Climate Disclosure Standards Board

5th February 2021

Financial Reporting Council
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By email: futurereporting@frc.org.uk

Re: CDSB response to the FRC discussion paper on the Future of Corporate Reporting

The Climate Disclosure Standards Board (CDSB) would like to thank the Financial Reporting Council (FRC) for the opportunity to provide comments on its discussion paper on the Future of Corporate Reporting.

CDSB, an international consortium of business and environmental NGOs, was founded in 2007 in response to the absence of an internationally recognised mainstream reporting standard for climate-related issues, before expanding its scope in 2015 to encompass natural capital. CDSB is committed to advancing and aligning the global mainstream reporting model and equating financial capital with natural capital, understanding that both are essential for understanding corporate performance. It is, after all, the case that our economies, lives and well-being are reliant on nature and its many interconnecting systems. By offering the market a framework for reporting climate and environmental information with the same rigour as financial information, CDSB works to foster resilient capital markets and contribute to ensuring the sustainability of our economic, social, and environmental systems.

The CDSB Framework is used by large, listed companies globally, referenced in government guidance to reporting regulation in the UK Companies Act, the European Commission Guidelines on Non-Financial Reporting and stock exchange guidance globally. The CDSB Framework was also foundational to the Recommendations of the Task Force for Climate-related Financial Disclosures (TCFD). CDSB has been a key supporter of the implementation of the recommendations, through hosting and managing the TCFD's Knowledge Hub, training of approximately 5000 professionals globally every year and offering the market guidance on meeting the recommendations effectively and efficiently.

However, it remains the case that companies are reporting to capital markets on climate-related issues and wider natural capital in varying degrees of quality and from different perspectives. The resulting inconsistencies and incomparability plague understanding and decision making, severely impeding the task at hand – efficiently directing financial capital to where it is needed to address the globally agreed Sustainable Development Goals and Paris accord with the urgency that they demand and thus ensuring financial stability.

In supporting the overall proposals of the FRC, we wish to stress the following points, which we consider important in order to achieve an effective framework for corporate reporting in the UK:

- Objective-focussed reporting is sensible, but the needs of users must be taken into account and addressed as these will change and evolve over time;

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- We support a common set of principles for corporate reporting in the UK, but the current principles and attributes are duplicative and can be streamlined to be more user-friendly;
- We agree that a single set of global standards for reporting sustainability and non-financial reporting is needed and support the role that the IFRS Foundation can play in achieving this; and
- Further thought is required on the terminology used in relation to impact and outcomes, which we believe is currently overly complicated. Appropriate guidance will need to be provided to preparers in understanding the difference between the impact of a company's activities on people and planet, and environmental and societal impacts on a company's ability to create value.

Our comments in full are provided below. Please do not hesitate to contact me directly (mardi.mcbrien@cdsb.net) or CDSB's Policy Director, Michael Zimonyi (michael.zimonyi@cdsb.net), if you have any questions.

[redacted]

Mardi McBrien
Managing Director, Climate Disclosure Standards Board (CDSB)

CDSB response to questions

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

The focus of CDSB as an organisation is to advance the integration of environmental and natural capital information within the annual report for the benefit of primary users, predominantly investors. We recognise that corporate reporting has evolved (and continues to evolve) and no longer solely provides financial information to those that are considered primary users but benefits a number of stakeholders. In line with CDSB's mission, annual reports now cover more than just financial information. However, in serving several purposes and users, we agree that annual reports have generally become unwieldy, are not user-friendly for any of the stakeholders that may be interested in their content and do not necessarily achieve what they are being produced for.

Therefore, we are broadly supportive of the FRC's ambitions to evolve the corporate reporting landscape and the proposals set out in the discussion paper, in effect breaking down the existing annual report into three separate but complementary reports with distinct communication objectives, supported with additional voluntary reporting as required. We recognise that multiple stakeholders may have the same reporting needs. For example, investors are no longer just interested for financial purposes and thus their interests on issues such as environmental or social matters may also align with other users, thus an objective-driven approach is a practical solution. However, equally it needs to be ensured that the individual needs of key stakeholders, which will evolve and change over time, are not missed in taking such an approach.

