



Financial Reporting Council

**FUTURE OF
CORPORATE
REPORTING
CONCLUSIONS FROM
AN ONLINE SURVEY
OF FRC
STAKEHOLDERS**

Contents	<i>Page</i>
Executive summary.....	3
Introduction.....	4
1 Respondents' characteristics.....	6
1.1 User types.....	6
1.2 Company types.....	7
1.3 Differences between investors and other stakeholders.....	7
2 Reporting objectives.....	9
3 Content elements.....	12
Financial performance, position, and going concern.....	14
Business model, risks, and corporate governance.....	14
Impact of the company's activities on society and the environment.....	14
4 Accessibility of information.....	15
4.1 Preferred information sources.....	15
4.2 Active readership.....	17
Financial statements and strategic reports.....	18
Sustainability reports.....	18
Most active readers.....	19
4.3 Reasons for low engagement.....	20
4.4 Use of technology.....	22
5 Demands for improved reporting.....	23
5.1 Gaps in existing content.....	23
5.2 Welcome changes to corporate reporting.....	26
Appendix 1: Survey Questionnaire.....	30

The FRC's purpose is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

Executive summary

Understanding users and their needs is inevitably at the heart of any review of corporate reporting. But who uses corporate reports and for what purpose? How satisfied are they with the current state of reporting? What changes would be most helpful to present and future users?

In October 2019, we asked FRC stakeholders with an interest in corporate reporting to tell us about their views and expectations in an online survey.

The results suggest that the potential users of corporate reporting and their objectives are more diverse than the conventional view suggests. As investor and non-investor views appear to converge on the majority of issues, the traditional shareholder-stakeholder divide also no longer seems to hold.

Financial information is still a foundational pillar of corporate reporting. Nonetheless, respondents expect it to sit alongside wider business reporting on value creation, risks, resources, and social and environmental impacts.

A company's website is already the preferred access point, and many would like to see technological innovation to leverage the potential of digital for the preparation, distribution, and consumption of information. Many also rely on journalists and data aggregators as information intermediaries.

Our respondents treat corporate reporting more like an encyclopaedia than a novel when looking for content that matters to them. Focused reports are likely to attract higher levels of engagement from users. For example, existing highlights sections, financial statements, and strategic reports rank among the most thoroughly read items, suggesting that they are effective as a source of information and that users are genuinely curious about the information they contain.

There is a risk that users can miss information that is relevant to them but is provided in a place where they do not expect to find it. For example, only 25% report that they read sustainability reports thoroughly while 51% report that they are always interested in information about how a company's activities affect the environment, communities, customers, and suppliers.

"Reports are already too long" is often the spontaneous response to the question what additional information respondents would like to see. However, there is also a clear demand for revisiting and developing reporting on liquidity, intangibles, risks, audit related matters, stakeholder relationships, climate and workforce risks, and social and environmental impacts.

Unprompted one in five respondents to the question "what changes in corporate reporting would be most helpful to you" state that they would welcome structural changes to corporate reporting to disaggregate information for more targeted use and access.

The FRC does not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.

© The Financial Reporting Council Limited 2020
The Financial Reporting Council Limited is a company limited by guarantee.
Registered in England number 2486368.
Registered Office: 8th Floor, 125 London Wall, London EC2Y 5AS

Introduction

Corporate reports should serve the needs of many users, not just financial experts. This paper summarises the results of an online survey of a wide range of stakeholders with an interest in UK company reporting to help answer the question ‘what information do users need’?

This survey provides evidence to support the development of a new model for corporate reporting and can assist standard setters in engaging meaningfully with users about their information needs.

The FRC publicised the survey in October 2019 on its website, social media accounts, and through its subscriber list of more than 12,000 individuals and organisations. Names of respondents were kept anonymous.

The survey questionnaire (reproduced in Appendix 1) asked respondents to state their personal experience and expectations when seeking and using company information.¹ The individual questions reflect six specific survey aims:

Specific survey aims	Related questions
Obtain demographic information about users of corporate reporting	<ul style="list-style-type: none"> In what role do you usually look at companies’ corporate reporting? What types of companies do you usually cover?
Develop a view on the objectives in seeking information about a company.	<ul style="list-style-type: none"> Different users can use corporate reporting information for different purposes. How important is each of the following purposes to you?
Develop an understanding of the relative importance of information content elements.	<ul style="list-style-type: none"> Which kind of company information do you find relevant?
Develop an understanding of the relative importance of corporate reporting as a source of information.	<ul style="list-style-type: none"> What sources are you usually using to get the company information you need?
Develop a view on who are the ‘real’ users of corporate reporting information through insight into who uses it, how, and if not, why not.	<ul style="list-style-type: none"> To what extent do you usually engage with the following items in companies’ corporate reporting? Thinking about those parts of corporate reports that you do NOT read (or read only lightly), what is the main reason for this? Do you currently use specialist software tools to help you review companies’ corporate reporting?
Develop a view on the extent to which corporate reporting information, as currently provided, meets the needs of users.	<ul style="list-style-type: none"> How much do the sources you usually use meet your information needs? What additional information would you like to obtain from companies’ corporate reporting for your specific purposes? What changes in corporate reporting would be most helpful to you?

¹ In developing our questions, we took inspiration from previous surveys of individual investors by Epstein & Feedman (1994), Epstein & Pava (1995), Anderson & Epstein (1996), Stainbank and Peebles (2006).

The survey attracted 728 responses, consisting of 384 completed questionnaires and 344 unfinished questionnaires. The completed questionnaires were used for the analysis in this report. They provided more than 30,000 datapoints, including more than 650 qualitative comments.

The respondents reflect a range of the FRC's stakeholders, and we thank them all for taking the time to respond.

We recognise the methodological limitations of using a non-random sample. Those who answered the questionnaire constitute a self-selected group and might have specific areas of interest (response bias). Therefore, care must be taken when drawing conclusions about all users of corporate reports.

Nonetheless, the survey results are still a unique set of data. They provide valuable insight into the perceived the quality and effectiveness of existing corporate reporting and the potential future changes.

1 Respondents' characteristics

Key insights

- The potential users of corporate reporting are more diverse and distinctions between user groups less clear-cut than the conventional view suggests. This supports a stakeholder-neutral approach for the future of corporate reporting.
- We find no significant differences in the views of respondents who identify as investors (individual and institutional) and those who do not.

1.1 User types

Overall, nearly half of the respondents in our sample look at companies' corporate reporting from a single user perspective (49%), compared to 44% who report that they consider corporate reporting information from more than one perspective.

Figure 1 provides an overview of the survey respondents' self-reported roles in considering corporate reporting. It shows how many respondents selected a role as part of multiple answers.

