic report or clearly cross-referenced to other helpful detail? Did the directors explain how they reached their conclusion? Have qualifications or assumptions been disclosed as necessary?

The majority of companies determined that a 3 year lookout period was appropriate for their longer term viability statement –

however only **92%** of our survey sample met the Code requirement to explain the reason for the lookout period.

See chapter 9 of [A clear vision: The full details](#) for more information.



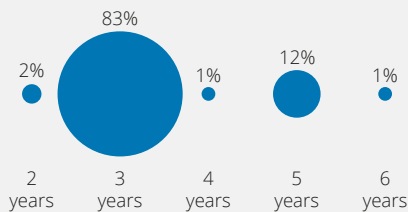
73% of companies surveyed considered their longer term viability statement of sufficient importance to include it in the strategic report – this also has the benefit of linking it more clearly to risk management and principal risks.

52% of our survey sample did not include the qualifications or assumptions underlying the directors' assessment of longer term viability.

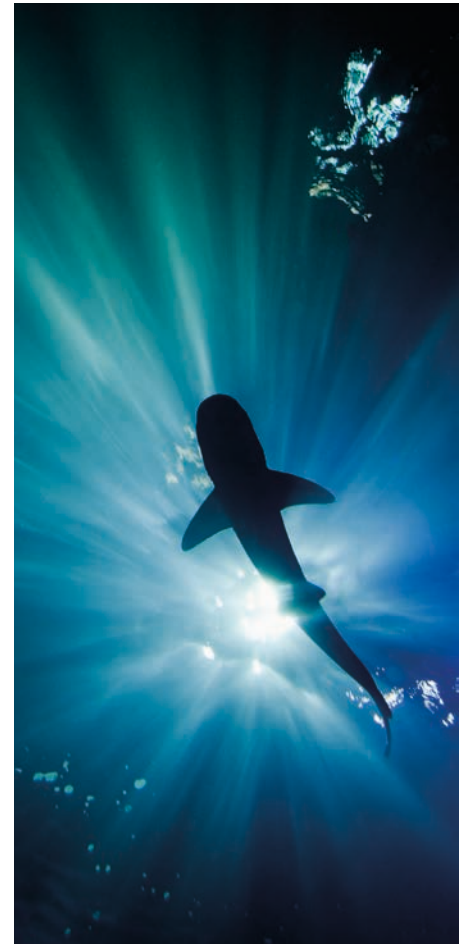
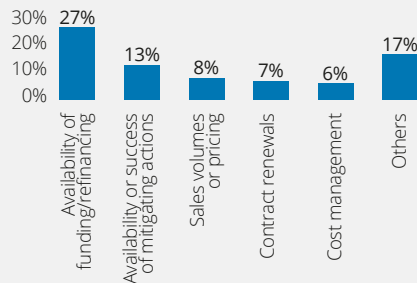


[Thomas Cook Group plc](#) and [Dairy Crest Group plc](#).

What lookout period have companies used?



How many companies have reported on qualifications or assumptions?





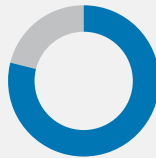
Audit committee responsibilities – tendering the external audit

If a FTSE 350 company, have you included a statement of compliance with the Competition & Markets Authority's Order on statutory audit services in the audit committee report? If the external audit has not been tendered for five years, have you added a statement on when it will next be tendered and why that is in the best interests of the company's members?

 [Rotork Plc](#) (page 71).



Just **65%** of companies surveyed that were subject to the requirements included a statement of compliance with the Competition & Markets Authority's Order regarding audit tendering.



87% of companies surveyed included disclosure around the tenure of the incumbent auditor.



2014 UK Corporate Governance Code

The [2014 UK Corporate Governance Code](#) (the Code) was effective for periods commencing on or after 1 October 2014 and all companies in our sample were subject to its new requirements.

Most significant were the changes to going concern and risk management reporting and the introduction of the new viability statement. Although the Code was new in the prior year, we have provided observations and areas for improvement for the coming year.



Audit committee reporting

Have you provided sufficient detail in the audit committee report? Does this cover significant issues affecting financial reporting? Do you adequately describe how the audit committee assessed the effectiveness of the external audit process? Have safeguards over non-audit services provided by the external auditor been explained?

The 2016 Guidance on Audit Committees includes a list of further reporting recommendations that have not previously been part of this Guidance.

Specific new recommendations include more discussion of internal audit, such as the function's mandate and reporting lines; disclosing the nature and extent of interaction

with the FRC's Corporate Reporting Review Team and, when a company's audit has been reviewed by the FRC's Audit Quality Review team, disclosing significant findings and the resulting actions the audit committee and the auditors plan to take. This disclosure should **not** include the audit quality category awarded.



[Governance in brief – FRC issues 2016 UK Corporate Governance Code, Guidance on audit committees and changes to auditor independence rules – Part One.](#)



[The Weir Group PLC](#) clearly set out significant financial reporting issues and [Mondi Group](#) discuss how the committee evaluated the external audit.

Only **2** of the companies we surveyed indicated that their annual report had been reviewed by the FRC's Corporate Reporting Review team. This was lower than expected given the number of letters issued by the CRR team in 2014/15. A few stated explicitly that theirs had not been reviewed.