We support the establishment of a common set of principles to underline the corporate reporting model proposed to support effective communication by companies, which largely matches up with the guiding principles of the CDSB Framework. However, we believe the principles and attributes currently proposed are duplicative and can be streamlined to be more user-friendly.

We agree that a single set of global standards is needed, reflected in our work with the five leading sustainability reporting organisations to move towards a comprehensive system, as well as support the role that the IFRS Foundation can play in achieving this. We welcome the focus on non-financial reporting within the FRC's proposals. At this stage, nevertheless, we emphasise that companies may require further guidance to understand the difference in reporting implications between the impact of environmental and social matters on a company's enterprise value, and the impact of a company's activities on people and the planet.

Finally, moving away from a single definition of materiality to a model with multiple definitions depending on the reporting objective is also aligned with the approach that has been proposed by the five leading sustainability reporting organisations as part of developing a comprehensive reporting system.

We go into further detail on each of different elements of the proposed future corporate reporting system in our responses to the following questions.

Implementation

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?

While we are supportive of the FRC's proposals overall, we expect that producing three separate reports with increased disclosure, which will likely need to be prepared and published concurrently, will result in greater reporting burden for most companies, at least in the short-term. Notwithstanding the urgency needed for better reporting of non-financial information, an appropriate transition period should be allowed to support companies in adjusting to the new reporting regime.

Producing three reports concurrently will also likely result in different teams / functions within an organisation producing these outputs. This will make it challenging to keep the reports connected, which will be key to an effective reporting regime, thus companies will need to implement new governance processes around report preparation to ensure consistency and connectivity. Clear boundaries and definitions of each report must be in place, in order for accessibility of information to be well understood and to prevent unnecessarily duplicate disclosures across multiple reports. Similarly, if any reliance is placed on auditors / assurance providers to pick up inconsistencies across disclosures, practically this may be challenging when reviewing different reports in tandem.

At a global scale, the UK has always been considered a leader in corporate reporting. An important consideration is how corporate reporting practices are developing in other jurisdictions, as it would be problematic if there is a divergence in reporting practices. Many stakeholders, such as investors, depend on the corporate reporting of companies across many jurisdictions. In theory, the building blocks of the three reports should aid in the accessibility of information by users. Equally the FRC, must be considerate of and connected to complementary work in the broader corporate reporting space, to drive towards a uniform approach rather than contribute to the proliferation. This includes the approach on materiality and the ecosystem of initiatives on impact.

Additionally:

- The FRC should consider the boundary between audit and assurance. In relation to non-financial information this boundary may be hard to define, albeit this may be an existing challenge under the existing corporate reporting framework; and
- Appropriate guidance will need to be provided to preparers on what 'long-term' means in the context of the business report, as different interpretations may limit comparability.

Objective-driven

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

Most primary users are no longer interested in solely financial performance and thus their information requirements increasingly align with other stakeholders. Therefore objective-based reports as part of reporting network, rather than user-focussed reports make sense.

However, in taking such an approach it should be ensured that the specific needs of different user groups are not be missed, especially as different users may benefit from reporting in different ways. For example, investors are predominantly interested in non-financial information that has an impact on the financials or long-term value creation, while wider stakeholders may be less interested. It should also be noted that Companies Act 2006 as currently written maintains shareholder primacy under section 172 ("to promote the success of the company for the benefit of its members as a whole"). Thus, the reporting needs of shareholders should equally be considered primary, although in practice this does not need to detract from the reporting needs of other stakeholders. As such, the needs and expectations of investors should continue to be maintained as the stakeholder group that will continue to benefit from and relies the most on corporate reporting.

One set of principles

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?

A set of principles would be helpful in improving the quality of corporate reporting and is broadly aligned with the principles of the CDSB Framework in the context of reporting environmental and natural capital information in the annual report. The principles per the CDSB Framework are aligned with the principles of the IFRS Conceptual Framework, which are well recognised and well understood terms within corporate reporting. However, we find the principles proposed are duplicative of already established and widely used ones. We also see overlaps between the proposed principles. As such, we suggest adopting existing reporting principles, unless there is no suitable principle available.