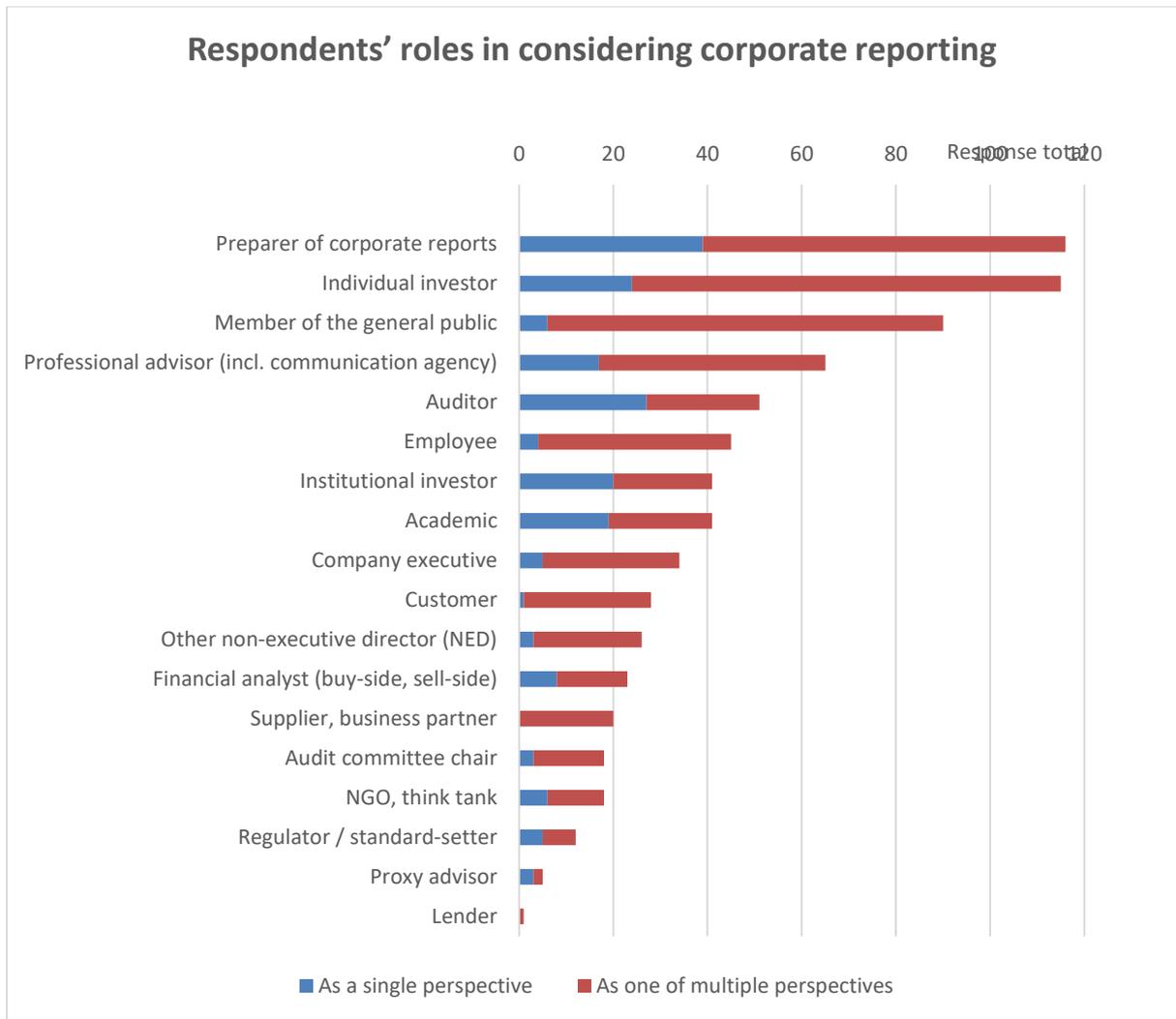


Figure 1

1.2 Company types

Most respondents cover companies with a Main Market listing on the London Stock Exchange (80%). More than half of our survey respondents cover more than one company type. Respondents who cover companies with an Alternative Investment Market (AIM) listing often also cover Main Market companies. Respondents who selected “other” as an answer option indicate that they might cover all types of companies, international companies, public interest entities (PIEs), charities, or companies from specific sectors. **Error! Reference source not found.**

1.3 Differences between investors and other stakeholders

There is a view that corporate reporting should serve the needs of all stakeholders, not just shareholders. To understand how their perspectives might differ, we compared the results for two sub-samples. The first includes only respondents who identify as individual or institutional investors (147), the other includes those who do not identify as investors (237).

We find that investor and non-investor responses converge on the majority of questions.

- Investors and non-investor respondents express similar levels of interest in information on the company's impact on stakeholders, society and the environment (both 51%); how value creation is shared (57% vs. 54%), and the quality of stakeholder relationships (49% vs. 47%).
- The two groups also attach nearly equal importance to the provision of more detailed breakdown of financial reporting numbers (60% vs. 57%), and explanations of judgments and estimates in the financial statements (55% vs. 52%).
- While risks to the business are of almost equal interest (77% vs. 73%), investors rank information on long-term prospects higher than non-investors (86% vs. 63%).
- Investors are also more concerned with establishing if they trust the way the company is run when considering companies' corporate reporting (65% vs. 44%), and would rank information on directors' personal background and biographies higher than non-investors (57% vs. 36%).

2 Reporting objectives

Key insights

- Respondents' objectives in seeking information about a company are more diverse than the conventional economic decision-usefulness objective suggests.
- 85% of respondents have more than one "very important" information-seeking objective in considering information about a company.

Users can consider corporate reporting information for different reasons. We asked respondents to rank different information-seeking purposes by importance and to comment on their response.

We found that corporate reporting has to satisfy multiple information seeking purposes even for a single user. 85% of respondents have more than one "very important" goal when considering corporate reporting information. This highlights that users' objectives in considering corporate reporting information are also more diverse than the conventional decision-usefulness objective suggests.

- Most respondents find it "very important" to have information that allows them to judge the performance of the company (68%) and gain an overview of the company (58%).
- About half of our respondents find it very important to use corporate reporting information in determining their level of trust in management (52%), and forming a view on the company's stability and vulnerability over the longer-term (49%). Respondents also seek information that facilitates making comparisons over time and across entities (52%).
- 43% of respondents would like to understand better how the board is making decisions and on what basis.
- Nearly 40% of respondents view "assessing the likely consequences of the company's activities for society and/or the natural environment" as a very important objective when considering companies' corporate reporting.

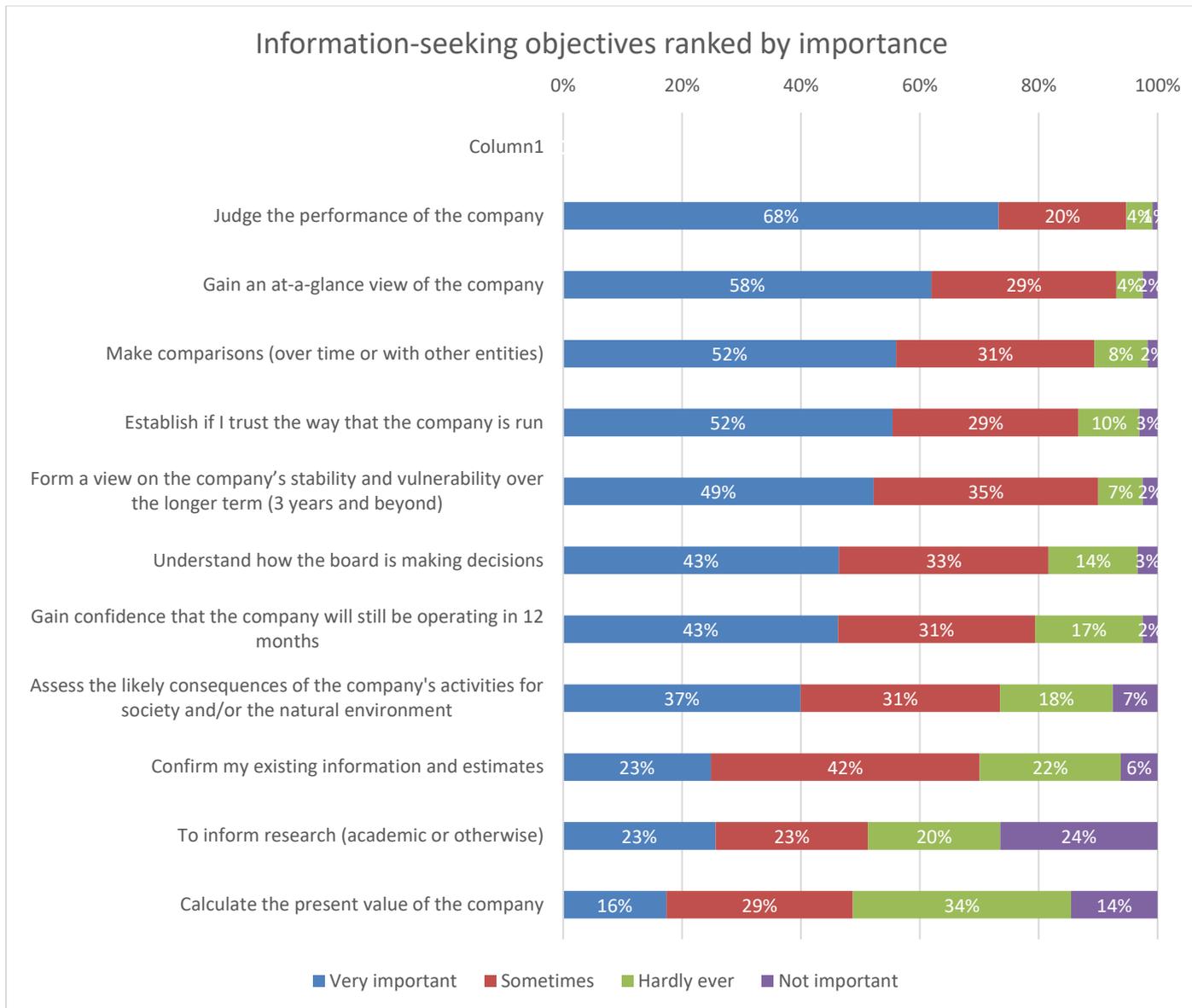


Figure 2

44 respondents followed the invitation to further comment on their choice. We take from their comments that

