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Dear Financial Reporting Council

Re: Discussion paper on future of corporate reporting

We welcome the opportunity to comment on the Discussion Paper (DP) on the Future of Corporate Reporting.

Aviva is the leading insurer in the UK serving one in every four households and has strong businesses in selected markets in Europe and Canada. We provide life insurance, general insurance, health insurance and asset management to 33 million customers worldwide and in 2019 paid £33.2 billion in claims and benefits. Our shares are listed on the London Stock Exchange and we are a member of the FTSE100 index.

In addition to our Annual Report and Accounts, Aviva issues a detailed annual report on Climate-Related Financial Disclosure in accordance with the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). Aviva also welcomes the increased regulatory focus on climate change from the Prudential Regulation Authority, Financial Conduct Authority, European Insurance and Occupational Pensions Authority and the Network for Greening the Financial System.

Below we provide a summary of our comments on the DP with more detail, including responses to the specific questions posed by the DP, provided in the appendix to this letter.

Areas where we support the proposals

We support the FRC's work in seeking continuous improvement to Corporate Reporting and the wider consideration of new ways to enhance Corporate Reporting in the future. We support many of the principles set out in the DP, in particular greater focus on non-financial reporting (including the consideration of the company's impact on the environment as well as the environment's impact on the company) and the use of technology and innovation.

Areas where we have concerns with the proposals

We welcome the new ideas that have been aired in the DP, however, we are not convinced the proposals take us forward in the right way. Our key concerns are as follows:

- We feel the review needs to be global, encompassing wider stakeholders than just the UK and that the current imperative to deliver enhanced reporting of Climate and Environmental, Social and Corporate Governance (ESG) should be the priority. We also believe that further thinking is required to ensure Corporate Governance information regarding Boards and senior management, as well as committees and remuneration reports, fits into the mandatory reports and has the appropriate prominence.

- The proposal for a network of reports for different stakeholders introduces an obligation for preparers to determine the needs of stakeholders, which we believe is difficult and we question whether this is appropriate. Furthermore, this creates the risk that all stakeholders are not considering all appropriate / relevant information at the same time, compromising the fair and consistent understanding of the information provided. This could lead to confusion and inconsistent understanding of a company's financial and non-financial performance between stakeholders. In addition, this proposal could increase duplication and unnecessarily increase the reporting burden. Our preference is that the information is provided, and technology used to appropriately tag information such that stakeholders can easily find information relevant to them.
- The proposals are unclear as to which content would be subject to audit and what would be subject to assurance. Today there is a clear distinction between the financial statements which are audited and other components of the Annual Report and Accounts which are subject to some level of assurance. We believe further thought should be given to how this clarity could be maintained in future corporate reporting.

We are at your service to answer any further questions you may have and work collaboratively with your staff to develop solutions.

Yours sincerely

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Appendix - Aviva Response to Discussion Paper on the Future of Corporate Reporting

Responses to specific questions

Question 1

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

Aviva Response

- We feel that the review needs to be global, encompassing wider stakeholders than just the UK and that the current imperative to deliver enhanced reporting of Climate and Environmental, Social and Corporate Governance (ESG) should be the priority.
- We believe that considering a wider group of stakeholders is important in the future of corporate reporting, particularly noting the importance of non-financial reporting. However, we believe this could be achieved through a clear single report, supported by the use of technology to enable users to extract information most relevant to them. The proposals introduce an obligation for preparers to determine the need to stakeholders, which we believe is difficult and we question whether it is appropriate.
- The network of reports could result in similar or the same information being produced in many different places and this could result in additional reporting burden and cost. There is also a risk that all stakeholders are not provided with the same information, comprising the fair and consistent understanding of the information provided. This could lead to confusion and inconsistent understanding of financial and non-financial performance between stakeholders.
- The DP is considering the longer-term view of corporate reporting and focuses on metrics and information that support a long-term view. While we agree that a long-term view is important, we also consider reporting of short term impacts is important, particularly in light of the uncertain landscape and significant changes we have seen in the last year.
- We are supportive of information such as that required by the Public Interest Report to be mandatory, and we would see this aligning to the Climate-Related Financial Disclosure report, produced by Aviva in accordance with the Taskforce on climate-related Financial Disclosures (TCFD) recommendations and issued at the same time as the Annual Report and Accounts.
- We also feel that greater prominence should be given in the proposals to Corporate Governance information including information regarding the boards and senior management, as well as committees and remuneration reports.

Question 2

What do you see as the key practical challenges of implementing our proposals? Do you have any suggestions on how these could be overcome? What do you see as the costs and benefits of the new model?

Aviva Response

As mentioned in response to question 1, the network of reports could result in similar or the same information being produced in a number of different places. This creates the risk that all stakeholders are not considering all appropriate / relevant information at the same time compromising the fair and consistent understanding of the information provided.

Assurance of the proposed network of reports must be addressed, including clarity on the aspects of the reports which require audit, or other forms of assurance. The current assurance provided by auditors for the Strategic report (that information is consistent with the financial statements), could require revisiting if the narrative reporting is to expand beyond a financial performance focus.