System level attributes

Accessibility: In order for corporate reporting to actually be beneficial to users, it must be accessible. The location of the bulk of corporate reporting within one document, the annual report, until now has ensured ease of access for users, but how such communications are now consumed is changing. For the most part, the annual reports of larger UK companies are currently available on their websites and thus relatively accessible, although in our experience locating the correct report on a company website is not as straightforward as it should be. Equally important is that the content of reports is presented in a way that is meaningful and understandable to users, bearing in mind the likely user of such information i.e., financial reports are produced predominantly for the benefit of primary users and so should be meaningful and understandable for that group of users and not necessarily other user groups.

Connectivity: A guiding principle of the CDSB Framework is the "*disclosures should be connected with other information*" in the annual report "*to explain the links between environmental information and the other information in the [annual] report, including financial information.*" However, connectivity across a number of reports will likely be a greater challenge for preparers than connectivity of content within one report, particularly if the responsibility for developing each of the reports sits with different functions within a company. Companies should be encouraged to cross-reference to other reports / another part of the same report, where there is connectivity between information. Digital reporting using iXBRL can provide a large portion of the solution here for users to access connected information quickly and easily in the same or other reports.

Consistency: Consistency (alongside comparability) is another guiding principle of the CDSB Framework. Consistent reporting allows for comparability across different reporting periods as well as between similar companies and within sectors.

Transparency: The CDSB Framework requires companies to provide faithfully representative disclosure that is complete, neutral and free from error. This is comparable to transparency as described in the discussion paper. However, faithful representation is a better understood term than transparency which has a broad meaning in corporate reporting and therefore believe that "*faithful representation"* should be used instead of "*transparency"*. Similarly, there is overlap between the principle of 'transparency' and the first two terms of 'fair, balanced and understandable' as well as 'relevance' as companies should disclose all relevant information, whether positive or negative, and in doing so be transparent.

Report level attributes

Within the CDSB Framework, 'verifiability' is a guiding principle requiring that "information that forms the basis for disclosures is verifiable". 'Fair, balanced and understandable' and 'True and fair' are well recognised concepts within UK corporate reporting and can be used as a basis against which the quality of reporting can be assessed. We note that the former applies to all corporate reports so could equally apply to the proposed reporting network, while the latter applies to financial reporting per the Companies Act 2006. We also note that there is overlap between these terms and other principles introduced, thus there should be consolidation to reduce the complexity of the three-tier system of principles.

Content communication principles

Brevity, comprehensibility and usefulness: This is akin to the "clear and understandable" guiding principle of the CDSB Framework, which is intended to aid users by ensuring disclosures are easy to navigate and understand. However, there is clear overlap with the final term in 'Fair, balanced and understandable' as well as similarities with 'accessibility', albeit in relation to the content of the report, rather than locating said reports. We would suggest that this is combined with 'accessibility' to be more succinct.

Relevance: This matches with the CDSB Framework's first Principle that "*Environmental information shall be prepared applying the principles of relevance and materiality.*" We have provided our comments in relation to materiality in our response to question 6.

Company specific: We do not believe that this should be a separate principle but should be incorporated with appropriate emphasis into the 'relevance' principle; information that is not specific to a company would not be relevant and thus should not be included within a corporate report.

Comparability: Comparability of information across reporting periods, similar companies and sectors is key to corporate reporting being decision-useful for users. However, comparability and consistency are two sides of the same coin – in order for information to be comparable it must be produced consistently and thus we would propose this is combined as a principle i.e. 'consistency and comparability.' With regards to comparable metrics, we would reiterate the importance of encouraging the use of standardised methodologies for metrics and, where not possible, detailed explanation of the methodology used in calculating a metric.

The final guiding principle of the CDSB Framework is that "*disclosures shall be forward looking*." Particularly in relation to non-financial information, we strongly encourage that appropriate emphasis is provided on the disclosure of forward-looking information, in addition to historical information, and thus suggest adding this principle, particularly with regards to the Business Report and Public Interest Report. This principle is defined in the CDSB Framework as follows:

"Purpose: To ensure that historic information in the mainstream report is complemented with narrative on its influence on future performance of environmental information.