20% of the companies surveyed indicated that they had taken account of the FRC's Audit Quality Review team's report on their auditors. Of these,

10% reported a review of the audit of their own company. None of these companies disclosed the audit quality category awarded.



Risk management

Is it made clear that the board monitors risk management and internal control systems on an ongoing basis?

The board is now expected to monitor risk management and internal control systems on an ongoing basis and, where a significant failing or weakness has been identified as part of the annual review of the effectiveness of internal controls over financial reporting, should make it clear what actions have been or are

being taken to remedy the failing or weakness identified (in line with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting).



Governance in brief: [Risk, internal control and longer term viability – unlocking the value](#)



85% of companies surveyed had disclosures that made it clear that the board monitors risk management and internal control systems on an ongoing basis.



[National Grid Plc.](#)



Compliance with the Code

Is there an explanation of any departure from a Code provision, including any non-compliance that first took place in a previous year? Is there enough information to make it clear how the principles of the Code have been maintained?

With regulatory focus, there has been a trend over a period of years towards an improvement in the quality of explanations. A high quality explanation can provide useful information to investors enabling them to come to a view

of the company's departure from a Code provision and, in many cases, to understand the company's position.

It is a requirement, and helpful to investors, to provide clear reasons for non-compliance even where the original non-compliance took place in a prior year – for instance the historical appointment of a non-independent Chairman or the same person having assumed the role of both Chairman and Chief Executive.

See chapter 10 of [A clear vision: The full details](#) for more information.




68% of companies surveyed with one or more areas of non-compliance provided an adequate explanation of the reasons for their departure from the Code.




[Johnson Matthey Plc.](#)

Financial statements


Areas of regulatory focus


 [Accounting and financial reporting reminders.](#)

 **Tax transparency**
 Have you checked that the tax rate reconciliation aggregates reconciling items appropriately and describes them clearly? Are deferred tax assets adequately justified? Is sufficient disclosure given to provide an understanding of uncertain tax positions? Is the tax disclosure in the financial statements fully aligned to disclosure in the front half?

The FRC announced in 2015 that it would undertake a thematic review of tax disclosures and wrote to a number of FTSE 350 companies to indicate their disclosures would be reviewed – this is an area of media attention and investor concern. There is no suggestion that the FRC’s review adds to the existing requirements of IFRS, however it emphasises the importance of paying particular attention to getting tax accounting and disclosure right. This includes consistency between the financial statements and the strategic report where tax is mentioned in both places.

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 **Need to know:** [Focusing on tax transparency in annual reports and accounts.](#)


 **Non-GAAP measures**
 Are accounting policies for non-GAAP measures well designed and clearly explained? Are they applied consistently? Has comparative information been presented? Have reconciliations been given, where necessary?

Non-GAAP measures often exclude so-called ‘exceptional items’. Care should be taken in identifying these - recurring or immaterial items should not be labelled as exceptional. Make sure that an even-handed approach is taken to identifying both credits and debits as exceptional, and ensure that financing and tax items are identified as exceptional where appropriate. Bear in mind the FRC’s [recommendations on the reporting of exceptional items](#).

81 (2015: 74) companies surveyed identified non-GAAP measures in their financial statements.

.....


 [Kingfisher plc](#) and [Barclays PLC](#).

 **Disclosure of accounting policies**
 Have you provided company-specific policies for all material transactions and balances – and cut down on immaterial disclosure? Are the accounting policies in line with the business model and narrative in the strategic report?

Accounting policies should not simply quote the requirements of the standards, they need to be specific, sufficiently granular and clear on how the requirements of IFRSs apply to your particular circumstances and transactions. For example, a clear revenue recognition policy is something that investors are always keen to see.

Despite the focus on clear and concise reporting, the average length of the accounting policies note was **7** pages – up from 6 pages in 2015.






Pension schemes

Have you included clear disclosure regarding the responsibilities of trustees for the governance of pension schemes? Are sensitivity disclosures sufficient? Is maturity profile information useful?

The FRC has highlighted a number of accounting and disclosure issues relating to pension schemes, particularly defined benefit schemes. These include the questions above and also disclosure of the applicable regulatory framework and whether companies have correctly identified and described the effect of minimum funding requirements and any restrictions on recognising a surplus.



BTG.plc.



Intangible assets

Has research and development expenditure been treated appropriately? Has the amortisation method been disclosed? Is the distinction clear between internally generated and acquired intangible assets? Have all individually significant intangible assets been separately identified? Of the companies surveyed that assessed intangible assets as having an indefinite life, only **44%** clearly explained the reason for this.



LSL Property Services Plc.




Complex supplier arrangements for retailers

Are all material complex supplier arrangements discussed in the financial statements? Do disclosures give clear and relevant information to investors?


This is still a hot topic following the FRC's [press release](#) on the subject a number of years ago. It is worth putting sufficient emphasis on complex supplier arrangements and encouraging sufficient audit committee scrutiny.

13 companies surveyed included discussion of complex supplier arrangements in either or both of the audit committee report and the financial statements.

