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Financial Reporting Council
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22 November 2013

Dear Sirs,

Financial Reporting Council Exposure Draft: Guidance on the Strategic Report

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies.

Their individual market capitalisations tend to be below £500m. The Quoted Companies Alliance is a founder member of European**Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Corporate Governance Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

Response

We welcome the opportunity to respond to this consultation. Overall, we believe that the guidance is well structured and will help companies to report under the new UK narrative reporting framework. We have a few comments on various areas below:

- **Materiality:** We support the approach to materiality in the guidance and believe that this is concept is integral to ensure that companies produce meaningful strategic reports.
- **Summary Financial Statements:** We note that there is a lack of guidance included for companies that used to produce Summary Financial Statements (SFS). Since SFS have been replaced by the Strategic Report, we believe that it is important for the FRC to focus on this area. Generally, there is a concern that the Strategic Report will be longer than the SFS and, therefore, shareholders will end up receiving much more information than they have historically. Without guidance on this, there is risk that some companies will seek to protect themselves by providing much of the financial information formerly contained in the SFS in the Strategic Report. This would significantly increase the size of the Strategic Report and detract from the narrative.
- **Duplication:** In section 3.14 the guidance suggests that duplication of information should be avoided. It is our experience that some repetition of information across sections of the annual

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report is both desirable and necessary. The structure and presentation of the annual report is crucial to producing a report which is both cohesive and easily understood. This is acknowledged in the draft guidance under paragraph 6.9 and an example of best practice in presentation is the inclusion of an initial summary of key information which all well-written reports contain. We do not agree that some duplication of essential information leads to unnecessary volumes of disclosure. This is essential to producing a report that makes it easy for shareholders to find important information easily and it ensures each section of the report can be understood by the reader.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours Faithfully,

A handwritten signature in blue ink, appearing to read 'TW', is positioned above the name and title of the signatory.

Tim Ward
Chief Executive

Quoted Companies Alliance Corporate Governance Expert Group

Edward Craft (Chairman)	Wedlake Bell LLP
Colin Jones (Deputy Chairman)	UHY Hacker Young
Victoria Barron	Hermes Equity Ownership Services
Edward Beale	Western Selection Plc
Rob Burdett	FIT Remuneration Consultants
Anthony Carey	Mazars LLP
Richie Clark	Fox Williams LLP
Louis Cooper	Crowe Clark Whitehill LLP
Madeleine Cordes	TMF Corporate Secretarial Services Ltd
Kate Elsdon	PwC LLP
Nicola Evans/Julie Stanbrook	Hogan Lovells International LLP
David Firth	Penna Consulting PLC
Peter Fitzwilliam	Mission Marketing Group (The) PLC
David Fuller	CLS Holdings PLC
Clive Garston	DAC Beachcroft LLP
Nick Graves	Burges Salmon
Andrew Hobbs	EY
Alexandra Hockenhull	Xchanging plc
David Isherwood	BDO LLP
Nick Janmohamed	Speechly Bircham LLP
Dalia Joseph	Oriel Securities Limited
Claire Noyce	Hybridan LLP
Gabriella Olson-Welsh	McguireWoods
Anita Skipper	Aviva Investors
Nicholas Stretch	CMS Cameron McKenna LLP
Peter Swabey	ICSA
Eugenia Unanyants-Jackson	F&C Investments
Melanie Wadsworth	Faegre Baker Daniels LLP
Cliff Weight	MM & K Limited