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Sent: 21 January 2021 12:18
To: Future of Corporate Reporting
Subject: Design Portfolio's response to "A Matter of Principles"

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Dear FRC team,

First off, I would like to say how exciting the discussion paper is, and at Design Portfolio we certainly welcome the FRC's scrutiny of reporting and the role of technology. It has caused some lively debates in the office and its great to hear that innovation is being injected into the corporate reporting world. We recently developed a video to demonstrate some of our key takeaways from the discussion paper. If you are interested, [our video can be found here](#).

Design Portfolio has spent considerable time and resources familiarising ourselves with the proposals put forward in "A Matter of Principles". We also conducted a round table discussion with our clients to understand and collate their questions, concerns and feedback.

We thereby submit the following comments in response to the FRC's discussion paper on the basis of conversations with our clients and our own internal review:

Implementation of the Reporting Network

- Clients have questioned the degree to which unbundling content across the reporting network model would differ materially from the traditional annual report.
- Our clients would like to understand the FRC's perspective on how their internal resources might need to adapt in order to implement these changes successfully.
- Clients have expressed the belief that little will change besides information being supplied across three reports instead of one consolidated document, potentially complicating the project and producing a greater strain on resources.

Proportionality

- AIM clients have raised the concern that although many of the proposals would not initially impact them formally, they will still be reviewed and expected to report in line with main market businesses.
- A level of caution would be appreciated when the FRC outlines reporting changes, particularly around the Public Interest Report, for companies, as it will likely impact AIM companies indirectly.
- Due to the tight resources AIM companies have, any radical changes will be extremely difficult to implement.

Materiality

- Clients have expressed doubts over an objective-led materiality process, questioning whether it would create confusion among investors looking to assess and compare business performance.
- They have also voiced concern that the standardisation of non-financial reporting may be counteracted through the introduction of two levels of materiality (at the network and report levels) by further complicating what should be reported on.

Technology

- There is broad agreement among our clients around the transition to online reporting and a 'digital first' reporting future.
- The evolution of the PDF into a more accessible platform where tagging enables information to be more searchable is also seen favourably.

Auditing

- The FRC mentions that different assurance levels would be needed for different reports, but further clarity around how this would work and whether new partners would be needed to assure different documents/reporting would be appreciated.

Timings

- We understand that the roll-out of the proposals is expected to take place over the course of several years, however, our clients are interested in a more detailed outline of what a phased roll-out might realistically look like.
- Clients requested further clarity on what the FRC envisions the reporting cycle would look like under the reporting network; specifically, which reports would be required periodically and at what point in the year?

Our questions and comments

- We would like to better understand how governance reporting fits into the model: would a separate governance report be required every year? If so, when would this be required?
- When can we expect to get a better idea of the implementation timeline for any changes that have been made?
- What is the difference between external impacts and societal impacts when discussing non-financial reporting, and why is this needed?
- It would be useful to understand how the FRC envisions its proposals, particularly around materiality and nonfinancial reporting, complementing global efforts to introduce standardisation to ESG reporting (i.e. TCFD, SASB and GRI).

Thank you in advance for any clarity you can provide on these issues moving forward, and we eagerly await further updates from the FRC as its proposals continue to evolve.

Kind regards,

Dan

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