Critical judgements

Are the critical judgements described in the financial statements explicitly stated and described well? Is disclosure helpful?



Key sources of estimation uncertainty

Are all the significant material uncertainties that exist highlighted in the disclosure? Is suitable supporting information such as sensitivities provided?

Is disclosure well-aligned to the significant financial reporting issues discussed in the audit committee report?

Regulators are keen to see a clear distinction between critical judgements and key sources of estimation uncertainty – even where these relate to the same material balance or transaction.

67% of companies surveyed failed to distinguish between judgements and sources of estimation uncertainty in their financial statements (2015: 70%)



Cash flow statements

Are items correctly classified as operating, financing or investing?
Are items netted only where appropriate?
Are non-cash items excluded?

It's worth paying particular attention to the classification of unusual or non-recurring cash flows, as it may still be correct to classify them as operating items.




Provisions, contingent liabilities and contingent assets

Have reasons for movements in provisions been included? What about uncertainties relating to timing or amount of cash outflows? Are all contingent liabilities mentioned in the strategic report also identified in the financial statements?

Companies should be wary of including a significant class of 'other' provisions without sufficient explanation, since IAS 1 requires that material items of a dissimilar nature are appropriately disaggregated. Also, if you are considering omission of a provision on the grounds that it would be seriously prejudicial, be cautious. This is only allowed by IAS 37 in exceptional circumstances, and certain disclosures are still required.

Only **44%** of companies surveyed clearly reconciled all components of the movement in provisions.

 [KAZ Minerals Plc](#) (page 137).



Business combinations

Has sufficient diligence been applied to identifying and valuing intangible assets acquired? Have contingent payments been accounted for as remuneration, where appropriate? Have all relevant disclosure requirements been met?

Assess whether the transaction is a combination or an asset acquisition and whether the acquirer for accounting purposes is the same as the acquirer for legal purposes – this isn't always the case. Significant judgements in this area should be clearly disclosed. Also, be aware that even where a business combination is a post balance sheet event, the disclosure requirements of IFRS 3 still apply.



Impairment assessments


Are discount rates up to date and pre-tax? Have all cash generating units (CGUs) been appropriately identified and goodwill suitably allocated? Has appropriate disclosure been made of assumptions used in determining value in use and how these were determined? Where goodwill is allocated to a group of CGUs, have the individual CGUs been tested for impairment first?

Ensure that, where goodwill has been allocated to a group of several CGUs, this group is not larger than an operating segment.

Remember that where CGUs have different risk profiles, it will usually be necessary to identify different pre-tax discount rates. Any required sensitivity disclosures should be clear in setting out the situations in which impairments could arise.



23% of companies surveyed with a business combination (2015: 8%) recognised goodwill but no separate intangible assets.

 [The Weir Group PLC](#).



30% (2015: 23%) of companies with goodwill allocated to multiple CGUs used the same discount rate for all of them.

 [Hill & Smith Holdings PLC](#) and [Intertek Group plc](#).



Identification of subsidiaries and joint arrangements

Have all situations of control of another entity been identified? What about joint control? Is there clear disclosure of the judgements involved?


The accounting standards governing this area are still relatively new and many judgements are complex. In particular, de facto control is a highly judgemental area, as is the determination of whether a joint arrangement should be accounted for as a joint operation or a joint venture.



[Anglo American plc.](#)


6 companies surveyed disclosed significant judgements about what to consolidate and

6 companies about whether a joint arrangement was a joint operation or a joint venture.





Financial instruments disclosures


Is there enough detail given in disclosures concerning items in level 3 of the fair value hierarchy? Is there enough quantitative information about significant unobservable inputs? Do credit risk disclosures cover all financial receivables?



24% of companies surveyed with level 3 fair value measurements did not disclose information on the unobservable inputs used.




[Mondi Group.](#)




Capital management disclosures

Is there a clear identification of what is managed as capital, including quantitative data? Are capital management policies clear and company-specific?



Only **39%** of companies surveyed provided clear quantitative data about what they manage as capital.



[Capita plc](#) and [Mondi Group.](#)



The impact of changes in accounting standards

Have you carefully assessed the impact of the upcoming IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IFRS 9 *Financial Instruments*? In accordance with IAS 8, is it clear in your annual report what the outcome of this assessment has been?

Regulators are keen to see companies demonstrate that they are assessing the impact of new standards in issue but not yet effective in advance of implementation by providing “progressively more entity-specific qualitative and quantitative information” in the annual report.

ESMA expects disclosure for companies significantly affected by IFRS 15 to include:

- Information about the accounting policy choices taken on adoption;
- A disaggregation of the expected impact by revenue stream; and
- An explanation of the nature of the impacts when compared to existing practices.



[ESMA Public Statement on IFRS 15.](#)



[BT Group plc.](#)

Only **16** companies disclosed that they believed the impact of adopting IFRS 15 was potentially significant.

A further **3** companies provided a relatively detailed rationale for why IFRS 15 would not be significant.



Making sure your report is shipshape helps new investors understand your business and reduces the risk of challenge from regulators.

Testing the water



With a thorough understanding of what is needed to make your report shipshape, you can focus on how you can better communicate your company's message. A clear and concise report focusing on company-specific information and insight keeps the user well-informed.

