



**FINANCIAL  
TIMES**



## **ADJUDICATION**

by

**GREG CALLUS**

**EDITORIAL COMPLAINTS COMMISSIONER**

**Financial Times Limited**

1. This is an Adjudication of a complaint by Peter Cheung, the Chairman of Accrol plc<sup>1</sup>.
2. Accrol is a major independent tissue converter, which means that it converts ‘parent reels’ (massive rolls of paper as produced by a paper mill) into household products like tissues and wipes. It supplies its consumer products, such as loo rolls, to supermarkets and wholesalers.
3. Accrol’s strategy, in contrast to some of its rivals, was not to invest in running its own paper mill. Running a paper mill involves massive and long-term capital investment, as well as exposure to the pulp market. Instead, Accrol would purchase parent reels from the market, and focus its efforts on conversion into consumer goods.
4. The complaint is made about an article by Kate Burgess on 8 October 2017, in the ‘Opinion Small Talk – Companies’ section, headlined “*Accrol’s ‘sweet spot’ billing turns sticky*”. The article was published, and remains, online (£) at the following URL: <https://www.ft.com/content/a36e089c-a9f2-11e7-ab55-27219df83c97> .
5. The article contrasts the optimism with which Accrol was lauded by its broker sixteen months ago, with the series of unfortunate happenings which have included an industrial accident, a suspension of share trading, and warnings that earnings would not be as high as might have been expected. Accrol has not itself complained.
6. The key passage which is the subject of complaint by Mr Cheung, however, to be found in paragraphs [9] to [14]:

“[9] *That alone makes Accrol a different prospect from the one described to the Financial Times last year. Then, Zeus lauded Accrol’s “unique strategic positioning and a competitive advantage over its peers” and talked of the business’s “undemanding” price-to-earnings rating of 8.6 times forecast earnings for 2018.*

[10] *The broker wrote of Accrol’s minimal capital expenditure needs, its ability to win market share and increase adjusted earnings before negatives to £30m-plus “on a self-funded basis”. Key to Accrol’s*

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<sup>1</sup> I have received the complaint by way of his solicitors, Carter-Ruck. In the interests of transparency, it is a matter of public record that I have appeared (separately to my FT role) as an independent self-employed barrister in a case instructed by Carter-Ruck (*Malaga Cano v Barclay* [2017] EWHC 1498 (QB)), and that I am also currently appearing in a libel case against them. Carter-Ruck are obviously already aware of this, and so I brought it to the attention of Nigel Hanson, Senior Editorial Lawyer at the *Financial Times*, in case he wished to ask me to recuse myself. He did not.

*“flexible” business model was its decision not to invest in a paper mill, unlike rivals, which would keep costs down, Zeus said.*

- [11] *Even two months ago, Accrol crowed about the oversupply of “parent reels” – the elephantine paper rolls that it imports and turns into household wipes and tissues. The pressure on prices shows no sign of abating, said Peter Cheung, executive chairman, “supporting our strategy to procure parent reels versus own manufacture”.*
- [12] *Wrong. Last week, the company admitted pulp and parent reel prices had risen strongly and it had not been able to pass the costs on to customers. Who knew discounters and supermarket chains would be so tight? The sector is feeling the pinch but Accrol more so than its main rivals, the multinational brands which account for three-quarters of the UK market in household tissue.*
- [13] *The company seems to have misjudged much on many levels. Which may account for the abrupt departure last month of its chief executive of slightly more than a year.*
- [14] *Gareth Jenkins, the new chief executive, has now begun a “wide-ranging review” to improve margins and financial performance. Meanwhile, the board is staring at Accrol’s cash levels and talking to its banks about the terms of its covenants and funding needs.”*

7. In summary, the complaint is made that where the article said:

*The pressure on prices shows no sign of abating, said Peter Cheung, executive chairman, “supporting our strategy to procure parent reels versus own manufacture”*

that this misquoted Mr Cheung.