- Information seeking objectives might vary with company size. For smaller companies, respondents indicate that they consider corporate reporting mostly to establish if they trust management and would want to engage with them.
- Respondents who rank an information objective as “hardly ever” important do not necessarily mean that it is not relevant to them. Instead, it might indicate that they do not expect to be able to obtain related information from existing corporate reporting. For example,

“I wish I could say that 'Understand how the board is making decisions' was very important to me. Unfortunately, I do not find most annual reports to be a useful and reliable source of information on this issue.”

- The quality of the communication in corporate reporting also matters in deciding whether an information objective is important. As one respondent explains:

“My interest depends in part on how well the company reports on these issues. Corporate values can be motherhood and apple-pie or it can be incredibly insightful.”

- Not all respondents seek information for themselves. Some would like corporate reporting to incentivise certain behaviours by management.

“it is important the FRC incentivises companies to report efforts to improve reporting in the future. The process of reporting should not be considered an end point in and of itself. Any forthcoming changes must have a forward looking element that points to how companies are working to address gaps in their corporate reporting and make improvements to their existing policies and practices.”

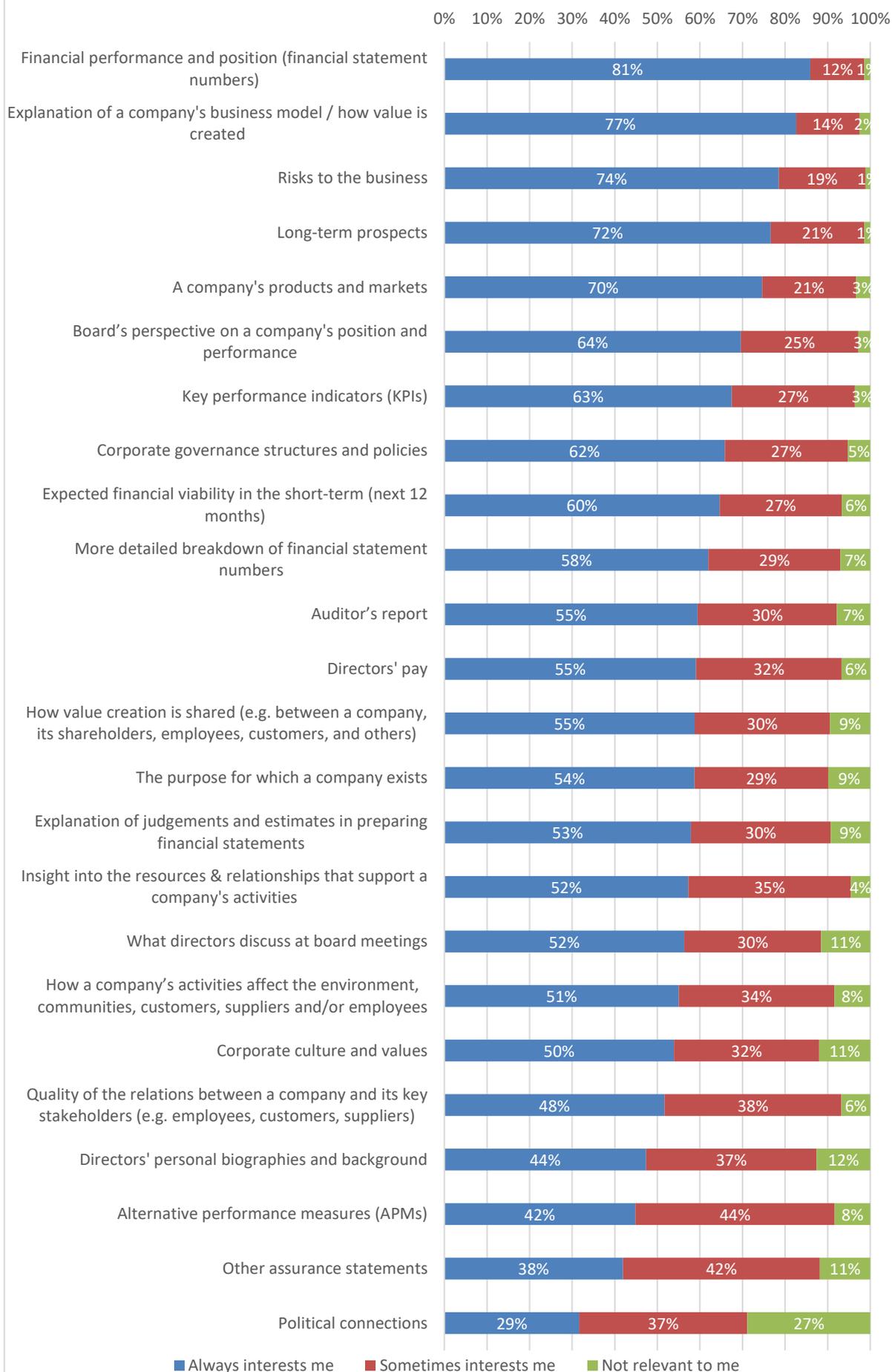
3 Content elements

Key insights

- Financial statement numbers, which show a company's financial performance and position, "always interest" more than 80% of users in our survey.
- Business reporting on long-term value creation, risks, and resources always interests more than 70% of respondents.
- Impact of the company's activities on society and the environment already always interests 51% of respondents. There is no difference between investors and non-investors.

In a separate question, respondents were asked to rank the relevance of different kinds of information from their perspective. Figure 3 shows the ranking of information items that interest the respondents in our sample.

Relevant company information, ranked by interest



Financial performance, position, and going concern

Financial statement numbers which show a company's financial performance and position are the highest ranked item and would always interest 81% of survey respondents. 50% would always be interested in obtaining more detailed breakdowns and details on judgments and estimates in financial statements.

There is also interest in understanding the performance in context, with 60% of respondents stating that they are always interested in the board's perspective and in selected key performance indicators (KPIs).

Going concern is a specific area of interest. Information on the company's expected short-term financial viability always interests 60% of respondents. Some respondents also commented on the importance of information on threats to going concern, calling it "the most important thing".

Business model, risks, and corporate governance

Information on a company's business model and approach to value creation is the second highest ranked type of information.

In addition to value creation, users also want to understand how companies distribute value creation between the company, its shareholders, directors, and other stakeholders (55% find this information always interesting). In additional comments, respondents specified that they are interested in dividend policies and in the links between value creation and directors' remuneration.

We also find widespread interest in information on how a company is managed and controlled. 62% of our respondents are always interested in information on corporate governance structures and policies. 52% always would like to know about the agenda items for board discussions. The qualitative comments indicate interest in specific information on group structures and relationships.

Impact of the company's activities on society and the environment

Information on a company's impact on society and the environment clearly emerges as a new area of interest. There is no difference between respondents who identify as investors and those who do not. In each case, 51% of respondents state that they are always interested in information about how a company's activities affect the environment, communities, customers, suppliers and/or employees.

4 Accessibility of information

4.1 Preferred information sources

Key insights

- Users embrace companies' online reporting. 83% of respondents usually obtain information from a company's website, compared to 35% who usually use printed information from the company to get the information they need.
- Companies need to consider journalists and data aggregators among the users of their corporate reporting. 67% of respondents usually obtain their information from news outlets, 37% from data aggregators, such as Bloomberg (they are most frequently used by respondents who identify as institutional investors, financial analysts, as well as NGOs and think tanks).