We have split this level into four subsections:

01. FRC strategic report guidance
02. Structure
03. Materiality
04. Linkage and connectivity

FRC strategic report guidance



The FRC Guidance

Have you read the FRC's Guidance on the Strategic Report ("FRC Guidance")? It is useful in understanding how the FRC believes a company can meet the legal requirements for their strategic report in a

useful and complete way. For more information on the strategic report see chapter 6 of [A clear vision: The full details](#).



[FRC Guidance on the Strategic Report](#).

Consider the following questions:

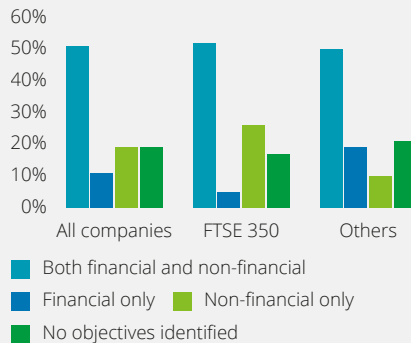
1. When setting out your business' strategy, have you clearly specified the objectives it is intended to achieve? Have you considered non-financial objectives as well as financial objectives? Are you planning to express those in quantitative or qualitative terms?



[The Unite Group plc](#) and [Acacia Mining PLC](#).

81% of companies surveyed clearly set out the objectives of their business.

What type of objectives are identified by companies?



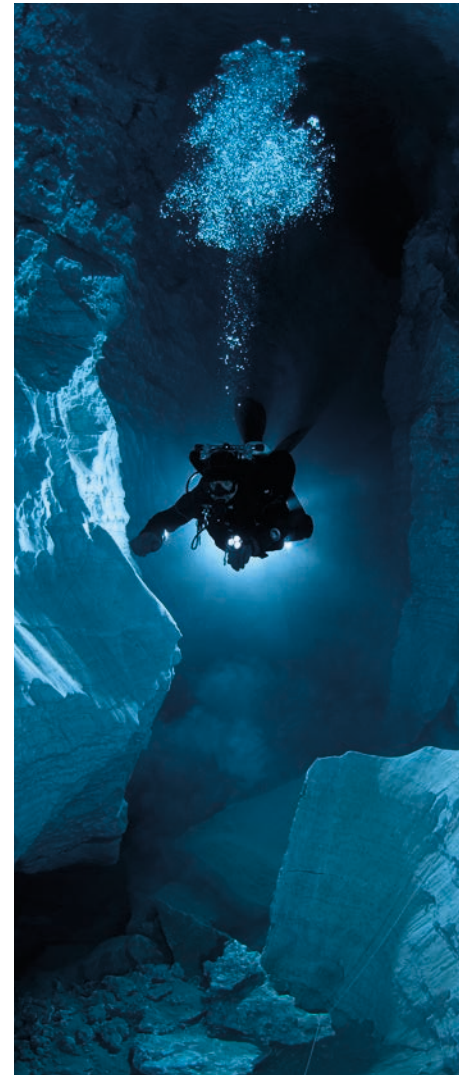
2. Have you provided context to your business model by providing shareholders with a high-level understanding of the markets in which you operate and how you engage with those markets?



[Johnson Matthey Plc](#) and [Vectura Group plc](#).



79% of the companies surveyed (2015: 73%) included an overview of the markets that the company operates in.





The FRC Guidance cont.

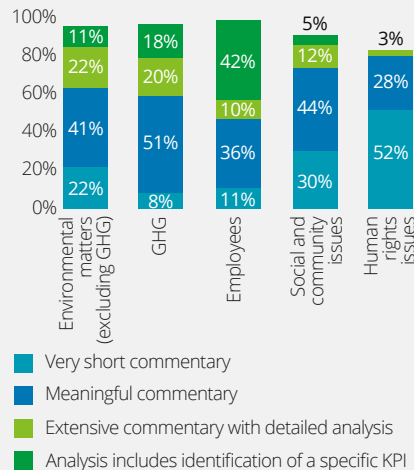
3. Have you included a description of your policy in respect of material environmental, employee-related, social, community or human rights issues? What about any measures taken to embed that commitment within your organisation?

Where KPIs are used to monitor performance in respect of any of these areas, the most efficient way of communicating information on the effectiveness of your policies on those matters will often be through reference to those measures.

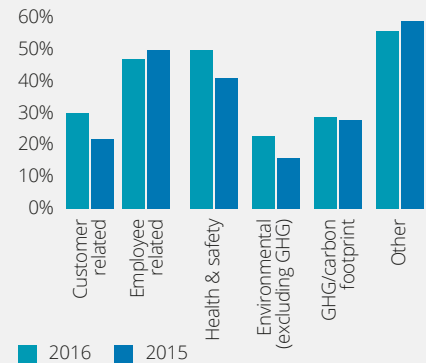
Although companies are only required to include non-financial KPIs to the extent relevant for an understanding of the business,

74% of companies in our sample (2015: 72%) did clearly identify non-financial KPIs.

To what extent is CR information included within the report?