8. The direct quote from the Chairman in the company’s press release, dated 10 July 2017, actually read as follows:

*“The continued over supply of Parent Reels shows no sign of abating and as of January 2017, globally a further 111 tissue mills were on order or in their final stages, keeping pricing competitive and supporting our strategy to procure parent reels versus own manufacture”*

9. The final ten words of each paragraph are identical, so the complaint focusses on whether the words complained of in the article (“The pressure on prices shows no sign of abating”) mean that Mr Cheung has been inaccurately misquoted.

10. This comes to me on appeal from the Editor, who rejected the complaint and refused to amend the article by letter of 13 October 2017.

## Framework

11. The complaint is made under the first two limbs of Clause 1 (Accuracy) of the IPSO Editors' Code, which is incorporated into the FT Editorial Code of Practice<sup>2</sup>.

12. Clause 1 (Accuracy) provides that:

- “1.1 The Press must take care not to publish inaccurate, misleading or distorted information or images, including headlines not supported by the text.
- 1.2 A significant inaccuracy, misleading statement or distortion must be corrected, promptly and with due prominence, and - where appropriate - an apology published. In cases involving IPSO, due prominence should be as required by the regulator.
- 1.3 A fair opportunity to reply to significant inaccuracies should be given, when reasonably called for.
- 1.4 The Press, while free to editorialise and campaign, must distinguish clearly between comment, conjecture and fact.”

13. An earlier adjudication<sup>3</sup> of mine explained the differences between Clause 1.1 and 1.2:

*“However, it is important to understand what exactly constitutes a breach of Clause 1 (Accuracy):*

*[8.1] Clause 1.1 will only be breached if the Press has not taken care to avoid publishing inaccurate information. It is a rule against slapdash journalism that is negligent about setting out the facts. It is not a rule which is breached by the mere presence of any inaccuracy however minor. It is breached only by such inaccuracies that a careful newsroom could and should have avoided publishing.*

*[8.2] Clause 1.2 will only be breached if the Press has refused to properly correct, clarify or apologise for a 'significant inaccuracy, misleading statement or distortion'. Clause 1.2 is therefore different to Clause 1.1 in two material respects: first, the inaccuracy must be 'significant'; and second, the breach is not one of negligent omission, but intentional refusal to amend”*

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<sup>2</sup> The FT Editorial Code of Practice, including the IPSO Code, can be found online at [https://ft1105aboutft-live-14d4b9c72ce6450cb685-1b1cc38.aldryn-media.io/filer\\_public/03/57/0357bc87-523e-4f1c-b93f-7c4dffdo4027/final-100117-ft-editorial-code-pdf.pdf](https://ft1105aboutft-live-14d4b9c72ce6450cb685-1b1cc38.aldryn-media.io/filer_public/03/57/0357bc87-523e-4f1c-b93f-7c4dffdo4027/final-100117-ft-editorial-code-pdf.pdf)

<sup>3</sup> Adjudication of the complaint (dismissed) by Matt Berkley on 29 March 2015 at paragraph [8]: [https://ft1105aboutft-live-14d4b9c72ce6450cb685-1b1cc38.aldryn-media.io/filer\\_public/aa/27/aa27c09e-86e3-45f6-b063-ed809df43f00/2015-01-28\\_matt-berkley-adjudication.pdf](https://ft1105aboutft-live-14d4b9c72ce6450cb685-1b1cc38.aldryn-media.io/filer_public/aa/27/aa27c09e-86e3-45f6-b063-ed809df43f00/2015-01-28_matt-berkley-adjudication.pdf)

## Discussion

14. When the complaint was first made directly to Kate Burgess by Jennifer Renwick of Camarco (acting for the complainant), that email said:

*“I have spoken to the Chairman of Accrol who is very concerned that you have misquoted him in your article, and strongly disagrees where you have written: “The pressure on prices shows no sign of abating, said Peter Cheung, executive chairman, “supporting our strategy to procure parent reels versus own manufacture”.*

