

UPDATE

THE NEWSLETTER
OF REPORT LEADERSHIP

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**REPORT
LEADERSHIP**
TOMORROW'S REPORTING TODAY

[[THIS UPDATE
SHARES SOME OF THE
DEVELOPMENTS SINCE
LAUNCH AND GIVES
SOME INSIGHT INTO
THE NEXT STAGES.]]

Welcome to the first update on the Report Leadership initiative. Launched in November 2006, the project was designed to challenge established thinking on corporate reporting issues. Crucially, however, it was also intended to provide practical means by which companies could improve the way that they provide information to the investment community.

A positive reception

The Report Leadership initiative has been well received by the business and investment communities. The Hundred Group of financial directors supports the document as best practice and the UK Shareholders Association has also positively embraced the project. In addition, Report Leadership has been covered in the media many times since the launch. Here are a few snippets from the press over the past six months:

PwC UK and CIMA unite to improve corporate reporting

By Alex Parkinson, The Accountant
November 2006

"I have to applaud the 2007 annual report recently issued by Generico. The first striking feature of Generico's report is a grown-up discussion of its marketplace, which identifies competitors and their shares, and discusses in plain terms the likelihood of continuing product price erosion."

Profession urges reports revamp

By Penny Sukhraj, Accountancy Age
December 2006

"Financial reports should be geared towards how companies are managed and according to what investors want..."

A substantial shift in attitudes to financial reporting

By Robert Bruce, Financial Times
7 December 2006

"The aim of the launch in London was to create a platform for debate on the directions in which global financial reporting is going. Its first published efforts consist of a document showing how companies could communicate much more useful information and a template for how it could be done in a published set of accounts..."

What to do about disclosure

By Barney Jopson, Management Accountancy Special Report, Financial Times
15 February 2007

"...the Report Leadership brigade has come up with some handy golden rules: tell it like it is; avoid jargon; explain, don't spin; and don't fudge the tricky bits."

Bid to provide a better quality of information

By Robert Bruce, Management Accountancy Special Report, Financial Times
15 February 2007

"...Report Leadership took an imaginary company and showed how, by using information readily available but configured in a more easily understood context, the underlying strategy of a company could be emphasised."

Putting on the brakes:

The golden rules of Report Leadership
No free lunch column, Investors Chronicle
23 February 2007

"This project is commendable and deserves far more media attention than it has been given."

Why corporate reporting so seldom enlightens

By Barney Jopson, Financial Times
9 April 2007

"...in a mock annual report compiled under the banner of Report Leadership... they show how to write a narrative that weaves together strategy, an explanation of a company's competitive position and an analysis of how its markets are evolving."

[[...THE REPORT LEADERSHIP BRIGADE HAS COME UP WITH SOME HANDY GOLDEN RULES: TELL IT LIKE IT IS; AVOID JARGON; EXPLAIN, DON'T SPIN; AND DON'T FUDGE THE TRICKY BITS.]]

[[FINANCIAL REPORTS SHOULD BE GEARED TOWARDS HOW COMPANIES ARE MANAGED AND ACCORDING TO WHAT INVESTORS WANT...]]



Clear thinking

Report Leadership released a range of video interviews in March 2007 – it's available on the website at www.reportleadership.com. Here are just a few select thoughts from the individuals involved:

"The idea that the annual report is a waste of time is complete nonsense. I think it's the absolute cornerstone of investing and equity research."

Peter Reilly, Head of Capital Goods Research, Deutsche Bank

"To a certain extent, because investors don't have the detailed knowledge that management has, they are largely actually working in the dark – in the sense that they're having to pull together pieces of information which may not necessarily come up with the right answer. So having some guidance from management could be a good thing."

Ken Lever, Financial Director, Tomkins plc

"If there's one clear message then that's keep it simple. Have a clear, simple narrative thread throughout your documents and online: This is who we are; this is what we do; this is why we do what we do."

Richard Carpenter, Development Director, Radley Yeldar

"Even technical people recognise that GAAP doesn't capture everything and doesn't give users of accounts everything that they ask for – this is what the Report Leadership project is trying to do."

Peter Holgate, Senior Technical Partner, PricewaterhouseCoopers

"The initiative is trying to come up with new ideas to engender debate about where reporting should be going and, importantly, the output of what this team has worked towards has been incredibly well received by key stakeholders."

David Phillips, Senior Corporate Reporting Partner, PricewaterhouseCoopers

"The world we operate in is incredibly complex these days – it's global, it's fast-moving and I think companies are always challenged as to exactly what management information they need. This report provides a very, very good example of the sort of things that you can do."

Charles Tilley, Chief Executive, CIMA

[[THE IDEA THAT THE ANNUAL REPORT IS A WASTE OF TIME IS COMPLETE NONSENSE. I THINK IT'S THE ABSOLUTE CORNERSTONE OF INVESTING AND EQUITY RESEARCH.]]

Way ahead

Report Leadership encourages companies to include more forward-looking information into their corporate reporting programmes. But what does the future hold for the Report Leadership group? We have decided to focus on three areas for this year's initiative:

- i. Executive remuneration – Feedback from investors and other stakeholders suggests that this continues to be a challenging area, with companies failing to deliver the information that investors want. In particular, investors want to see remuneration aligned with KPIs and the company's progress against its strategic aims. Companies also aren't putting the information into a user-friendly, comparable format. What are the challenges in terms of making executive remuneration information more accessible for investors?
- ii. Electronic shareholder communication – We are very aware that last year's launch only showed how to take some of the best practice reporting concepts forward in a printed environment. This year we will be showing how to present some of the Generico report in a best practice fashion on the web.
- iii. Best practice examples – A range of companies are already using ideas similar to those presented in the Report Leadership model. We will be showcasing some of those best practice examples throughout the year in a variety of ways.

Tell us about you

We would like to hear more news and views from anyone interested in corporate reporting:

- What did you think of the ideas set out in the Report Leadership publication?
- What really needs addressing in corporate reporting?
- What areas should the Report Leadership group focus on next?
- How can the gap between regulatory requirements and investors' needs be addressed?
- Have you used any of the ideas in Report Leadership? Why? How?

You can help shape the way the Report Leadership project evolves by giving your comments, actively participating, or adopting the elements that appeal to you. Please provide any feedback, register your interest and keep up to date with developments at www.reportleadership.com

Report Leadership is a multi-stakeholder group that aims to challenge established thinking on corporate reporting. The contributors to the initiative are the Chartered Institute of Management Accountants (CIMA), PricewaterhouseCoopers LLP, Radley Yeldar and Tomkins plc.

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TOMORROW'S REPORTING TODAY

CIMA

PRICEWATERHOUSECOOPERS 

ry. radley yeldar
consistently creative

Tomkins