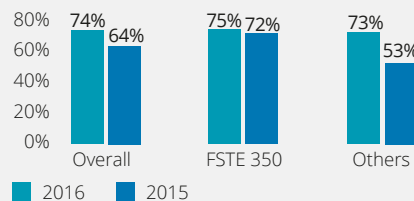
What types of non-financial KPIs are presented?



[Rotork plc](#) (page 28).

4. Have you provided information that enables shareholders to understand each KPI used in the strategic report? Consider including the definition, calculation method, purpose and the source of underlying data for KPIs. Remember that non-GAAP financial KPIs will count as alternative performance measures and double-check the complete requirements in chapter 7 of [A clear vision: The full details](#).

Are all KPIs defined and the calculation explained?



[Acacia Mining PLC](#).



Where any non-GAAP measures have been chosen as KPIs, providing a link between these and the company's strategy can be a helpful and convincing way of showing their purpose.

Structure



Communication principles

Whilst your strategic report needs to contain all the information that is of strategic significance, it is equally important to ensure that this information is communicated in an effective manner.

Think about how you might answer the following questions:

Does our report contain large blocks of unbroken narrative?

If yes, the reader might find it more difficult to follow and absorb the information. Consider breaking up the narrative with graphics, iconography or even white space. Remember that graphics or iconography should be relevant and not detract from your overall message.

Do we clearly explain acronyms, industry jargon and key concepts?

Plain language is helpful to a reader seeking to understand your message, especially if it is a complicated message. Try to avoid too much use of acronyms or jargon and to clearly explain any key concepts underlying your strategic report.

Has the information disclosed changed year-on-year?

If not, think carefully about whether it is material and if it is required to be in the strategic report – there are certain disclosures that are made in the directors report and only promoted to the strategic report if of strategic importance.

“Standing data” could be included in an appendix to maintain the flow of the strategic report and cross-referred to where necessary.

Considering the communication principles set out in the FRC Guidance can help.

Is the strategic report broken up into multiple sections?

If so, bear in mind that this could increase the risk of duplication – although this will be less of a risk if your company has embraced integrated thinking (see section 4).

We recommend an early meeting between preparers of different sections of the front half to avoid repetition and achieve consistency of messaging.

Although some companies have done so this year, there is no need to repeat the directors' statements on matters such as fair, balanced and understandable, the robust assessment of principal risks or longer term viability in different parts of the front half of the report – if you want to draw in the considerations, a cross-reference should suffice.

Is the strategic report balanced?

Neutrality of communication is important – companies should give equal prominence to good and bad news.

Are we really telling this year's story?

Start off by thinking about the key messages for the year and ensure that the full front half is geared towards those key, year-specific messages. The FRC's Financial Reporting Lab report [Towards Clear and Concise Reporting](#) recommends starting the annual reporting process with a blank piece of paper each year.

Have you considered the strategic report communication principles? Is your strategic report:

-  Fair, balanced and understandable? In particular is there a balance between good and bad news?
-  Comprehensive but concise?
-  Forward looking (where appropriate)?
-  Entity-specific?
-  Well linked to the rest of the annual report with the links highlighted and explained?
-  Reviewed annually to ensure the structure continues to meet its objectives efficiently and effectively?
-  Reviewed annually to ensure all content continues to be relevant?



Communication principles cont.

Are the accounting policy disclosures sufficiently clear and concise?

Investors often think that accounting policy disclosures include unnecessary repetition of language from accounting standards where there is no choice or judgement involved in their application to the company, according to the FRC's Financial Reporting Lab report [Accounting policies and integration of related financial information](#).

While all investors agree that the most significant accounting policies and policy choices should be prominent within the report, many agree that less significant accounting policies could have less prominence (for example, being included in an appendix) and genuinely immaterial accounting policies excluded altogether.

Have you considered how people will use your annual report?

The FRC's Financial Reporting Lab report [Digital Present](#) found that investors find the pdf copy of the annual report most useful. There were also recommendations to make digital content easy to view on screen, print friendly and searchable.

There are opportunities for companies to be more "investor friendly" by ensuring their pdf versions of the annual report comply with the recommendations, perhaps re-investing the money saved by reducing other web-based offerings.

Only **18** companies produced web-based reporting additional to the pdf of the annual report this year (2015: 29)



[Man Group plc](#) includes accounting policies within the relevant notes.



Materiality



The concept of materiality

The FRC Guidance states that “Information is material in the context of the strategic report if its omission from or misrepresentation in the strategic report could influence the economic decisions shareholders take on the basis of the annual report as a whole.” In particular, it relates the concept of materiality to the use of terms such as “principal” (as in principal risks) and “key” (as in key performance indicators) in the law.

Including only material sustainability reporting information with a cross-reference to a separate CR publication or section of the company’s website containing further detail where it might be of interest to readers is a good way of minimising immaterial information not required to be in the annual report.

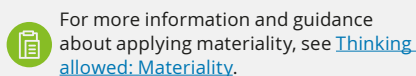


Applying materiality to financial statement measurement issues is a well-trodden path. However, how and when to apply materiality to disclosures throughout the annual report has historically been less clear, something that standard setters have been trying to address

Judgements around materiality are a key area of importance to investors and will be an area of future focus for them as a result of concern about how some companies were assessing materiality. It should be entity-specific and based on both quantitative and qualitative factors.