In order to find out how respondents satisfy their information goals, we asked "What sources are you usually using to get the company information you need?"

Respondents report that they usually use two or more information sources (91%).

Figure 4 shows how our respondents rank different information sources. Online reporting on a company's website is clearly the most important information source in our sample (83%), compared to 35% who usually use printed information.²

Our findings also suggest that company reporting needs to consider journalists and data aggregators among its primary audiences. 67% of respondents usually obtain their information from news outlets, 37% from data aggregators, such as Bloomberg.

Other sources identified by our respondents include proxy advisor reports, national patent office records (such as the UK Intellectual Property Office), and attendance at annual general meetings (AGM).

² See also, Table 11, Appendix 1.

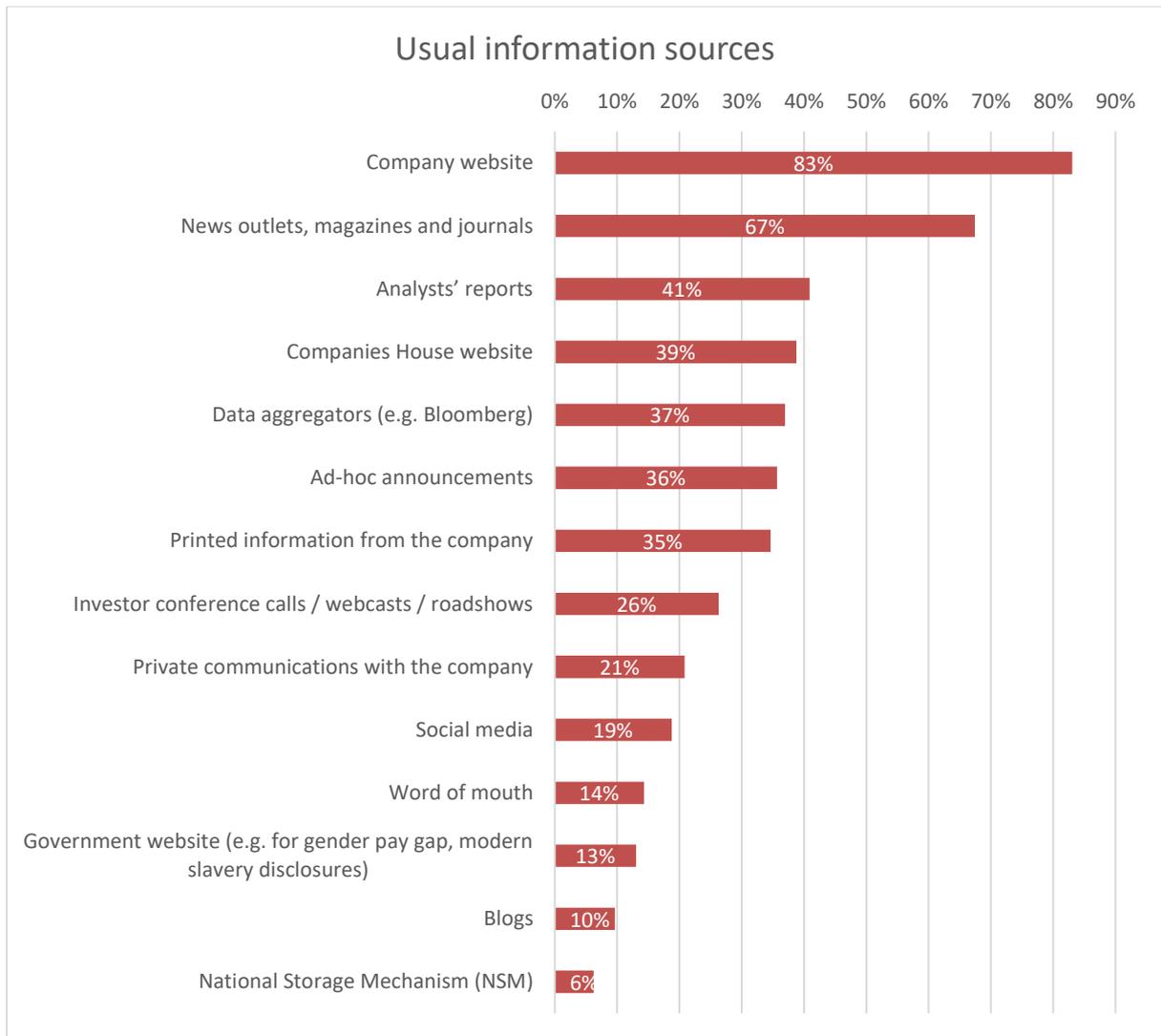


Figure 4

In a separate question, respondents were asked to indicate their general level of satisfaction with their usual information sources on a scale from 0-10. The summary results in Figure 6 show that satisfaction levels are medium to high. Only one respondent states that she is not satisfied at all. 16 respondents state that they are very satisfied.

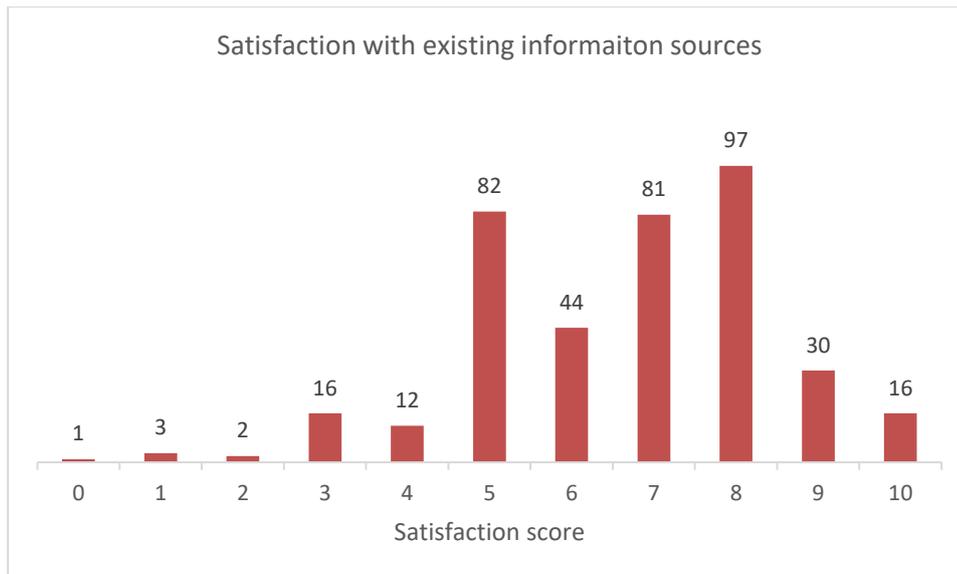


Figure 5

4.2 Active readership

Key insights

- Respondents seek to satisfy their information objectives by reading report items selectively (88%). Only 7% indicate that they read the annual report front to end.
- Focused reports are likely to help improve engagement from users. Existing highlights sections, financial statements, and strategic reports rank among the most thoroughly read items, suggesting that they are effective as a source of information and that users are genuinely curious about the information they contain.
- Focused reports are also likely to reduce the risk that users can miss information that is relevant to them but is provided by the company in a place where they do not expect to find it. While 51% of respondents say that they are always interested in information about how a company's activities affect the environment, communities, customers, and suppliers, only 25% report that they read sustainability reports thoroughly, suggesting that they are not yet effective as a source of information on those matters.

In addition to asking respondents to rank the information sources they usually use, we also asked them to indicate how thoroughly they read different parts of the existing annual report and other corporate reporting elements. The assumption is that users are more likely to give up time for reading an item, if they find it more effective as a source of information than an item which they read only cursory or not at all.

We find that existing annual reports are read selectively. Only 7% of respondents indicate that they read all parts of the annual report thoroughly.

Figure 6 summarises the different levels of engagement for each reporting item, ranging from most thoroughly read (score 8-10), moderate engagement (score 3-7), and lightly read (score 2-1), and not at all read (score 0).