Disclosures should look to the future as well as the past and present and should communicate trends and factors relating to environmental information that are likely to affect the organisation's future performance, position and development. Adopting a strategic focus and future orientation includes clearly articulating how the continued availability, quality and affordability of natural capital contributes to the organisation's business model. If not already stated in the mainstream report, the period over which management considers the future prospects of the organisation for the purposes of reporting environmental information should be disclosed in the statement of conformance (REQ-11) or in response to REQ-06 Outlook."

Reporting network

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

Overall, we do agree with the FRC's proposals for concise reports distributed across a reporting network. As already noted, introducing objective specific reports with consistent underlying principles should aid in the accessibility of relevant reporting for a wider group of stakeholders. To reiterate however, in taking such an objective-driven approach, it needs to be ensured that the individual reporting needs of key stakeholders are not overlooked.

Whether these proposals are successful in practice will, to a significant degree, dependent on how they are implemented in practice. For example, if the individual reports are dispersed across a company's website, making the documents difficult to locate, this would reduce the accessibility for users, compared to locating a single annual report currently. Similarly, annual reports generally have a consistent structure that is recognisable and well-understood by users. The introduction of three reports (supported by additional reports as necessary) may hinder in meeting the same principles set out in the discussion paper – resulting in a lack of connectivity, consistency, comparability and therefore decision-usefulness for investors and wider stakeholders.

Additionally, even with three distinct reports appropriate integration and alignment within and across reports will be needed in order for reporting to be useful for users. For example, users may expect narrative reporting of environmental risks within the Business Report to be supported with disclosure on the financial impacts of those risks within the Financial Statements. This will require appropriate linkage and cross-referencing. Similarly, with separate reports on corporate governance and risk and resilience proposed, in practice care will need to be taken by companies to ensure reporting is aligned and users are given a consistent story. For example, disclosure on material climate-related matters might be provided in the Business Report, but companies will need to ensure that governance and risk management around climate-related matters are appropriately and consistently disclosed within the additional reports. Per our comment in question 2, new governance processes will need to be put in place by companies to ensure connectivity and consistency between reports produced in tandem by different teams.

Materiality

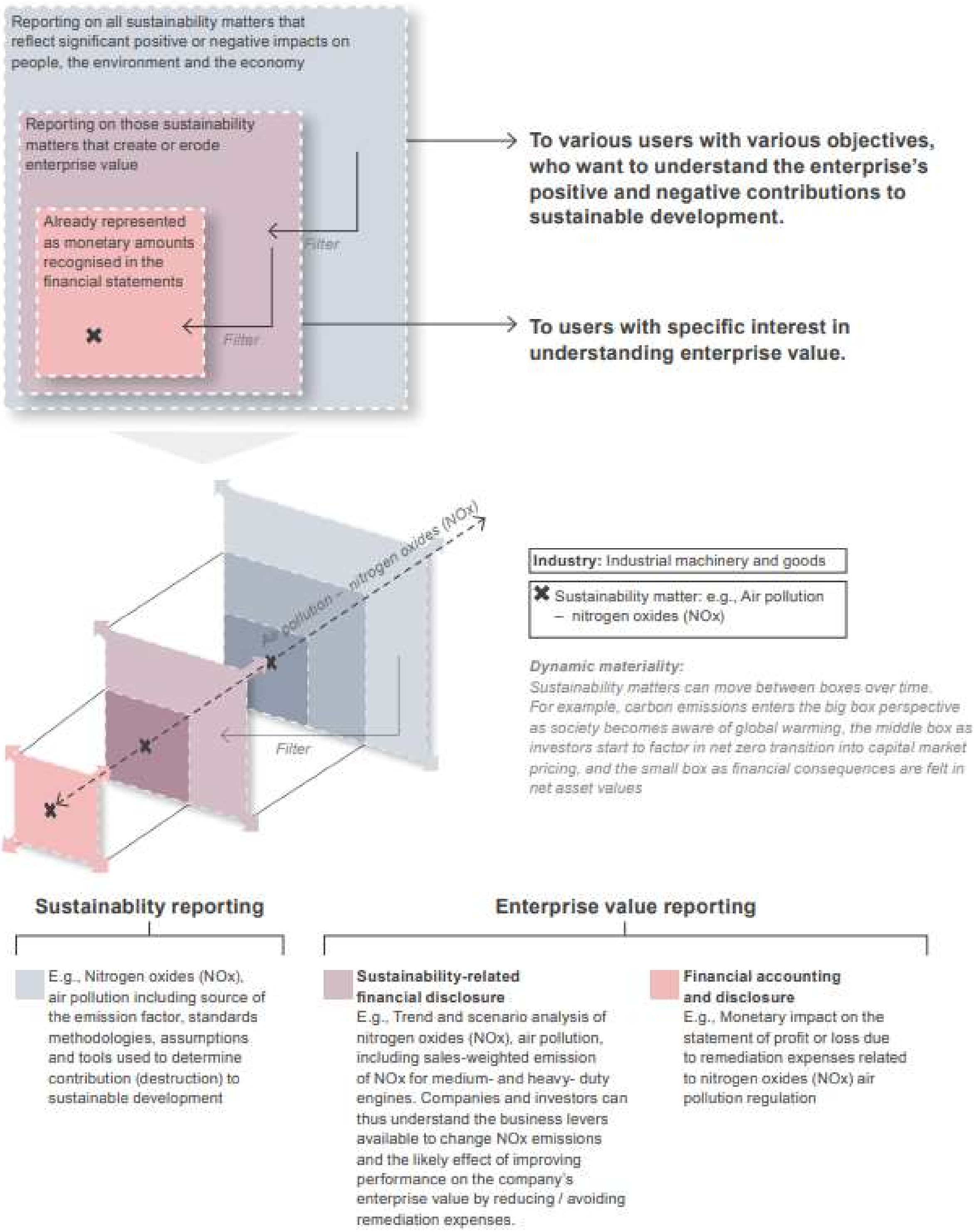
6. We are proposing that there should no longer be a single test for materiality that is based on accounting standards but instead materiality will be dependent on the objective of a report. Do you agree with this approach, please explain why?

