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We are undergraduate and postgraduate students of accounting at the Alliance Manchester Business School who are inspired to make a positive difference in the world and to contribute to a more fair and sustainable economic and social system.[2] For us, the FRC consultation process has been a wonderful learning experience to apply our knowledge of financial reporting, auditing, and corporate governance to a practical issue and to further challenge our thinking about corporate reporting. We have also greatly appreciated the fact that the discussion paper titled "A Matter of Principles" has been accompanied by an extensive literature review and a survey of stakeholders – both have been very informative and useful in shaping our views. In the spirit of the consultation document, i.e., giving voice to the diverse groups of people, we reckoned that the FRC might benefit from the perspective of the young generation on what the future of corporate reporting should look like. In fact, our strong conviction is that it is absolutely critical to empower the younger generation to drive change and reform in this area.

As the future generation, who has decided to dedicate our professional lives to accounting and auditing, we welcome this timely call for change in the area of corporate reporting from the FRC. We believe that the core principles laid down by the FRC in their discussion paper, such as the commitment to the public interest and advocating a wider stakeholder approach, can serve as a firm foundation for a whole set of fresh reforms that will lead towards a more sustainable, equal and better world for all of us. A better form of socially responsible capitalism is achievable if only we have the courage to pursue it.

Our submission is based on three core standpoints.

First and foremost, as the next generation of accountants and finance professionals, we want to reiterate that when it comes to doing business **public interest matters**. The pandemic has not only reminded us about the extent to which companies are embedded into the fabric of our economy and society; but it has also served as a test for socially responsible business. While some businesses have stepped up to solve global challenges, others have endangered their workers and customers in the mindless pursuit of profiteering. The demand for socially responsible corporations on behalf of investors and broader stakeholders is only going to

[1] This commentary has been prepared under the careful guidance of senior academics at Alliance Manchester Business School. We would like to thank Dr Omiros Georgiou, Dr Sofia Yasmin, and Professor Christopher Humphrey for making this submission possible. The usual disclaimers apply.

[2] We are collectively pursuing degrees in BSc Accounting, MSc Accounting and PhD Accounting. Our course work includes the modules such as BMAN30030 Contemporary Issues in Financial Reporting and Regulation and BMAN73821 Assurance and Credible Corporate Reporting.

grow. We contend that the future of corporate reporting is public interest-driven. It is, therefore, necessary to broaden our vision and scope of corporate reporting beyond the financial accountability of organisations, that serve the interest of capital providers, to make sure that they act positively on behalf of society. If the FRC does not play a leading role in these developments, there is a real danger that the regulator, which itself should serve the public interest, becomes irrelevant and detached from the broader needs of society at large.

Second, serving the public interest has got significant social implications for the role of accounting and auditing within the system of financial and non-financial reporting. The FRC has already highlighted the numerous connections between this discussion paper and the Brydon Review. We contend that there is potentially even more cross-pollination between the two reports that will be beneficial to pursue – in particular when it comes to discharging public interest responsibilities (Question 9).

Third, the rationality of public interest, if indeed taken seriously, should result in the fundamental changes within the broader institutional ecosystem that underpins the project of corporate reporting. To begin with, the current iteration of the Companies Act (2006) vests the directors with a duty to promote the success of the company for the benefit of its members (with members meaning shareholders). Although the UK company law is not in the FRC's jurisdiction, the FRC's thought-leadership can serve as a spearhead for a meaningful change in this area.

Finally, we don't want to underestimate the fact that transforming corporations from economic actors, which are preoccupied with short-term profit for the benefit of the few, into democratic public interest institutions will be an ambitious and challenging task (not least because of the powerful forces that will resist the change). In our response, we further develop some on the ideas laid down in the discussion paper and highlight some of the potential issues. For example, is it realistic or desirable to aim for a "stakeholder-neutral" approach? How is the "public interest" going to be defined and by whom? What are the dangers of providing companies with too much discretion when it comes to picking and choosing their own stakeholders?

