

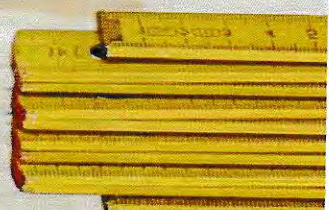
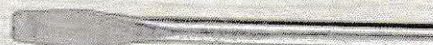
KPMG, 2016a



Room for improvement

The KPMG Survey of Business Reporting

UK Findings



kpmg.com/betterbusinessreporting

UK Findings from KPMG's Survey of Business Reporting

KPMG International's Survey of Business Reporting covers some 270 larger listed company annual reports, of which one tenth are from the UK FTSE100. The survey highlights the gap between the information investors need to assess the health and prospects of companies, and the information they are currently receiving through corporate reporting channels. UK Company reports scored well in a number of aspects of the survey - notably, they tended to be more concise, and delivered more focused risk discussions. However, they also share many of the challenges apparent in the global survey particularly when it comes to providing a deeper view of business strategy and performance. The result is that UK reports tend to emphasise a short-term view of performance at the expense of the longer-term.





Key findings

As UK companies continue to evolve their annual reports, the findings from the survey suggest three broad areas deserve particular attention:

— **Ensure the strategy discussion strikes the right balance between short term improvement tweaks and long-term strategy**

A third of UK reports focused only on short-term matters such as efficiency programmes and incremental revenue initiatives. Addressing underlying competitive strengths, such as the customer experience, and explaining how these are being developed and protected could help companies to provide a longer-term perspective.

— **Close the gaps in business model descriptions**

UK business model descriptions can lack depth and often focus on only a few aspects of the business. The most common gaps in descriptions related to know-how and supplier relationships which can represent key areas of competitive advantage and challenge. The gaps in these descriptions can be carried through to the rest of the report, and they can also make it difficult for investors to interpret the implications of external factors and events without further guidance from the company.

— **Make better use of non-financial KPIs**

The best company reports include a range of relevant measures covering, for example, brand, research, staff, customer base, product base, and efficiency. UK companies typically provide KPIs over two or three of these areas, but German companies, which scored particularly strongly in this area, average four or five.



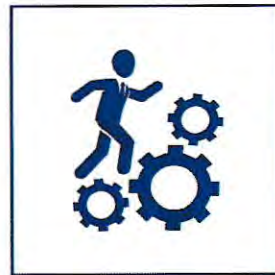
Key findings



Clarity



Strategy horizons



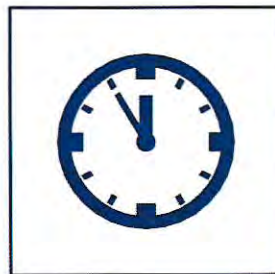
Business model



Long term KPIs



Strategic KPIs



Current prospects



Risk focus

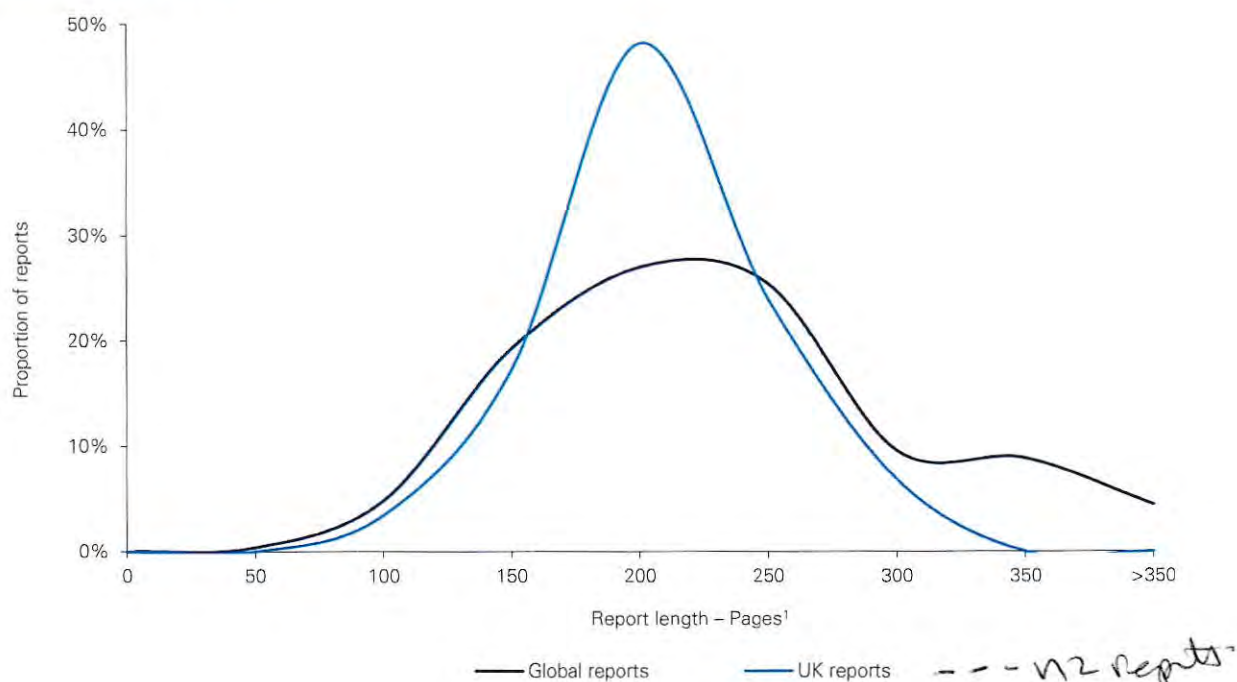


Clear and relevant

UK financial statements are more concise than in many countries, but companies need to focus on improving the clarity and relevance of their strategy and performance narratives.