CDSB generally support this approach. We agree that a single test for materiality is not appropriate, and that that materiality should be dependent on the objective of a report. However, this in turn requires the understanding of the user(s) of the individual reports, as materiality cannot be determined absent of consideration of the users, as well as consideration of the facts and circumstances of a specific business, which a company in question will be best positioned to determine. In addition to undertaking a report-by-report assessment of materiality, it should be assessed as to whether all information material to stakeholders has been addressed and where it has not, companies should be expected to provide additional disclosure in the appropriate location.

The Statement of Intent to Work Together Towards Comprehensive Reporting by the five leading sustainability reporting organisations in September 2020 introduced the concept of dynamic and nested materiality. This is broadly in line with the approach suggested in the FRC's discussion paper. This concept is developed further in the December 2020 prototype climate-related financial disclosure standard. As illustrated in the diagram on the following page, three levels of corporate reporting are proposed:

- The broadest level is that of reporting of the company's 'materially significant' impacts on people, the environment, and the economy (this would at the level of the Public Interest Report);
- The middle layer covers reporting that is material from an enterprise value perspective, but cannot necessarily be measured in monetary amounts, which would be the equivalent of the disclosures expected in the Business Report; and
- The innermost layer also covers matters that influence enterprise value, in so far as they affect monetary amounts accounted for and disclosed in the financial statements (what is currently understood as financial materiality per the accounting standards).

Figure 1. Comprehensive corporate reporting



Significantly, the concept of materiality in relation to corporate sustainability issues is dynamic, meaning that the concerns of one stakeholder group may quickly become material for financial decision-makers.

The approach outlined by the FRC also seems to be compatible with the double materiality principle of the EU Non-Financial Reporting Directive (NFRD), transposed into the Companies Act, but also across EU Member States, thus enabling the possibility of consistency and comparability between UK and EU company reporting:

- Financial Materiality (as described in the Non-Binding Guidelines to the NFRD) would correlate to some of the content covered in the business report; and
- Environmental & Social Materiality (as described in the Non-Binding Guidelines to the NFRD) would correspond to content covered in the public interest report.

We would also emphasise the importance of companies disclosing the approach taken in determining materiality as this is key for users to understand the basis on which judgements have been made, including disclosing the time frame of the materiality assessment. Companies should also disclose the time horizon of the materiality assessment for each report. For example, a shorter 12-month time horizon for the financial statements, would not be appropriate for Business Reports, which covers 'longer term value.'