There are undoubtedly many more issues that need to be carefully thought out, debated, navigated and resolved if we want to vest the companies with more social responsibilities. This will require a significant commitment in terms of our imagination and resources. The alternative of not doing that, however, will result in a much higher societal, environmental and, indeed, economic and financial costs in the long-term.

We are very willing to continue the conversation on the future of corporate reporting and to engage with any next steps to be taken by the FRC. For example, we would be delighted to discuss any of the issues with the FRC staff in a group discussion forum at the University of Manchester.[3]

Yours sincerely,

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

1.1. The approach taken by the FRC in this consultation paper is one that specifies a reporting framework and delineates communication principles. On p.7, the FRC provides the following definition of corporate reporting:

> Corporate reporting comprises information publicly communicated by a company, about the company, for the purposes of enabling its stakeholders to: (a) understand the company's performance and how it generates and sustains value; (b) make decisions; and (c) hold the company to account.

1.2. The FRC then lists out reporting attributes (communication criteria) and emphasises the assumption of reporting neutrality (pp.3,8 and 14). The FRC further distinguish system attributes (communication values) and report level attributes (true and fair, balanced, etc.) – and talk of a 'reporting network' which appears to be a network of reports and data rather than people and stakeholders (pp.14-15).

1.3. Most importantly, the discussion paper puts a considerable emphasis on enhancing corporate accountability to the wider stakeholder groups as well as stressing the public interest reporting obligations of public interest entities. We fully support FRC's intentions and would like to strengthen and enhance the FRC's overall objective in this discussion paper by summarizing here our views on these two key dimensions.

1.4. With regard to the former, we fully agree with the FRC that accountability to the wider stakeholders is a key concept for corporate reporting (p.1). However, the calls for a "stakeholder-neutral" approach to the identification of financial and non-financial corporate reporting content make us wary.

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1.5. First, we do not understand how "a company centred perspective" can be stakeholder-neutral in the first place (p.14). Any discussion around neutrality in accounting appears to me to be fundamentally flawed. This is because it comes with an inherent assumption that accounting merely serves the role of an information commodity in capital markets. Yet accounting has a constitutive role. It is prepared to influence stakeholders' views and actions – not just to inform them in a neutral manner. Recognising this makes us think that the company will most probably choose to address the stakeholders it has an interest in.

1.6. Second, in the FRC's view, "it is for the company to determine its key stakeholders" (p.7, para 1.7). This statement very much serves to question any claim to neutrality - in that there inevitably has to be some prioritisation of stakeholders if the company is given the choice to determine who it regards as its stakeholders (who they regard as being people and groups whose interests are significantly impacted upon by the company's activities).

1.7. Finally, later in the report, there is a visible attempt to provide minimum content specifications for the three main reporting segments.[4] By specifying minimum content, the reports are not neutral, as they are required to incorporate certain things. There is also a clear difference between claiming to base the report on broad-based communication objectives/principles and to then list out lots of minimum disclosure requirements. The former should not require or result in the latter. There is also the danger that despite the claims to provide a new framework, the end result is an approach that recommends what needs to be in the financial statements, business report and public interest report in ways that connect quite visibly to a sense of decision usefulness.

1.8. With regard to the public interest dimension, our main point is that the FRC has largely presumed the relationship between privately-owned companies, public interest and "public interest" KPIs. The FRC report has the capacity to be even bolder if it just rejigs the order in which the required reports are specified. Rather than starting with the financial statements, then going to the business report and finally the public interest report, we would recommend a total reversal of this ordering. For public interest entities, everything should be framed by what it means to be a PIE and what a PIE needs to be doing to best serve the public interest.[5] What it then chooses to do in terms of its business strategy is dependent on this overarching objective - and the financial statements, accordingly, are similarly shaped by this public interested business strategy (as is any reported non-financial information). We would suggest that the FRC puts the 'entity' status

[4] p.15 for financial statements, p.21 for the business report and p.27 for the public interest report.
[5] Again, we stress that presumably, the PIE has to be operating and be seen to be operating in the public interest, so logically, the choice of 'wider (public) stakeholders' to whom the PIE should be reporting has to rest with the public and not the company. Otherwise, the notion of public in PIE means little, if anything.

