



**Response to FRC discussion paper:
“Future of Corporate Reporting”**

04 February 2021

Document Control

Document Control Information	
Document Title	Response to FRC discussion paper: “Future of Corporate Reporting”
Document Version	1.0
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Revision History

Date	Version	Initials	Comment
04/02/2021	1.0	BR	Initial publication

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1 Introduction

CoreFiling is a UK software and services firm and a leader in financial reporting technology. We have been closely involved in the digitisation of UK accounts including ongoing maintenance of the FRC's accounting taxonomies and the invention of the inline XBRL (iXBRL) format used to digitise statutory accounts and tax computations in the UK. In addition, hundreds of thousands of digital accounts have been created using CoreFiling software.

We welcome the opportunity to respond to the FRC discussion paper "Future of Corporate Reporting" and hereby enclose our responses to questions we feel we are well placed to answer.

2 Responses to questions

Question 5. What are your views on our proposals as a whole? Are there elements that you prefer over others?

CoreFiling agree with the proposal that viewing corporate reporting as a network of reports would be a good step in general and that the reasons given for this change are sound. Furthermore, it is good that the required interconnectivity of these reports is highlighted. The interconnectivity can be achieved through enhancing the FRCs existing company taxonomies and would be an important part to get right to avoid double-reporting and ambiguity between reports.

We think that the proposal is sensible in clearly defining the technological supporting pillars (Section 7) up front. UK companies will see benefits from these decisions being made early to enable them to continue with their investment in technology such as XBRL.

Our feeling is that the proposal could benefit from additional consideration of the data layer as the backbone for the reports. When reports are viewed from a data perspective, the foundational principles in Chapter 2 can be strengthened considerably. For example, for "comparability", the aim can be to make reports "directly comparable" rather than "similar". Another example is "accessibility"; data can be made available for download through APIs as well as the reports read on website pages, opening up innovative uses of data for current and future stakeholders.

Question 6. Implementation: What do you see as the key practical challenges of implementing our proposals?

Splitting the current annual report into multiple reports could lead to a situation where the information required for different reports overlaps. The negative impact of "reporting twice" is more acute when the overlap is partial and leads to an increase in the reporting burden and confusing reports.

The benefits of the overlap are given in the System Level Attribute "Connectivity", however, in terms of implementation, this would need to be addressed so that it does not create a problem that grows over time.

Question 7. Implementation: Do you have any suggestions on how the above could be overcome?

The FRC already have most of the answer to overcome the challenge of double-reporting in the UK accounting taxonomies. This single master data model for company information (currently represented by the accounting taxonomies) can be augmented with other subject areas (such as non-financial reporting) and linked to the main model. Development of these linked, industry standard templates/data models will allow any overlap in reports to be made clear and improve comparability across entities and time.

Another way that regulators can deal with similar information across different reports is through the use of subject-driven data cubes. Translating this to corporate reporting would give a process whereby B2B service providers accept basic data cubes from companies and generate the appropriate communication-objective focused report(s) from this data.

Question 8. Implementation: What do you see as the costs and benefits of the new model?

From a technology point of view, the FRC minimises costs and maximises benefits by leveraging the investment already made by UK government agencies, software vendors, service providers and reporting companies in proven digital reporting technologies, in particular XBRL and iXBRL as noted in Chapter 7.

Given the ability to reuse solutions and processes for new types of reports and new data, one area of cost to consider is the work required to describe the reports and the data they contain and capturing these in a structured corporate reporting taxonomy. Major

benefits of getting this right will be reusability of the same data to address multiple communication objectives and meeting the principles of transparent and concise reporting.

One further benefit of the network view is that it could be extended as part of the broader move to a “report once” approach for business-to-government reporting. In these cases, the required reporting becomes simply another reporting objective made up of information from the central taxonomy.

Question 9. Objective-driven: Do you agree that corporate reporting should focus on a wider group of stakeholders?

In general, we agree that taking a wider group of stakeholders into account can only be a good thing. Given the timescale of the proposed changes, we also believe that “future stakeholders” representing innovations using the data being reported should be taken into account.

We note that how useful the data is relies at least as much on the common data quality aspects such as correctness, timeliness and completeness as it does on the identification of specific stakeholders. The data quality must be built in from the beginning as it will be important to current and future stakeholders.

Question 10. Objective-driven: Do you agree that reports should be driven by their objective instead of a primary user-focused approach?

Moving from user-focussed to objective-driven reports simplifies their definition, but could be seen as designing reports that fit the interests of the reporting companies, rather than those who use the data. However, for the underlying data, choosing a more neutral “subject-driven” approach may be more effective in getting transparent and complete data that can be used for a greater variety of purposes (for example, other network reports).

Whether user, objective or subject focussed, the underlying data for reports should end up as a consistent taxonomy linking all the company activities, impact and performance.

Question 13. Materiality: We are proposing that there should no longer be a single test for materiality that is based on accounting standards. Do you agree with this approach?

From the description in Chapter 4, we understand that individual companies would make a judgement, report-by-report and item-by-item, on what they will disclose. Any justification will be unique to the company and can only be sure of being valid at the time it was made.

We see the possibility that otherwise comparable companies will make different materiality decisions and that a specific companies view on materiality will change over time. This would lead to gaps in data and means that the comparability principle in Chapter 2 would be compromised.

To ensure comparability across reports and over time, the FRC may wish to consider a segment-based, predefined materiality by sector. An example of this can be seen in the SASB Industry Standards where a “subset of environmental, social, and governance issues most relevant to financial performance in each of 77 industries” is defined [<https://www.sasb.org/standards>].

Question 14. Non-financial reporting: Do you agree that there is a need for regulatory standards for non-financial reporting?

We agree with this statement. Our experience is that standards make reports directly comparable and putting them on a statutory footing makes them complete. We expect that this information will be of increasing importance to investors and that any standardisation of the data will make the analysis more efficient.

Question 19. Technology: Do you see any other ways that current and new technology could be used to facilitate the proposed model and support the overall attributes of corporate reporting?

The ability to consume and process reports and company data automatically is increasingly important. Data-focussed APIs and structured data are good ways of ensuring that the attributes of good reporting are extended to current and present stakeholders that wish to make use of these.

Question 20. Proportionality: Do you agree that the model we propose will achieve a proportionate reporting regime for companies of different sizes and complexity?

Yes, in particular, we note the success of the FRS accounting framework in reflecting the proportionate nature of the statutory accounts reporting. We believe this approach would be able to be extended into new reports and support the network reporting proposal.