Non-financial reporting

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?

CDSB strongly believes that there is a need for a global set of internationally recognised material non-financial reporting standards, and we recognise the need for the alignment of the different reporting frameworks, of which we are part of the current ecosystem. This is reflected in our support of the Statement of Intent to Work Together Towards Comprehensive Corporate Reporting as one of the five leading sustainability organisations in September 2020 and the follow-up paper on a prototype climate-related financial disclosure standard. Additionally, per our response to the IFRS Foundation consultation on sustainability reporting, we believe that the Foundation potentially has an instrumental role in setting these standards by expanding its standard-setting activities.

We believe that, to avoid further fragmentation of reporting, a baseline of standards for non-financial reporting should be established at the global level, which may be complemented by extensions that relate to national priorities.

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

Yes – this is in line with our belief that as part of a comprehensive reporting system, companies should be reporting on matters that reflect significant positive or negative impacts on people, the environment, and the economy.

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

The paper introduces three ways of differentiating 'impact', which is not easy to decipher:

- *"Internal outcomes – the positive and negative effect of the company's activities on the sustainability of the company's business model;*
- *External outcomes – the positive and negative effect of the company's activities on stakeholders and society;*
- *Societal impacts – the impacts of the company on society and the environment, measured by reference to the change in outcomes for people, planet and prosperity as a result of the company's activities*."

As we understand it, internal outcomes are supposed to address the impact of environmental and social matters on the business (e.g. if a business has operations on a flood plain which is at increased risk of flooding over the coming years due to climate change, this will have an impact on the sustainability of the company's business model). However, we struggle to differentiate between external outcomes and societal impacts. The example in the paper of metrics to differentiate between the two seem to be exactly the same. Further thought is required on the terminology proposed, which we believe is overly complicated and difficult to understand. There are existing initiatives and definitions, which may be more appropriate to adopt.

We agree that there is value in the introduction of a Public Interest Report, comparable to sustainability reports currently produced by some companies on a voluntarily basis. This would be an effective means by which companies can disclose their views on their obligations in respect of the public interest.

However, we cannot understate the importance in clearly explaining to preparers what would be expected to be disclosed in the Public Interest Report with regards to sustainability matters/non-financial information and what would be expected to be reported in the Business Report. Where sustainability matters have a material impact on the enterprise value of a company this must be appropriately reflected within the business report, alongside any other matters that also have such an impact. The introduction of a Public Interest Report cannot be an excuse for companies to only disclose non-financial information within that report. Similarly, where non-financial matters may have a financially material impact this would also be expected to be reflected in the financial statements or supporting notes as per the IASB and IFRS Foundation's respective papers on climate-related matters and financial risks, as well as the FRC Financial Reporting Lab's climate thematic in 2020.

Appropriate guidance and support will need to be provided to users when determining where information should be disclosed. This is particularly relevant in relation to forward-looking information. For example, considering climate scenario analysis and other longer-term analysis, this may be very much connected to material concerns, but the information gathered from these exercises may not yet be material. This in part will be an attribute of the timeframe over which materiality is assessed i.e. climate risks will only be assessed as material if materiality is considered over the appropriate period in relation to long-term value creation.

Nonetheless, the introduction of a Public Interest Report alongside a Business Report should allow users to better differentiate between the material impacts of environmental & social matters on a company's ability to generate and sustain value creation over the longer-term, and the impact of the company's impact on people and the planet. Of course, based on the facts and circumstances of a company, there will be certain instances where non-financial information found in the Public Interest Report should also be referred to in the Business Report. For example, the impacts of a carbon-intensive company on the environment would be expected to be disclosed in its Public Interest Report, but would also require appropriate disclosure in the Business Report (and potentially its financial statements) if the company anticipates the introduction of carbon taxes in the key jurisdictions in which it operates, which would negatively impact its value creation ability. To reiterate, appropriate guidance should be prepared to support users in determining where to locate non-financial information.