(as a PIE) much more central to discussions behind its policy proposals and the overall rationale.

1.9. In summary, we see the future of corporate reporting to be public-interest driven rather than objective-driven. The public interest report, as presented in the current discussion paper, is difficult to separate from other reports and could, if separate, run the risk of marginalising public interest reporting (to certain things that the 'public' is supposed to be interested in) or bureaucratize such reporting so that it becomes more of reporting in accordance with predetermined, generic indicators (tick box reporting). Our strong conviction is that much more emphasis should be put around the ideas of participatory governance, empowerment, dialogic accountability and the social purpose of business. This has to be accompanied by the appropriate changes and reforms in the institutional environment and governance eco-system wherein corporate reporting is embedded (for example, changing the Companies Act 2006).

1.10. Finally, it is worth pointing out that the paragraph on 'objective-driven' on p.4 of the report is very unclear. When we think about going concern, financial stability, growth, value added or sustainability as possible notions for which various user groups' needs would converge, we do not think that these can be a realistic basis for revamping corporate reporting. For example, are short-sellers stakeholders? They want companies to collapse. Some claim they play a positive role in corporate governance. Do we want companies engaging in unethical and unsustainable business practices to continue operating as usual?

1.11. Below you can find a more detailed analysis of the important issues, problems, contradictions, challenges and tasks that we think FRC needs to address going forward. In providing the responses to FRC's questions, we have taken into careful consideration the commissioned literature review as well as the survey.

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?

2.1. We identify two core themes as practical challenges: increasing corporate reporting users engagement and the likelihood of resistance from preparers.

2.2. The first set of practical challenges are increasing the reader's engagement. As mentioned in the FRC survey report, there is ongoing noise that the current annual report is too long and impenetrable and a tendency of corporate reporting users to treat the reports rather like an encyclopaedia than a novel (p.3). As a result of that, the current corporate reporting format tends to be ignored by corporate reporting users and could increase the risk of misleading information.

Although the literature review implies the need to incorporate non-financial information, including the sustainability report, the survey reported (p.18) that only 25 % of the respondents read the sustainability report.

2.3. As demonstrated by Boubaker et al.,[6] investors tend to be reluctant to trade when the annual reports are difficult to read, impeding investors' ability to analyse and forecast the information. Thus, it is crucial for the new proposed framework not to be trapped in the same time loop of producing the same length of the report with too much information that is considered irrelevant while still failing to highlight the most relevant points.

2.4. We hope for the improvement in the reporting system that will acknowledge the need for concise content, while accounting for the rising costs of reporting. We are suggesting the company to hold an annual conference where all stakeholders could participate to engage in the corporate reporting preparation process. This would create dialogic forms of accounting as suggested by Brown,[7] where the new proposed corporate reporting allows wider stakeholders to participate in a more pluralistic approach accommodating diverse interests.

2.5. The second challenge observed through the new proposed framework is the resistance from preparers as the new corporate reporting model would impact financial cost and other resources such as human resources. Firstly, the cost of providing accessibility. The new proposed corporate reporting framework is intended to expand the scope of stakeholders, with the most direct challenge being with accountants and managers responsible for preparing financial reporting. The companies as preparers need to accommodate the new reporting model and design a thoroughly new information system to satisfy the information needed. Also, related staff need to be trained in the new framework, which can be costly in terms of time and investment. All of these issues need to be considered before a viable form of corporate reporting in the manner suggested can be operationalized.

2.6. In addition, the implementation of this proposal would require a radical change in the accounting standards. The whole system to provide "true and fair" information to users needs to be adjusted. Auditing needs to adjust the audit content related to public interest and materiality accordingly. Thus the cost of preparing reports for the company and the amount of evidence for auditors to

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[6] Sabri Boubaker, Dimitrios Gounopoulos and Hatem Rjiba, 'Annual report readability and stock liquidity' [2019] 28(2) Financial Markets, Institutions and Instruments 159-186

[7] Judy Brown , 'Democracy, Sustainability and Dialogic Accounting Technologies : Taking Pluralism Seriously' [2009] 20(3) Critical Perspectives on Accounting 313-343

review related reports (not only financial reports but also public interest reports) would increase.