Financial statements and strategic reports

We note above that our survey respondents attach great importance to information about a company's financial performance and position, business model, and risks. Consistent with this finding, they are also more likely to engage thoroughly with elements of the corporate reporting package which contain this information.

The ranking in Figure 7 shows that highlights sections (56%), financial statements (54%), and strategic reports (51%) are most often thoroughly read. The higher readership indicates that those parts serve an important function for their users and that they are genuinely curious about the information they contain.

Sustainability reports

Sustainability reports are among the less widely read items. Only 25% of respondents indicate that they engage with them thoroughly. The observation sits in stark contrast with the 51% of respondents who say that they are always interested in information about how a company's activities affect the environment, communities, customers, and suppliers.

The survey design cannot establish the main reasons for low levels of engagement with specific report items, such as sustainability reports. However, additional qualitative comments indicate a lack of comparability and a lack of trust in the information as being a major concern to some users.

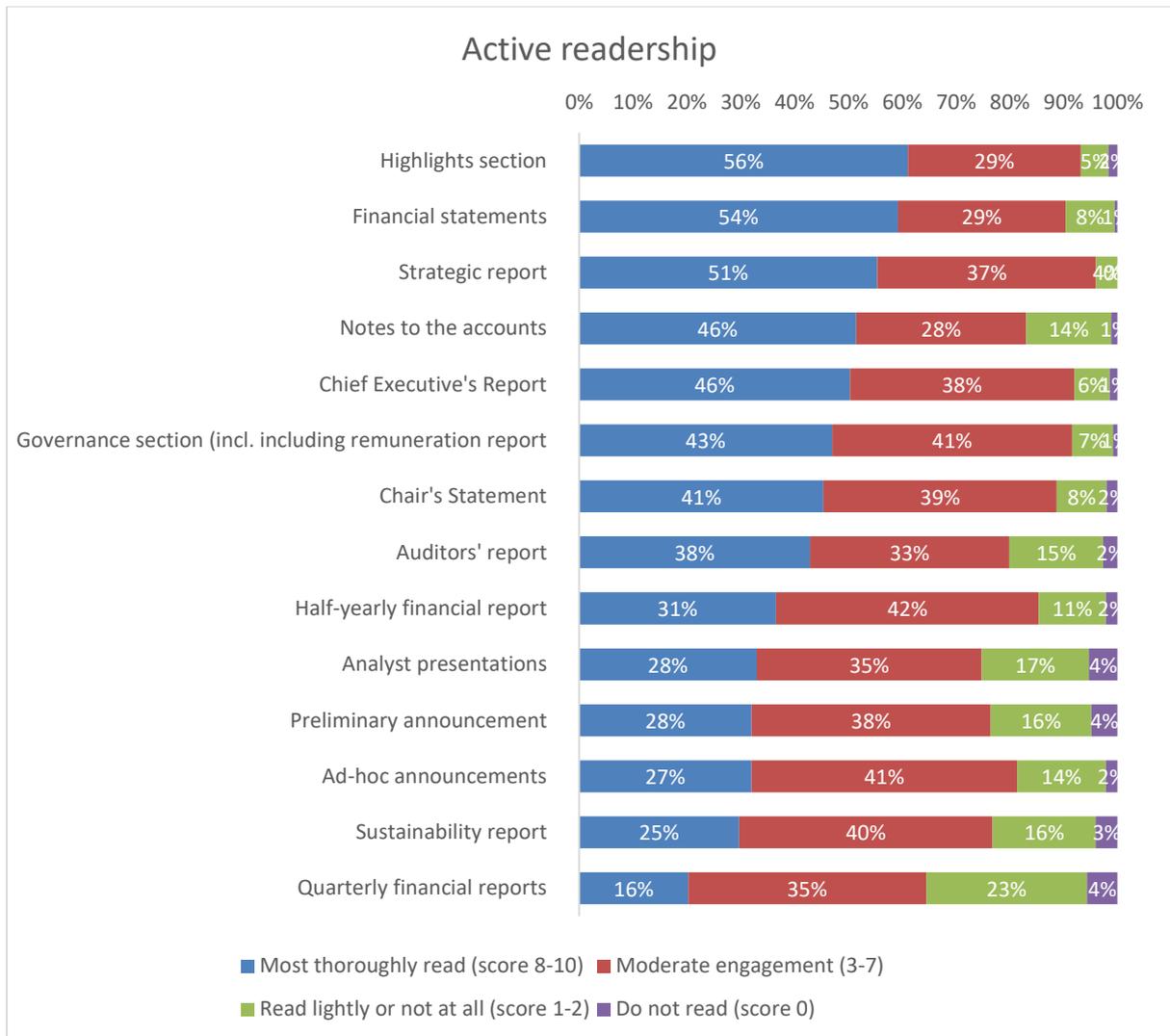


Figure 6

Most active readers

We considered levels of engagement with different corporate reporting items for investors (individual and institutional) and non-investors in our sample. On average, investors and non-investor respondents report similar levels of engagement with annual report items. Investors report less frequently that they read items only lightly or not at all.

4.3 Reasons for low engagement

Key insights

- The two main reasons for not reading items are that the information is not considered relevant and a lack of time.
- Difficulty with understanding the information is a lesser hurdle to engagement with corporate reporting items.

In addition to asking respondents about their levels of engagement with different corporate reporting items, they were also asked about their single most important reason for reading items only lightly or not at all.

Figure 7 summarises the results.

- *Relevance and accessibility:* The two main self-reported reasons for reading items lightly or not at all are that the information is not considered relevant (36%) and a lack of time (20%).
- *Clarity and readability:* Interestingly, the survey results seem to rule out clarity and readability of information as major explanations for potentially low engagement with corporate reporting sections. Difficulty with understanding the information deters only 2.5% of respondents from reading a report item more thoroughly.
- *Amount of information:* While additional qualitative comments indicate a concern with the overall lengths of corporate reporting, they also suggest that respondents are prepared to engage actively with additional reporting items to obtain more detailed information (e.g. primary financial statements vs. notes) or to check for consistency (e.g. financial statements vs. strategic report).

Overall, the results suggest that respondents approach corporate reporting with a view of their own information seeking objectives, that they ask themselves whether those objectives are likely to be met before investing time in reading a particular reporting item. Consequently, there is a risk that users miss information that is relevant to them because it is provided by the company in a place where it is more difficult to find. In other words, report users might miss the wood for the trees.

Reasons for low engagement with reporting items

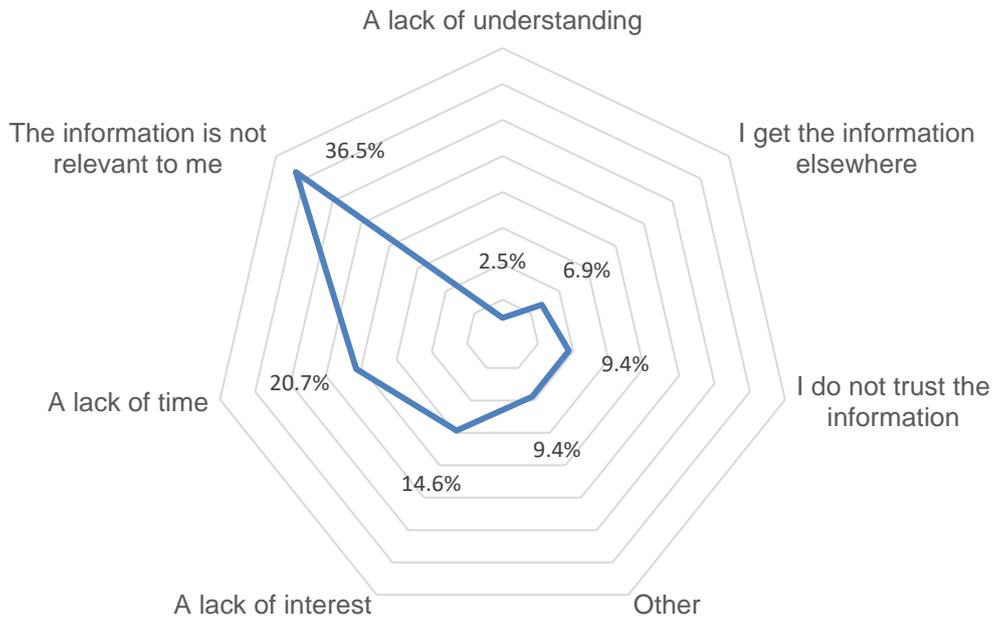


Figure 7

One academic reminds us that it might not matter whether published statements are read or not as long as the preparation of the reporting section focuses companies on issues that are of importance for markets and society.