It is worth building an opportunity into the annual report process to think carefully about whether disclosures are material, particularly in areas where the requirements are extensive such as share-based payments or defined benefit pension schemes.

Also, consider whether all of the information included in narrative sections such as divisional reviews or corporate responsibility disclosures is material to shareholders.



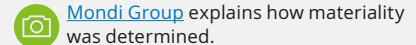
For more information and guidance about applying materiality, see [Thinking allowed: Materiality](#).



49% (2015 34%) of companies surveyed included a cross-reference to a separate CR publication or section of the company’s website containing further detail on sustainability reporting beyond that given in the annual report.

34% of the companies in our survey referred to materiality in their annual report.

Only **3** companies clearly described the process they went through to determine financial statement materiality.



[Mondi Group](#) explains how materiality was determined.



It is also worth thinking about how much detail on the remuneration policy is material to investors and therefore should be included in years where there is not a remuneration policy vote – there is no requirement to include the full policy every year, although many companies do so.

Linkage and connectivity



Linkage and connectivity

If a company prepares an integrated report backed up by integrated thinking, connectivity will happen naturally as a result of running the business in a holistic way.

For other reporters, effective linkage is still key to producing an effective annual report. This goes beyond simply cross-referencing information in your annual report – the

underlying information needs to interrelate in a meaningful way. In particular, make sure the front and back halves of your report tell consistent stories.

Although cross-referencing, or “signposting” as the FRC Guidance refers to it, is not the same as linkage, it is still useful to include it to help users navigate your report.



Only **13%** of companies surveyed displayed a comprehensive level of linkage.

To help assess how effective the linkage is in your report, we have set out nine questions for you to consider.

1) Your summary section – does the report clearly set out how the various elements, such as business model, objectives, strategy, KPIs and principal risks, relate to each other? **21%** did this either in the summary or elsewhere in the report.

 [CLS Holdings plc.](#)

2) KPIs – are all of the measures presented in your summary or highlights section KPIs? If they merit this level of prominence, they are presumably key to understanding your business. However only **5%** presented solely KPIs in their summary section.

3) KPIs and strategy – is it clear how KPIs measure the achievement of objectives and the success of your strategy? For each KPI you should be able to identify one or more strategic priorities to which it relates. If not, is it really a “key” performance indicator?

41% illustrated the link between KPIs and strategy.

 [G4S plc.](#)

4) Principal risks – has the relationship between principal risks and strategy been clearly highlighted? **38%** illustrated this.

 [Halma plc.](#)

5) Directors’ remuneration – are the measures used to assess directors’ remuneration consistent with the company’s KPIs and are these clearly indicated in both sections of the report? **75%** showed at least some consistency between KPIs and measures used to determine executive pay.

 [Marks and Spencer Group plc.](#)

6) Audit committee reporting – are the significant financial reporting issues identified by the audit committee well aligned with the critical judgements and key sources of estimation uncertainty in the financial statements?

14 companies showed complete consistency between these two areas.

7) Disclosure consistency – is the extent of disclosure in the notes to the accounts consistent with the identification of areas of judgement or uncertainty – is there proportionately more focus on areas that are presented as higher risk?

8) Risk management disclosures – are the risk management disclosures consistent between the strategic report and the corporate governance section, with a minimum of duplication?

9) Segmental reporting – is the information presented in the business model and the rest of the strategic report consistent with and carried through to the segmental reporting disclosures under IFRS 8? Is there any indication that the number of reportable segments is not consistent with front half discussion? **16%** discussed different segments in the strategic report compared to the IFRS 8 disclosures.

A clear and concise report focusing on company-specific information and insight keeps the user well-informed.



Making a splash

Going that bit further to respond to regulatory and investor recommendations and introduce value-added disclosure means the user can truly understand your company and appreciate how well it responds to changes in the reporting landscape.

Making a splash

This section shows how you can respond to regulatory and investor recommendations and introduce value-added disclosure, helping users to truly understand your company and appreciate how well it responds to changes in the reporting landscape.



Reporting outside the annual report

For the first time, many companies with year ends from 31 March 2016 have to publish a slavery and human trafficking statement. This is a statement outside the annual report which must be published in a “prominent position” on the website. This is the first of a number of new statements that will sit outside the annual report, to be followed by gender pay gap reporting and, for the largest businesses, reporting their UK tax strategy. Also see “Additional diversity and non-financial disclosures”, below.

Whilst there is no direct requirement to refer to or include any detail of the Modern Slavery Act 2015 statement in the annual report, companies should consider whether it is material information on human rights – in which case it should be in the strategic report as well.

34% of the companies we surveyed this year referred to modern slavery in their strategic report.



[Governance in brief – Modern Slavery Act 2015.](#)



[Governance in brief – Publication of your UK tax strategy.](#)



Consistency is key to good reporting. Even where statements sit outside the annual report, they should be treated with the same seriousness and be subject to the same processes as are used for the annual report. In addition, we recommend that preparers of these statements should seek consistency of tone and fact between the narratives provided in the annual report and in each other statement outside the annual report.