15. There is a very strict and clear rule in journalism that direct quotes must appear in speechmarks, and are not amended. I believe some US media outlets go so far prohibit any ‘cleaning-up’ (removing non-verbal sounds, or ungrammatical contractions) altogether, although even the strictest standards seem to allow for contraction (to make the quote fit the length available) which is not impermissible as long as it does not distort meaning, and that words removed are indicated by ellipses. But all journalistic ethics abhor any meddling which might change the quote’s meaning. It is a long-standing rule of journalistic ethics that direct quotes are inviolable.
16. Therefore, perhaps in mitigation of the strictness of that rule, a habit has developed of paraphrasing part of a quote, and reserving the specific quotation of direct speech (indicated by the use of speech marks) to just that part which would not require any cleaning-up or contracting at all. Of course, this practice requires caution to ensure that the meaning is not distorted or substantially inaccurate.
17. The disputed quote in Jennifer Renwick’s email begins the words complained of (“The pressure on prices shows no sign of abating”) with an opening speechmark, probably because she is quoting the *FT* article. However, I have reviewed the PDF of the article provided by the complainant, and the accompanying letter of complaint from his solicitors, and I am quite satisfied that those words were not contained within speechmarks in the article. Those words were paraphrasing and not a direct quote. In the article, the direct quote attributed to the complainant is limited to the later words “supporting our strategy to procure parent reels versus own manufacture”.

18. The importance of this distinction cannot be overstated. Had the article itself included the words complained of in speechmarks, then the direct quote would have been inaccurate *simply for differing from the company press release* even if there was no material distinction in meaning. Misreporting a direct quote would almost always breach Clause 1.1, and refusing to correct it (where there was clear, written evidence of the original quote) would almost always breach Clause 2.2.
19. However, where – as here – the issue is one of paraphrasing, there is no such automatic breach. I must consider whether the effect of paraphrasing was a meaning sufficiently different (Clause 1.1) and sufficiently significant (Clause 1.2) so as to give rise to a breach of the FT Editorial Code of Practice.
20. The paraphrasing in this case is “*The pressure on prices shows no sign of abating*” in place of the words “*The continued over supply of Parent Rolls shows no sign of abating and as of January 2017, globally a further 111 tissue mills were on order or in their final stages, keeping prices competitive and ...*”. The complainant’s argument is that he was saying it was ‘oversupply of parent rolls’, not ‘pressure on prices’ which showed no sign of abating. This is said to have been set up as a ‘straw man’ prediction, which the article then describes in a one-word sentence: “Wrong.”.
21. The complaint suggests that the “*distinction between ‘pressure on prices shows no sign of abating’ and ‘prices remaining competitive’ is fundamental*”, because under the latter if prices rise but Accrol can pass them on, it remains ‘competitive’. I disagree. This quote is talking about prices in the general global market for parent rolls, not the prices that Accrol specifically pays (which would more usually be denoted as its ‘costs’ not its ‘prices’). The distinction between ‘pressure on prices’ and ‘prices remaining competitive’ in the context of a global market experiencing over-supply is not fundamental, or even close to it. Those terms, in context, are effectively synonymous.
22. If (and I flag that this as an assumption) there is any sort of classical supply/demand relationship between the available supply of parent rolls, and the market price of those parent rolls, then the relatively low prices are a function of oversupply. There is a singular *status quo* in which oversupply and lower prices are inextricably linked. They are, so to speak, two halves of the same walnut. It is that *status quo* – oversupply meaning low prices - that is said by the Chairman to show ‘no sign of abating’.