4.4 Use of technology

Key insights

- The use of technology to engage with reporting content is still limited. 31% of respondents say they use keyword search to find information. Only around 10% indicate the use of more sophisticated machine reading tools to extract and analyse data.

If users do not read information content thoroughly, they might still rely on technology to engage with reporting content. We explored this possibility, but found that the uptake of technology among our survey respondents to review corporate reporting information was still low.

- 61% of respondents do not currently use any specialist software tools to review companies' corporate reporting.
- The 140 respondents who use software technology "sometimes" or "always" mostly use keyword search (Figure 8).

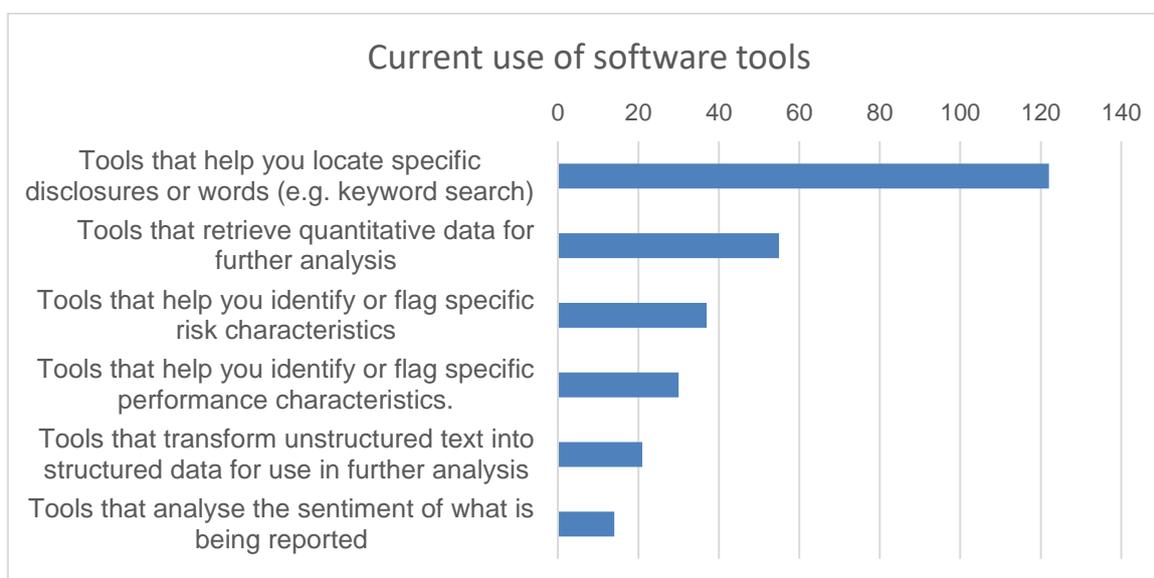


Figure 8: Current use of software tools

We take from the additional comments that several survey respondents expect technology to make corporate reporting more accessible and to improve reporting quality by better connecting individual report components.

However, we also note some concern about unequal access to modern data extraction and analysis tools across the population of report users. Some respondents demand regulators and preparers to address this. The specific demands range from better search functionality to publicly accessible platforms with built-in tools for data interrogation that adapt to the users' interest and needs.

5 Demands for improved reporting

Key insights

- On average, respondents are moderately satisfied with their usual sources of information.
- About one in ten respondents to the question “What additional information would you like to obtain from companies’ corporate reporting for your specific purposes?” raise explicit concern about the length and amount of information in reporting.
- There is an expectation that technology should mitigate some concerns about reporting length in the future. Some respondents would welcome regulators and report preparers to take the lead on making data extraction and analysis tools accessible to all users.
- One in five responses to the question “What changes in corporate reporting would be most helpful to you?” would welcome structural changes to corporate reporting to disaggregate information that is currently contained in a single document (the annual report).
- Survey respondents would welcome the development of specific content in financial and non-financial reporting, such as reporting on liquidity, intangibles, risks, audit related matters, stakeholder relationships, climate and workforce risks, and social and environmental impacts.

5.1 Gaps in existing content

UK companies include information in corporate reports as a matter of regulatory obligations and voluntarily. There is a presumption that some of this information will be useful to somebody. While preparers would like to be able to cut content from their annual reports, there is also always pressure to report more. Table 1 sets out the range of information which larger UK companies currently report across different report types:

Table 1

<p>Preliminary announcements:</p> <ul style="list-style-type: none"> • Financial highlights • Operational highlights • Chairman’s statement • Primary statement • Selected footnotes 	<p>Strategic report:</p> <ul style="list-style-type: none"> • Business model • Strategy & objectives • Principal risks • Non-financial information • Analysis of past performance • KPIs • S172 duty • Environmental matters • Employee matters • Social responsibility & community matters • Human rights • Anti-corruption & anti-bribery • Company’s impact on non-financial matters • Trends & factors • Gender diversity 	<p>Directors’ report:</p> <ul style="list-style-type: none"> • Existence of branches • Acquisition of own shares • Political contributions, employment of disabled persons & employee policies • Structure and restrictions over capital • Single total figure of remuneration for each director • CEO pay compared to average • Percentage change in CEO remuneration • Payments for loss of overtime • Payments to past directors • Performance graph and tables • Future remuneration • Engagement with employees statement • Engagement with suppliers, customers & others statement
<p>Corporate governance and related statement:</p> <ul style="list-style-type: none"> • What Code is applied and how • Main features of internal controls and risk management • Share capital information • Composition and operation of administrative, management and supervisory bodies and their committees • Diversity policies • Annual statement from remuneration committee chair • Annual report on remuneration 	<p>Other information:</p> <ul style="list-style-type: none"> • Interest capitalised • LTIPs 	

<ul style="list-style-type: none"> • Directors' remuneration policy • Directors' remuneration • Financial statements prepared in accordance with accounting standards and show a true and fair view • Management report includes a fair, balanced and comprehensive review • Report of Audit Committee • Report of the Nominations Committee • Viability statement 	<ul style="list-style-type: none"> • Directors' emoluments waived • Share allotments • Related party transactions • Shareholder dividends waived • Interest of directors • Appropriateness of going concern statement • Purchase of own shares • Unexpired director terms • Directors' bios • Chairman's statement • Chief Executive's report • Statement of purpose 	<p>Financial Statements:</p> <ul style="list-style-type: none"> • Profit and loss account • Other comprehensive income • Balance sheet • Cash flow statement • Accounting policies • Notes to the accounts <p>Other reports:</p> <ul style="list-style-type: none"> • Gender pay gap • Modern slavery • Supplier payment regulations • Country by country tax reporting • Corporate social responsibility • Interim reports • Trading updates • Material changes in circumstances or prospects • Analyst presentations • Other company house filings • Prospectuses, Listing Particulars & related reports
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