✓	The 'clear and concise' focus in the UK is indeed producing more concise financial statements – At an average of 67 pages, UK financial statements were almost a quarter shorter than the survey average.
✓	The average UK annual report was 10% shorter than the survey average at 181 pages – Still leaving plenty of space to provide a clear picture of strategy and performance.
⚠	In common with other countries, UK narrative discussions of performance can be repetitive, anecdotal, and fail to reflect business priorities.

Annual report length



(1) In some countries disclosures that would normally be provided in an annual report are included in a separate document. For comparability these additional disclosures are included in the report page count.

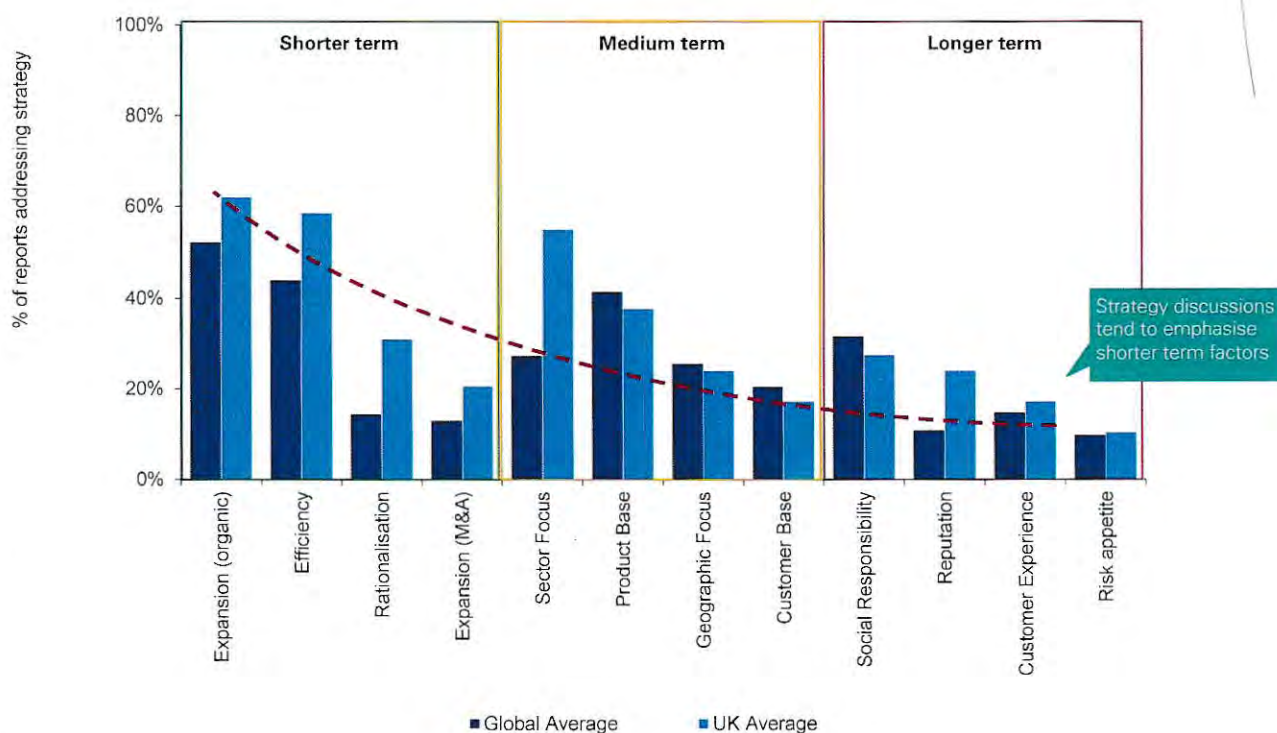


Short-term strategy horizons

Strategy discussions tend to be biased towards short-term operational enhancements, with some key elements of longer-term strategy missing from the majority of reports. To address this, UK companies could do more to balance discussion of short-term operational initiatives with analysis of how their underlying competitive strengths are being developed and protected.

✓	UK Companies are more likely to look beyond the short term when discussing strategy. Nevertheless, one third of UK Reports did not look beyond short term factors (compared to the survey average of 44%).
⚠	In common with most countries, the two most frequently discussed aspects of strategy were focused on short term operational enhancement. Incremental revenue initiatives featured in 62% of strategy discussions, and efficiency initiatives in 59% of UK strategy narratives. Looking at longer-term aspects of strategy discussions, in the UK, just 17% addressed customer experience, whilst only 24% covered reputation.

Aspects of strategy addressed in reports



KPMG's Survey of Business Reporting is based on analysis of 270 annual reports from larger listed companies, covering 16 countries and 15 non-financial industry super-sectors, one tenth of which were from the UK FTSE100. The survey looked at the quantitative and qualitative information reported in relation to companies' business model, strategy, performance and risk.

The full Survey, [Room for Improvement: The KPMG Survey of Business Reporting](#) is available from www.kpmg.com/betterbusinessreporting.

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