Question 3

Should corporate reporting focus on a wider group of stakeholders through multiple objective-driven reports, instead of a primary user focused approach?

Aviva Response

We believe that considering a wider group of stakeholders is important in the future of corporate reporting, particularly noting the importance of non-financial reporting. However, we believe this could be achieved through a clear single report rather than a network of reports. We would recommend further exploring use of technology to enable users to quickly identify and pull together the information of interest via tagging and search tools.

Question 4

Do you consider the set of principles (system level attributes, report level attributes and content communication principles) in section 2 would be helpful in improving the quality of corporate reporting today and in the future?

Aviva Response

We are generally supportive of the system level attributes, report level attributes and the content communication principles. We question whether the proposed network of reports is the best way of achieving these principles, particularly given the increased overall reporting created and the challenges of identifying separate, targeted reporting through the voluntary supplementary reports, all of which could impact on comparability.

With regards to content communication principles, we note that Aviva includes a glossary of key terms and jargon on its website which applies across its reporting suite. We welcome further suggestions as to how to reduce jargon and increase readability in corporate reporting. We also refer to question 6 for comments on materiality.

We note that for non-financial reporting in particular, until global sustainability reporting standards are a reality, comparability remains a major challenge.

Question 5

Do you agree with our proposals to improve the relevance and accessibility of information, involving more concise reports distributed across a reporting network?

Aviva Response

As noted in our response to question 4, we fully support relevance and accessibility, however, we do not agree that increasing the number of reports distributed across a reporting network necessarily achieves this.

Question 6

We are proposing that there should no longer be a single test for materiality that is based on accounting standards but instead materiality will be dependent on the objective of a report. Do you agree with this approach, please explain why?

Aviva Response

There could be significant practical difficulties with the application of materiality to the network of user focused reports that is being proposed. Application of materiality specific to a report risks providing undue prominence in some reports to information out of context with the wider reporting information. Providing disclosure of the materiality used in preparing corporate reporting including materiality processes and judgements, benchmarks and timeframe could be challenging, particularly in the context of non-financial information like climate. We believe materiality is an area where expert judgment is required, and this should remain a matter for management and Boards in conjunction with their auditors. Disclosure of this information could increase rather than mitigate misunderstanding.

Question 7

Do you believe that there is a need for regulatory standards for non-financial reporting? If so, what do you consider the scope of the information that should be covered by these standards?

Aviva Response

We agree that there is an urgent need for a global set of internationally recognised sustainability reporting standards, and we support the IFRS Foundation expanding its standard-setting activities into this area, as proposed in its consultation paper on sustainability reporting. As suggested in that consultation paper, we agree to prioritise climate-related financial disclosures before broadening into other areas of sustainability and ESG reporting. Climate-related metrics such as those for greenhouse gases and carbon intensity are some of the most mature and already widely reported and understood. We would recommend these as a good starting point. Introduction of standards for metrics such as these, would increase consistency and quality of the reporting.

We agree with the need to disclose information on the impact of the business on the company's stakeholders and society, including employees, suppliers, customers and the community including information on environmental, human rights, anti-corruption and anti-bribery matters. We would also be supportive of including this information alongside other mandatory reporting regarding gender pay gap, supplier payment and modern slavery.

We have concerns about identifying different metrics relating to external outcomes specific to different stakeholders, related policies and risks and mitigations on a stakeholder specific basis. By nature of public interest, some non-financial measures should be considered in their entirety, whilst noting some of these might be of more interest to certain stakeholders. Additionally, an individual could well be a stakeholder across a number of groups.

Question 8

Do you agree with the need for companies to provide information about how they view their obligations in respect of the public interest?

Aviva Response

We agree with the concept of Public interest reporting. Aviva produces a Climate-Related Financial Disclosure Report on an annual basis which is issued at the same time as our Annual Report and Accounts. However, clarity would be required on the expectations for reporting on how a company views their obligations in respect of public interest.

Question 9

Do you agree with the introduction of a Public Interest Report and the suggested content as set out in Section 6?

Aviva Response

Refer to response to question 7 and 8.

Question 10

Do you see any other ways that current and new technology could be used to facilitate the proposed model, and support the system level attributes of corporate reporting identified in section 2?

Aviva Response

We agree that tagging would need to be consistent with proposals and taxonomies mandated by other regulators and note the European Single Electronic Format (ESEF) reporting requirements are advanced with mandatory tagging of certain financial statement information for financial years starting on 1 January 2021 and full tagging of financial statements required for financial years starting on 1 January 2023. We believe that technology reduces the need for a network of reports, enabling users to extract key information across the full set of reporting.

We note that Interactive annual reports and accounts have been utilised by many companies in the past with some reverting back to non-interactive versions.

Question 11

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

Aviva Response

There is a lack of information in the DP as to how proportionality would be achieved.

Question 12

What other areas do you see being necessary or relevant to the development of a model for corporate reporting that is fit for the future?

Aviva Response

No further items noted.