23. Indeed, it is because of both aspects of the *status quo*, but particularly the ‘low prices’ aspect, that Accrol’s strategy as of 10 July 2017 to buy rather than make parent reels, is said to have been vindicated. If the continuation of the *status quo* was simply limited to oversupply in the market, but that prices rose steadily in spite of the oversupply, it is difficult to see how the ‘buy not make’ strategy would have still made good sense. If the oversupply showed no signs of abating, then there would be no sign of the pressure on prices abating either, because the price is essentially a function of that oversupply.

24. The 10 July 2017 release also included ‘Notes to Editors’ which said:

**“Macro-economic impact on raw material prices** - *There is currently a global over-supply of both pulp and Parent Reels, with additional capacity forecast to be brought on stream through to 2019. As such, Parent Reel prices are currently relatively low and are expected to remain so for the foreseeable future. Low Parent Reel prices allow Accrol to manufacture at a lower cost, enhancing margin and providing pricing flexibility to win new orders. Overcapacity drives increased flexibility of supply and provides Accrol with a choice of pricing and technology when sourcing Parent Reels.”*

25. In the Chief Executive Officer’s review, also on 10 July 2017, it was said:

**“Market Overview**

...

*In anticipation of exchange rate volatility immediately ahead of, and following, the EU Referendum, Accrol entered into a significant number of forward contracts to hedge its currency exposure. This, along with favourable parent reel pricing dynamics, enabled Accrol to minimise the impact of foreign exchange rate volatility on its financial performance through FY17. As exchange rates continue to be weak in favour of the US Dollar, tissue manufacturers and convertors are facing rising raw material prices as pulp is traded in US Dollars on global markets. Accrol is well advanced in conversations with customers regarding inflation recovery but they are challenging and will take time to conclude.*

...

**Strategy**

...

*Our sourcing strategy of purchasing parent reels globally from partner paper mills will continue to be a key point of difference. Leveraging strong commercial terms, flexibility on sourcing new technologies and better use of cash remain the key advantages of this sourcing strategy as opposed to a vertically integrated model. There is still significant over capacity in the world pulp and tissue markets as new paper mills continue to come online, which appears set to continue through to 2019.”*

26. Accrol’s latest press statement dated 20 November 2017, concerning a Proposed Placing to raise £18m and other matters, refers to the market conditions that have prompted some changes at the company:

*“As previously announced on 5 October 2017, the Company, along with the industry generally, began to experience a sudden and significant change in trading conditions in the second quarter of its current financial year. This was caused principally by rapid inflation in pulp prices with BHKP (hardwood) pulp prices increasing by 40.6% in the period from January to October 2017, which relates to the majority of Accrol tissue production, and NBSK (softwood) pulp prices increasing by 13.7% in the same period. These rises resulted from a reduction in supply of pulp due, principally, to pulp mill closures in China and longer than expected mill maintenance in Brazil, which were also exacerbated by increased Chinese demand for pulp paper. This was further compounded by foreign exchange headwinds. Together, these factors substantially increased the Group’s parent reel input costs.”*

27. It appears to me from this that there has been a substantial increase in both pulp, and consequently parent reel, prices. The ‘As such...’ in the second sentence of the passage I have quoted from ‘Notes to Editors’ suggests that there is indeed a fairly classical relationship between supply, demand and pricing in this market, such that over-supply was the basis for the lower prices. It appears from the 20 November 2017 publication that higher prices are indicative not only of anticipated currency exchange rate shifts (such as the strong US dollar affecting pulp prices) but more importantly of increased Chinese demand for pulp, closure of Chinese pulp mills and slow mill maintenance in Brazil. The inference I would draw from these factors is that any over-supply of parent reels in the market, if it still subsists at all, is highly likely to diminish very soon.