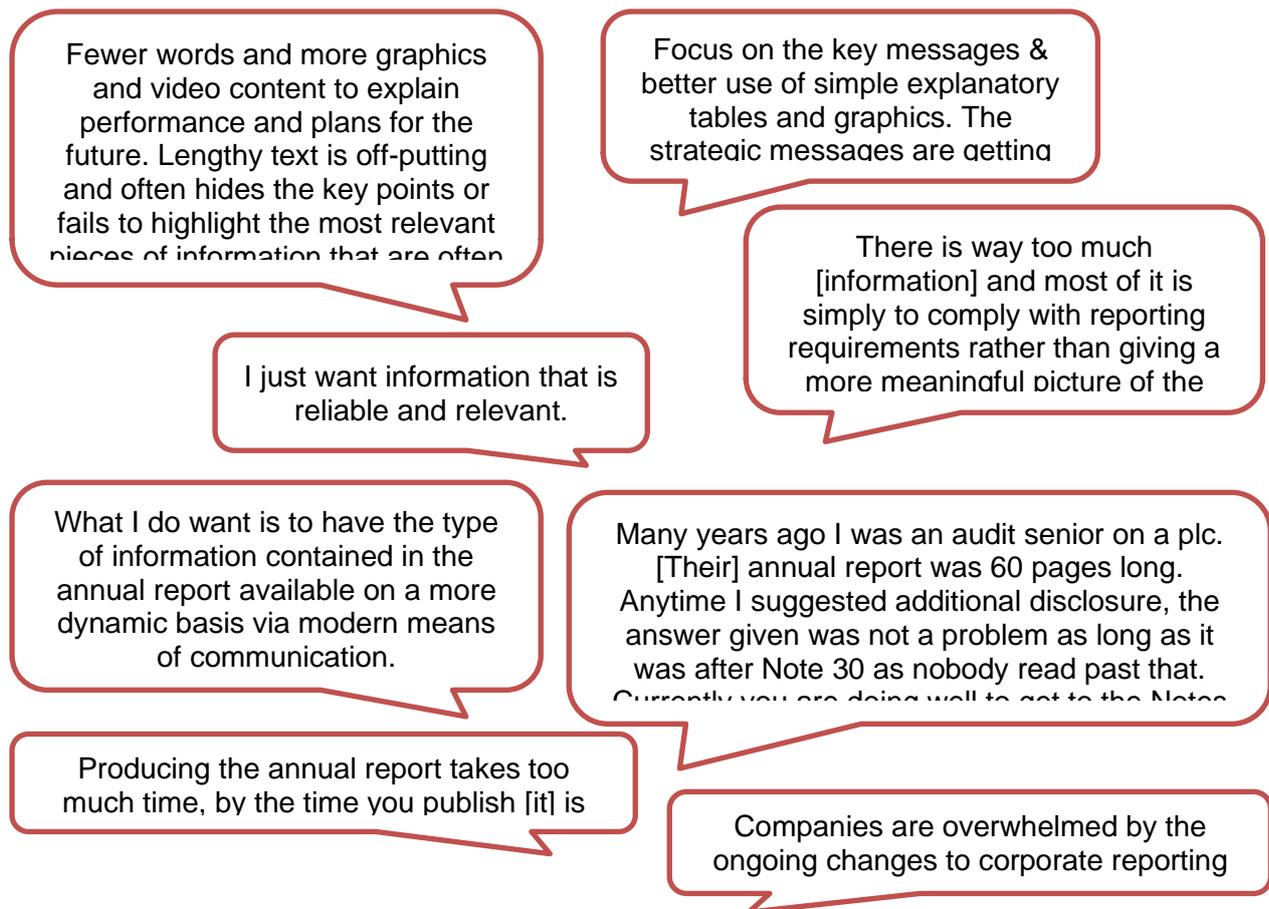
To identify if there are any gaps in existing corporate reporting, we asked respondents what additional information they would like to obtain from corporate reporting. 221 respondents offered a comment. From their responses, we identify:

- Content areas for potential development
- Areas of concern regarding future changes to corporate reporting content

The corporate report users in our sample would find the development of content in the following areas useful:

Content areas for potential development	Examples
Comprehensive reporting on liquidity	Sources and uses of cash, liabilities, financing arrangements with some respondents expressing particular interest in factoring and reverse factoring, cash-debt position and financial gearing
Development of reporting on intangibles	Goodwill, acquisition histories, intellectual property (IP) rights, strategy, and risks
Greater emphasis on reporting in context 'through the eyes of management'	Management's perspective on going concern and future prospects, risks, scenario analysis, short selling, strategy, strategic priorities, sustainability including management's awareness and management of the company's impact on society and the environment
More informative audit-related reporting by auditors and audit committees	Auditors' perspective on the audit's scope and specific conclusions from the audit process, audit committee's perspective on the relationship and communication with auditors including disagreements between auditor and company
Increased board transparency	Progress and effectiveness of strategic initiatives, details on activities and issues considered by the board throughout the year, descriptive information on board processes and approach to decision-making, board evaluation outcomes, individual directors' qualifications and skills, directors' recruitment process
Improved reporting on stakeholder relationships	Stakeholder engagement, quality of the relationship, content of communications and the extent to which they help with identifying key risks.
Inclusion of technology, climate change, and workforce risks and opportunities to the company	Narrative reporting on organisational responses to technological change, disclosure of revenues from products/services with an explicit positive social or environmental impact, 'hard' employee metrics, information on trade union engagement, supply chain mapping, human rights due diligence
Social and environmental impacts of the company's activities	Standardised metrics and 'hard' data, separate externalities report, corporate policies and actual activities regarding the achievement of sustainable development goals, narrative reporting on how the company makes decisions that have distributional impacts

Various respondents raise concerns about the inclusion of new content, arguing that there is already "too much information in corporate reports".



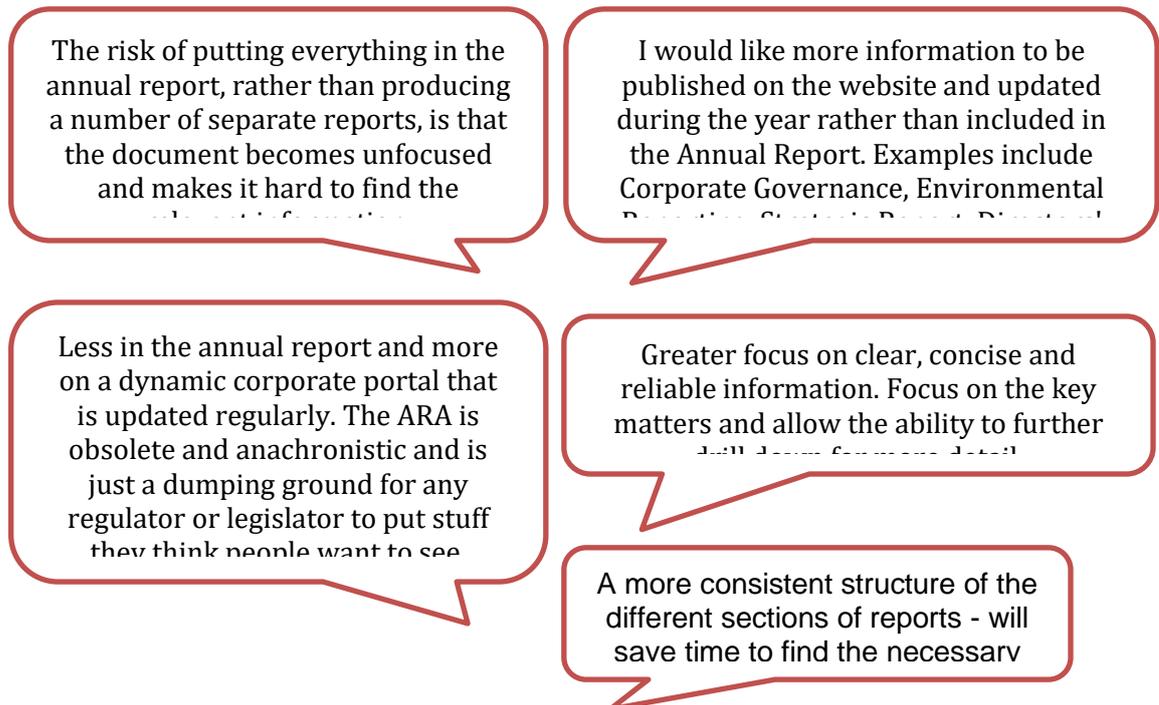
The comments indicate wider concerns with:

- Information processing costs
- Information density and accessibility
- Information usefulness, including relevance, reliability, understandability, and timeliness
- Compliance costs for preparers

5.2 Welcome changes to corporate reporting

The final question in the survey asked respondents to state what changes in corporate reporting would be most helpful to them. It attracted 242 comments from which we identify the following areas for potential change:

Structure:



- One in five respondents spontaneously responded to the question “What changes in corporate reporting would be most helpful to you?” that they would welcome structural changes to corporate reporting to disaggregate information that is currently contained in a single document, the annual report.
- There is a clear view that the annual report is trying to achieve too much with some respondents explicitly demanding the production of separate and more focused reports.

