

Dear Mark,

02 February 2021

The Association of International Certified Professional Accountants, the unified voice of AICPA and CIMA, welcomes the opportunity to comment on the Financial Reporting Council's Discussion Paper entitled *A matter of principles: The Future of Corporate Reporting* published in October 2020. As the leading global body of accounting and finance professionals, our purpose is to drive a dynamic accounting profession that works every day to build trust, create opportunity and grow prosperity worldwide. Our membership is actively involved in the reporting of financial and non-financial information globally, and in performing engagements to provide the audit and assurance of that information.

Research shows that 80% of a company's value now lies beyond the balance sheetⁱ and that company value often comes from intangibles such as brand, employee purpose and technological know-how. Reporting frameworks need to move forward to reflect this fact. Additionally, corporate reports have become of increasing length and regulatory demands on them have increased to an extent that is not sustainable. We are therefore pleased that the Financial Reporting Council (FRC) has recognized this in its discussion paper and sought to address the challenges with a fresh perspective around the strategic and annual reporting cycle.

CIMA has long believed that an international approach to reporting is necessary for comparability and accountability purposes and strongly supports the work of the International Integrated Reporting Councilⁱⁱ(IIRC) and the Sustainability Accounting Standards Board(SASB)ⁱⁱⁱ in respect of corporate reporting frameworks that allow for narrative reports that tell a story around how a business creates, preserves and maintains value through their business models. The IIRC framework acknowledges six capitals financial, manufactured, natural, human, intellectual, and social. In terms of the reporting landscape it is imperative that any new disclosures should cover all of these and ensure that they are effectively measured and internationally comparable.

We have also been engaged in the creation of the core and more concept^{iv} developed through accountancy Europe. The concept of interconnected reports is therefore one that we are broadly supportive of as it allows the tailoring of information in a logical manor, captures information that is long term and allows the effects on wider stakeholders to be demonstrated. This also supports our recent work on integrated thinking^v which embeds governance and reporting within board level decision making. Finally, at the international level we fed into the recent IFRS Foundation consultation on setting up a sustainability standards board^{vi}. This work is moving at pace and we would urge the FRC to work in tandem with this fast-moving international initiative.

The UK has a long-established tradition of principles-based regulation and we agree that this an effective approach to reporting. This approach gives organisations flexibility in how they report key

information according to local conditions. In particular, we agree that it is for the company Board to determine who its key stakeholders are as they should have this overview through solid understanding of their business model. We also welcome the principles outlined around communication and accessibility and believe that technological advances in particular will help achieve this.

The proposed objective of the *Business Report* aligns well with the value creation-focused reporting requirements of the IIRC and SASB. However, we are concerned that the objectives driven approach highlighted in the discussion paper may detract from the information needs of the primary users of reporting information, namely investors. It is not clear that this approach is consistent with international standards setters in this area and may not sufficiently take into account the users of the information. The FRC should consider how this could be addressed. We are however, supportive of the *public interest report*. The concept should help organisations bring together vital information concerning wider stakeholders into one place.

CIMA recognises the importance of technology in corporate reporting and welcome the approach taken in this discussion paper. We would point to the advances in data analytics that have developed in recent years but have not yet been applied to corporate reporting. Our recent response to the IASB paper on non-financial reporting^{vii} details how we think specific technology can support reporting by allowing users easier access to the information they think most relevant.

Finally, we would endorse the principle of flexibility, used throughout the discussion paper as one that we feel is critical to the success of this initiative. We believe that a market driven approach to reporting frameworks which is capable of being flexible over time allows those who understand and run the organisation to deliver the most innovative and appropriate information to stakeholders.

Best Regards,

David Hackett

Technical Manager

ⁱ <https://www.reuters.com/article/sponsored/the-rise-of-intangibles-in-an-increasingly-complex-business-environment>

ⁱⁱ <https://integratedreporting.org/resource/international-ir-framework/>

ⁱⁱⁱ <https://www.sasb.org/>

^{iv} <https://www.accountancyeurope.eu/publications/core-more-smarter-corporate-reporting/>

^v <https://www.cimaglobal.com/Documents/Research%20and%20Insight/Integrated%20Thinking%20Report%20vol%2013%20issue%203.pdf>

^{vi} <https://cdn.ifrs.org/-/media/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf>

^{vii} <https://www.cimaglobal.com/Documents/Advocacy/AICPACIMAResponseIFRSSept20Consultation.pdf>