28. The complaint challenges this premise saying

*“the global over-supply of parent reels does show no sign of abating – there was no error here, and that does exert a negative effect on prices. However, recently parent reels (which are converted into smaller units of toilet rolls) have increased in price due to rising pulp costs (this is nothing to do with paper machine capacity). Pulp, which makes up about 60% of the cost of a parent reel, has increased by around 50% over the last 6 months, affecting all independent convertors and vertically integrated paper mills/convertors around the world. The key point, however, is that Accrol is still paying less for its parent reels than its converting competitors and at worst about the same price as a UK integrated mill – but (vitaly) with no historic or future capital investment from cash flow”.*

29. This last point – the so-called ‘key point’ – may be relevant to whether or not the thesis of the article was right or wrong (I take no view on that, nor could I do so). All these developments were quite possibly unforeseeable, and it may be that Accrol’s strategy is no less canny for the recent changes in the world of paper. But that is not the question before me. I must determine whether the paraphrasing of the Chairman’s quote changed the meaning of that quote. I have already found that that was not about the price Accrol was paying at all, but about the relationship between supply and price in the global market generally.

30. The only way I could see that the meaning would have been changed in paraphrasing, given what I have said above, would be if it were:
- a. true that the massive price hike in parent reels is largely unrelated to supply, such that there could be a significant price hike in 6 months (due in-part to increased demand and fall off in pulp supply in China) in parent reels as well as pulp, and yet the persistence of a global over-supply of reels; and
  - b. that Mr Cheung was making a point about oversupply that was unrelated to the knock-on effect on prices.
31. I have received (at my request) further evidence from Carter Ruck on 6 December 2017 about the current and forecast state of the paper markets, and done my best to understand the market dynamics of pulp and tissue supply. Supply of tissue is still expected to outstrip demand in the next couple of years, but the overcapacity in the market is also likely to peak this year (rising from 4.7% in 2017 to 6.3% in 2018, but then falling to 3.5% in 2019, 1.2% in 2020 and 0.4% in 2021, which figures recognize that capacity increases are not certain to come online). On balance, although I recognize there are some in-elasticities in this market, I do not think it right to say that the price of parent reels is anything but a direct function of the availability of supply.
32. In any event, I think the meaning of the Chairman's quote is that oversupply *and low prices which are a function of over-supply* were both unlikely to abate in the coming years, and that it was this expected continuation of the *status quo* that justified Accrol's stated 'buy not make' strategy. The full quote would make no sense if the strategy was vindicated by continued oversupply of parent reels even at much, much higher cost.

## **Conclusion**

33. On the basis of the discussion above, it will be apparent that I reject the complaint under Clause 1.1. The paraphrasing of the quote was not inaccurate, because the meaning of the quote paraphrased was that the *status quo* (consisting of oversupply and inextricably corresponding lower prices) was unlikely to change in the foreseeable future. Accordingly, finding no breach, I do not strictly need to consider Clause 1.2.

34. If I had taken an alternative view of the breach of Clause 1.1, I also doubt whether I would have found such ‘inaccurate’ paraphrasing sufficiently ‘significant’ (under Clause 1.2) to find a breach for failure to correct. The difference, even if I had accepted the complainant’s case, seems to me to be marginal at best.
35. However, if the paraphrasing had been in speechmarks so as to denote a direct quote, I would have found a breach of Clause 1.1, even if the meaning was not substantially different. This reflects the seriousness with which direct quotes must be treated. That breach of Clause 1.1 would have rendered the refusal to correct an almost automatic breach of Clause 1.2 where there was no dispute as to the original quote.
36. Finally, I should record that the alleged breach of Clause 1.2 (failure to correct) was premised not only on the failure to correct but the delay in doing so. In circumstances where the initial complaint was rejected by the journalist just over 12 hours after the email from Jennifer Renwick, and the substantive complaint from the solicitors was refused within 4 days of publication, only the very most serious inaccuracies – substantially affecting reputation or markets – would result in a breach of Clause 1.2 for such a short delay. There was, in my view, nothing so urgent in this complaint that even if there had been a duty to correct, that there could have been a breach by delay.
37. This complaint is dismissed.

**GREG CALLUS**  
**Editorial Complaints Commissioner**  
***Financial Times***  
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