Content:

- Respondents also used this section to emphasise the need for development of reporting content in specific thematic areas (see 5.1 above for details)

Accessibility:

- Consistent with the main feedback from the FRC commissioned Citizen’s Juries, the survey comments indicate demand for a more summarised form of report was needed, targeted at a general rather than a specialist audience.

Technology:

A digital annual report that replaced the pdf and was searchable and accessible

For me the main wins would not be so much in content but in ease of access. Anything that brings us closer to a single platform with public access to both individual reports of as wide a range of companies (public/private) as possible as well as to structured aggregated

- A number of qualitative comments suggest that respondents expect developments in technology to facilitate more dynamic and customised reporting.
- Various comments also expect technology to mitigate some of the existing concerns about the total length and volume of reporting in the future.
- For some of our survey respondents it would be most helpful if regulators and report preparers can take the lead on making data extraction and analysis tools accessible to all users. At present, 31% of respondents say they use keyword search, while only around 10% indicate the use of more sophisticated machine reading tools to extract and analyse data.

Regulation:

- Respondents tend to refer to regulation as coming from too many sources and changing too often. They would like to see more alignment and coordination between different bodies.
-

Standardisation

- Respondents would welcome more comparability in sustainability reporting and alignment with reporting frameworks.

Areas for potential change	Specific suggestions (examples)
1 Structure of corporate reporting	<ul style="list-style-type: none"> • Move away from annual report format • Allow a more flexible approach to where information is located • Have a focused and meaningful core report, provide detail and complementary information elsewhere
2 Development of specific thematic areas	(See 5.1 above)
3 Improved accessibility of information	<ul style="list-style-type: none"> • Focus on key, strategic messages • Avoid repetition, and unnecessary detail • Replace lengthy text with more graphics and video content • Remove jargon, use simple language • Encourage developments in corporate reporting technology
4 Technology enabled reporting	<ul style="list-style-type: none"> • Require searchable and screen-readable formats • Make reporting more interactive, dynamic, and customisable for the user • Development of a single electronic filing system • Facilitate democratic access to more sophisticated data analysis tools
5 Simplified regulation	<ul style="list-style-type: none"> • Improve coordination between different regulatory agencies and other highly influential (quasi-regulatory) bodies • Reduce the frequency of changes to regulation and guidelines • Incentivise efforts to improve reporting in practice • Remove requirements that duplicate information provided elsewhere • Move to principles-based approach to encourage effective communication (vs. tick box mentality)
6 Standardisation	<ul style="list-style-type: none"> • Standard structures and report formats to locate and access information quickly • Shared nomenclature for non-financial disclosures • More consistency in reporting key data (financial and non-financial) • More comparable sustainability reporting

Appendix 1: Survey Questionnaire

Welcome

Thank you for taking part in this important survey which will inform the FRC's Future of Corporate Reporting project.

We really appreciate you taking the time to help answer the question 'what information do users need'?

The survey asks about your personal experience and expectations when seeking and using company information and will take **no more than 15 minutes to complete**. It is completely anonymous.

Summary results will be published alongside the Future of Corporate Reporting thought leadership paper in 2020.

In what role do you usually look at companies' corporate reporting? (Select all that apply)

- Member of the general public
- Employee
- Customer
- Supplier, business partner
- Lender
- Individual investor
- Institutional investor
- Financial analyst (buy-side, sell-side)
- Proxy advisor
- Company executive
- Audit committee chair
- Other non-executive director (NED)
- Preparer of corporate reports
- Professional advisor (incl. communication agency)
- Auditor
- Regulator / standard-setter
- Trade union
- NGO, think tank
- Academic
- Other (please specify):

What types of companies do you usually cover? (Select all that apply)

- Main market listing, London Stock Exchange (LSE)
- Alternative Investment Market (AIM), LSE
- Other UK market listing
- UK large private companies
(> 2,000 employees; or turnover > £200 million and balance sheet total > £2 billion)
- Other UK private companies
- Other (please specify):

Which kind of company information do you find relevant?

Operational context

	Always interests me	Sometimes interests me	Not relevant to me
A company's products and markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insight into the resources & relationships that support a company's activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How a company's activities affect the environment, communities, customers, suppliers and/or employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Corporate culture and values	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of the relations between a company and its key stakeholders (e.g. employees, customers, suppliers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Explanation of a company's business model / how value is created	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How value creation is shared (e.g. between a company, its shareholders, employees, customers, and others)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The purpose for which a company exists	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Governance

	Always interests me	Sometimes interests me	Not relevant to me
Corporate governance structures and policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What directors discuss at board meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Directors' personal biographies and background	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Directors' pay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Political connections	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Audit and assurance

	Always interests me	Sometimes interests me	Not relevant to me
Auditor's report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other assurance statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Performance and prospects

	Always interests me	Sometimes interests me	Not relevant to me
Financial performance and position (financial statement numbers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
More detailed breakdown of financial statement numbers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Explanation of judgements and estimates in preparing financial statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Alternative performance measures (APMs)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Key performance indicators (KPIs)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board's perspective on a company's position and performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expected financial viability in the short-term (next 12 months)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risks to the business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Long-term prospects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other information (please specify):

Different users can use corporate reporting information for different purposes. How important is each of the following purposes to you?

	Very important	Sometimes	Hardly ever	Not important
Gain an at-a-glance view of the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Confirm my existing information and estimates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Calculate the present value of the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Gain confidence that the company will still be operating in 12 months	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Form a view on the company's stability and vulnerability over the longer term (3 years and beyond)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Judge the performance of the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Make comparisons (over time or with other entities)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Understand how the board is making decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Establish if I trust the way that the company is run	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assess the likely consequences of the company's activities for society and/or the natural environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To inform research (academic or otherwise)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Would you like to comment on your choice above?

To what extent do you usually engage with the following items in companies' corporate reporting? (0 = Do not read; 10 = read thoroughly)

Annual report items

- Highlights section
- Chair's Statement
- Chief Executive's Report
- Strategic report
- Governance section including remuneration report
- Auditors' report
- Financial statements
- Notes to the accounts

Other corporate reporting items

- Analyst presentations
- Preliminary announcement
- Sustainability report
- Half-yearly financial report
- Quarterly financial reports
- Ad-hoc announcements

Thinking about those parts of corporate reports that you do NOT read (or read only lightly), what is the main reason for this?

- A lack of time
- A lack of understanding
- A lack of interest
- The information is not relevant to me
- I do not trust the information
- I get the information elsewhere
- Other (please specify):

What sources are you usually using to get the company information you need? (Select as many as apply)

- News outlets, magazines and journals
- Blogs
- Social media
- Data aggregators (e.g. Bloomberg)
- Word of mouth
- Private communications with the company
- Investor conference calls / webcasts / roadshows
- Company website
- Printed information from the company
- Ad-hoc announcements
- Analysts' reports
- Companies House website
- Government website (e.g. for gender pay gap, modern slavery disclosures)
- National Storage Mechanism (NSM)
- Other (please specify):

How much do the sources you usually use meet your information needs?(0 = very unsatisfied; 10 = very satisfied)

What additional information would you like to obtain from companies' corporate reporting for your specific purposes? (max. 250 characters):

Many expect developments in technology to change the way we access and consume corporate reporting information. Do you currently use specialist software tools to help you review companies' corporate reporting?

- Always
- Sometimes
- Never

What type of specialist software tools do you use? Select all that apply

- Tools that help you locate specific disclosures or words (e.g. keyword search)

- Tools that retrieve quantitative data for further analysis
- Tools that transform unstructured text into structured data for use in further analysis
- Tools that analyse the sentiment of what is being reported
- Tools that help you identify or flag specific risk characteristics
- Tools that help you identify or flag specific performance characteristics.

Comments:

Finally, what changes in corporate reporting would be most helpful to you (max. 250 characters):

You have completed this survey!

Thank you for taking the time to answer this survey.



Financial Reporting Council

**FINANCIAL REPORTING COUNCIL
8TH FLOOR
125 LONDON WALL
LONDON EC2Y5AS**