We are also very supportive of standardised metrics to ensure comparability for users, particularly across sectors and industries. However, appropriate flexibility should be allowed, where necessary, to ensure that the metrics disclosed are relevant for the company in question to ensure they are decision-useful for users. Inclusion of existing non-financial reporting requirements, such mandatory pay gap reporting and the Modern Slavery Act statement, within the Public Interest Report, where it pertains to the impact of the company on people and the planet, would be sensible.

Technology

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?

As has already been noted, accessibility of corporate reporting is a vital principle, both in locating reports and locating content within reports. Although annual reports have historically been paper-based, most companies do produce a print version and online version of their report. In CDSB's experience when reviewing annual reports and other related corporate reporting such as sustainability reports, this occurs predominantly on-screen although the ability to print reports remains a valuable option. In addition to this, it is important to recognise that many users of annual reports (especially providers of capital) use other digital tools to analyse vast samples of data, which are not compatible with unstructured data in PDF, or even untagged HTML files. Technology can therefore play a critical role in maintaining and improving accessibility. Our belief is that inline XBRL (iXBRL) which is already in use for other reporting in the UK and elsewhere globally, can form a good solution that allows human and machine readability.

As noted above, it is also crucial to ensure that the various reports outlined in the paper remain linked, with relevant information in other reports being clearly referenced. A technological solution such as iXBRL can also support this.

Proportionality

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

We do not believe that the reporting expectations and needs with regards to investors and other stakeholders would change dramatically for smaller companies. Nonetheless, we agree that a proportionate approach should be taken for companies based on their size and complexity. We understand that smaller companies may have closer and direct communication channels to their key stakeholders and will be less dispersed than those of medium / larger companies so preparation of a Business Report may be disproportionate. However, management, with input from relevant stakeholders, should be encouraged to produce such a report where such communication channels are in fact not direct and as close to key stakeholders.

We also agree that the Public Interest Report will be of greatest relevance for companies where there are a large number of stakeholders that have an interest in holding the company to account. Therefore, limiting the preparation of Public Interest Reports to Public Interest Entities (PIEs) (at least in the first instance) would be a suitable approach. This ensures that those companies where there is truly a public interest (whether down to size or the nature of the business) are required to report on their impact on people and the plant, and smaller companies where there is less public interest are not unduly burdened. Equally PIEs are now a well understood term in UK company law so will reduce confusion around scope. The scope of companies required to produce Public Interest Reports should be reassessed periodically. There is a valid argument, however, that companies outside the PIE category may also have significant public interest, perhaps due to their impact on the environment or society. Using materiality as a lens, the FRC may want to consider whether such companies should be providing an appropriate and proportionate level of disclosure.

Other

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?

Whilst we acknowledge that monitoring is outside the scope of the discussion paper, we would like to flag its importance. A successful corporate reporting regime requires effective monitoring to ensure the aims and outcomes of the regime are met. In particular, monitoring can play a crucial role in ensuring that companies do follow through on the requirements and principles of the proposed regime, and also confirm that the different reports produced by companies do address their intended objectives, and in turn meet the needs of the various interested stakeholders including investors. Assurance and audit will have a similarly important part to play in the success of any new model for corporate reporting, particularly in relation to the disclosure of non-financial information – whether reflected in the business report, financial statements or Public Interest Report.

In introducing a new framework for corporate reporting, appropriate guidance must be developed to support preparers in order to meeting the objectives of the new regime. Content that should be covered includes (and not limited to):

- Impacts and outcomes and how to determine where non-financial reporting information should be disclosed – whether in the Business Report or Public Interest Report. This to a large degree will be down to the approach taken on materiality;
- Materiality based on the objective of a report will require appropriate clarity as to how companies should assess for each report. This will ensure a consistent approach to materiality is taken by UK companies, resulting in consistent and comparable reporting, which will ensure outputs are useful for users. We direct you to the approach taken to materiality in the Statement of Intent to Work Together Towards Comprehensive Reporting in question 6, which could be applied effectively to the reporting network proposed by the FRC; and

- As discussed previously, although materiality should be based on the objectives of a report, the reporting expectations of users should not be overlooked, as their expectations may evolve over time. As we transition to corporate reporting benefit a wider range of stakeholders beyond investors etc, preparers would benefit from understanding the potential users of the three reports, and thus keep their reporting expectations in mind.