Additional diversity and non-financial disclosures

Gender pay gap reporting is expected to be required by law in the UK with the first ‘snapshot’ of data to be taken in April 2017. The EU non-financial reporting directive, due to be implemented soon, will also require information on wider diversity to be disclosed in the corporate governance statement. The Women on Boards Davies review issued its five year summary in October 2015, achieving its initial objective of reaching 25% of women on FTSE 100 boards and setting a new goal of

33% of women on FTSE 350 boards. You could consider including additional information on employee diversity (for example, policies on age, gender, educational and professional background), gender pay gap and the board’s approach to diversity.

Only 9 companies indicated they had a future target for gender diversity on the board.



[Governance in brief – Gender pay gap information.](#)



[Need to know – BIS consults on disclosure of non-financial and diversity information.](#)



64% of companies surveyed made reference to broader aspects of diversity such as nationality, race, skills and experience in their disclosures.



Corporate culture

Companies and regulators agree that corporate culture is vital to sustainable value creation. However, disclosure around culture, values and, critically, the role the board plays in these, is largely missing from annual reports. This is a key area of focus for the UK regulators.

The FRC's report of observations on Corporate Culture and the Role of Boards calls for companies to take the opportunity to offer meaningful insight in the annual report. This could include better disclosure around the company's purpose, business model and principal risks, drawing in how a strong culture

and values contributes to delivering value. It could describe practical actions taken around culture, ethics and human capital initiatives and practical illustrations of how the company expects business to be conducted – obviously showing the link to culture. Reliable, relevant and consistent non-financial metrics, including around human capital, will back up the better disclosures.



[FRC's report on Corporate Culture.](#)



[Governance in brief – FRC reinforces the importance of corporate culture.](#)

Only **11%** of companies surveyed included specific discussion around how the board owns and drives corporate culture in their corporate governance report.

A further **26%** included discussion of activities underlying their corporate culture in the strategic report.



[Premier Oil plc.](#)



Succession planning

Again, this is a critical area with great focus by investors and regulators on what makes for effective succession planning at senior and board levels of a company. The FRC has issued a discussion paper and obtained feedback on this topic over the past year and intends to draw key elements into its updated Guidance on Board Effectiveness in 2017.

However, there is no good reason to wait until the guidance is released to communicate clearly regarding what your company does in practice. All companies will be thinking carefully about board succession and most about senior leadership as well – and if it is not an area of focus

yet, this is an area where good reporting can drive good practice.

Make it clear what you are looking for and talk about the executive pipeline. Discuss the areas of focus for succession planning – including whether it is focused on executive, non-executive or other senior leadership. You could also talk about activity during the year and the time period covered by the succession planning exercise.




[Governance in brief – FRC paper calls for considered approach to succession planning.](#)

Only **58%** of FTSE 100 companies, **26%** of FTSE 250 companies and **5%** of smaller companies included clear disclosure around succession planning.



[Chesnara plc](#) and [Thomas Cook Group plc.](#)

 **Provide disclosure around the level of reserves available for distribution and the company's dividend policy**

This continues to be an area of focus for institutional investors who seek greater disclosure by companies – one investor group is asking for a single figure for distributable profits available. Dividend disclosures are often not clearly articulated and frequently there is a disconnect between any description of the dividend policy and how that policy has been implemented in practice.


The FRC's Financial Reporting Lab issued a report [Disclosure of dividends – policy and practice](#) in relation to dividend reporting in November 2015.

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59% of companies surveyed included some disclosure on their dividend policy in their strategic report.

38% provided some information on the level of distributable reserves in the financial statements (2015: 40%).

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 [Need to know – FRC's Financial Reporting Lab issues report on disclosure of dividend policy and practice.](#)

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 [Persimmon Plc.](#)

 **Cyber security**

Cyber attacks, data losses and other cyber security risks are high profile and can be devastating for companies – both in terms of the cost of recovery and the reputational damage. Cyber is an increasing focus for many boardroom and audit committee discussions at present. Bringing some of the focus placed on cyber risk within the company to the annual report means a company can take credit with government, regulators and investors for the good work it is already doing.

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43% of companies referred to the Board's involvement in activities related to cyber risk and security – up from 32% in 2015.

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 [Governance in brief – Cyber risk: how are boards responding?](#)

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 [IP Group plc.](#)

 **Include a reconciliation of liabilities arising from financing**


This is an area of interest for many investors. In January 2016 the IASB published [amendments to IAS 7](#) that will require companies to disclose information about changes in liabilities arising from financing activities effective for December 2017 year ends.

One way to do this is by using a reconciliation - but this may not contain exactly the same information as is currently presented by companies that give a net debt reconciliation in their reports. If you do not already present such a reconciliation, consider early adopting this new requirement.

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55% of companies surveyed included a debt reconciliation of some sort (2015: 48%).

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 [Mondi Group.](#)



The 2016 UK Corporate Governance Code

Have you considered whether to describe the requirements of the new 2016 Code and how they will affect you? Are you planning to implement any provisions of the 2016 Code early?

For financial years commencing on or after 17 June 2016, the 2016 UK Corporate Governance Code replaces the 2014 Code.

The changes are minimal, with only a few amendments to section C3:

- The audit committee as a whole will be required to have competence relevant to the sector in which the company operates.
- The Code provision on audit tendering for FTSE 350 companies is removed, as EU law now requires tendering for all listed companies.
- The audit committee report will be required to provide advance notice of plans to retender the external audit.



Disclosure of advance notice of plans to retender the external audit has been a feature of good practice for a number of years – this year

49% of companies surveyed disclosed their plans.



Going that bit further to respond to regulatory and investor recommendations and introduce value-added disclosure means the user can truly understand your company and appreciate how well it responds to changes in the reporting landscape.

A diver is silhouetted against a deep blue underwater environment. Sunlight rays stream down from above, illuminating the rocky and coral-covered seabed. The diver is positioned in the center-right of the frame, facing left. The overall atmosphere is mysterious and immersive.

Immersing yourself in your surroundings

The best reports are authentic: they don't just tell a story, they tell the story that the company lives. If your story is about long term value creation, engagement with broader stakeholders, recognition of the impact of broader environmental and societal factors on your business prospects, strategy and performance are you letting this integrated thinking shine through your annual report and other communications?

Immersing yourself in your surroundings

Linkage

We thought that **13%** of our sample demonstrated a comprehensive degree of linkage between various sections of the report. However great it is though, cross-referencing is not real linkage. Integrated thinking enables real linkage, leading to better communication within the company and embedded cross-functional working – it starts well before the annual report preparation process.

 [Marks and Spencer Group plc.](#)

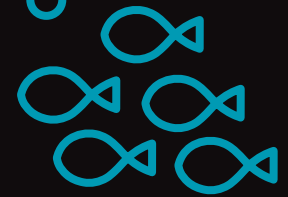
Integrated thinking

When integrated thinking becomes part of the DNA – of the culture – of a company it means functions and divisions are operating in a more cohesive way, are better enabled to take a long-term view in making decisions, can identify a deeper connection between finance and non-financial performance and are able to communicate authentically, both internally and externally.

Value creation process


Companies have improved the discussion of how the business creates value within their explanation of their business model. **71%** discussed their value creation story, going beyond a description of business activities.

 [Aggreko PLC.](#)




The 'capitals'

Capitals are the resources and relationships that an organisation uses, or affects, during the course of doing business. They include the 3 P's – people (human capital), planet (natural capital) and profit (financial capital) as well as brand and know how (intellectual capital), property, plant and equipment and infrastructure (manufactured capital) and relationships. The number of companies presenting information similar to the <IR> capitals when discussing their business models is up from 51 to **65** this year.

 [Anglo American plc.](#)


Stakeholders


33% of companies discussed how they create value for a variety of stakeholder groups. Integrated thinking moves away from the 'us and them' model and places a company squarely in its environment, understanding its stakeholders and working seamlessly to achieve mutual objectives.

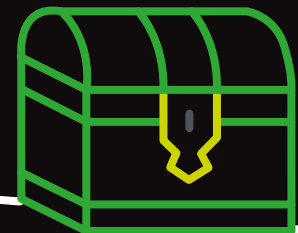
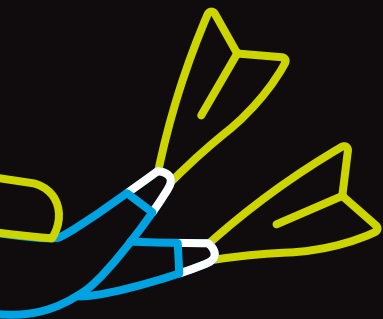
 [International Personal Finance plc.](#)

The value of <IR>

Of the companies we surveyed, **8** described their report as integrated or indicated that they were following the principles of <IR>. The <IR> framework is a useful tool to challenge how the company creates value for stakeholders and to help them communicate this. Throughout our survey we looked for signs that companies are looking to the principles and ideas of the <IR> framework. The detailed, comprehensive publication of our survey findings [A clear vision: Annual report insights 2016](#) includes blue boxes throughout discussing our observations in relation to integrated reporting. To explore what <IR> could mean for your organisation see Deloitte's publication 'A Directors' Guide to Integrated Reporting'.

 [A Director's Guide to Integrated Reporting.](#)

 [<IR>: how does it fit into the UK corporate reporting landscape.](#)



The best reports are authentic:
they don't just tell a story, they tell
the story that the company lives.

Your personal log book

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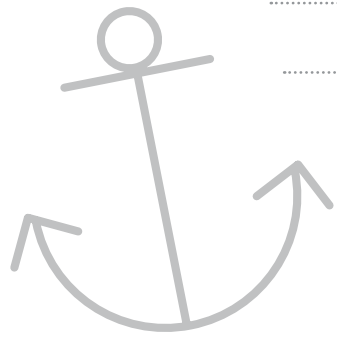
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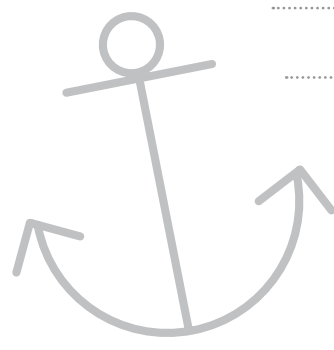
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