2.7. In summary, these observations may unveil some of the practical challenges that could be mitigated as the benefits of corporate reporting networks would outweigh the cost of implementing the new framework. However, we would like to highlight the importance of the proposed framework report to provide reliable and relevant information which support the notion of 'why/what to' report rather than 'how to report' that in the past has led to a tendency of a tick-box approach. To increase "deserved confidence" in the companies, all these areas must be addressed.

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

3.1. We support the notion that the new corporate reporting model should recognise different reports with the needs of wider stakeholders who have a reasonable expectation of information about companies. These expectations should be met through corporate reporting. It should also recognise that users consider companies' corporate reporting for different purposes, even if they are in the same stakeholder group.

3.2. The concept of the multiple-objective driven report is to accommodate a wider range of stakeholders. However, one question arises on the appropriateness of the view that it should be for the company to determine its key stakeholders as stated on p.7, para 1.7 This statement serves a question of whether these reports are stakeholder neutral. We are aware that recognition of stakeholders remains challenging and that investors' interests have broadened, with the boundaries between shareholders and other stakeholders becoming increasingly blurred. However, the given choice for the company to determine it's stakeholder indicate some prioritisation of stakeholders which could potentially ignore other stakeholders. Other stakeholders' right to know useful information may be ignored when the decision-making power is controlled by the company about what additional content is necessarily described on the reporting flexibility.

3.3. We recommend that the content of the report should not be determined solely by the company or by the regulator. The framework should also allow other stakeholders, not mandated by the framework, to participate throughout the process in deciding the information that is necessary for their decisions and assessments (not limited to economic decisions) when the activities of a company significantly impact or may significantly impact on the interests of such stakeholders. Corporate reporting would allow a dialogical accounting between various stakeholders and the companies, where, for instance, employees are no longer seen as 'human resources' but as human beings.[8]

3.4. Further, it has to be asked whether the urge to incorporate more comprehensive non-financial information would be as strategic as it is intended to be? There is contradictory evidence in the survey: despite a high percentage of respondents (51%) who expressed their interests in non-financial information, the sustainability report is ranked as the least report read by corporate reporting users. Moreover, as the FRC allows the company to determine its stakeholders we also question the validity of the public interest report if the content of the report and assurance of this kind of report is voluntary in nature, which increases the possibility that the company is likely to hide negative news and exaggerate positive behaviours. It is expected the PIE has to be operating in the public interest, and the choice of stakeholder prioritised in reporting has to rest with the public and not the company.

3.5. In addition to that, another issue to be looked at is how the measurement metrics of non-financial statements are monetised and the impact to the company behaviours (p.26). For example, how the impact of water pollution and the level of employees' happiness are standardised into numbers on the reports. This issue of standardisation and monetised qualitative information could have a greater hidden danger; the original intention of non-financial statements is to reduce the degree of companies' focus only on economic benefits. This kind of non-financial behaviour monetisation undoubtedly conforms to economic theory, which means the company's focus on public interest is not from the social point of view but from the self-interest point of view to maximise profits.

3.6. As the non-financial information becomes increasingly important and requests of considering the reasonable needs of other stakeholders (e.g. consumers, employees, managers, regulators, standard setters, industry bodies, professional associations, auditors, accounting firms, consultants, NGOs, academics, media, the general public, and the natural environment.) become increasingly apparent. We urge the FRC to take the above definition of financial reporting users into account. In order to serve the public interest, the information production process should be responsibility driven (firms should take responsibility to all the stakeholders) because all stakeholders possess the rights to information despite their relative power and ability to provide resources.

3.7. Further, the sustainability report is not yet a mandatory requirement in any country as far as our understanding. Thus, the reporting network could possess a greater chance for the FRC in the context of the UK accounting environment to

[8] Isabelle Ferreras, Julie Battilana and Dominique Méda 'Work : Democratize, Decommodify, Remediate' (democratizingwork.org , 16 May 2020) < https://democratizingwork.org/>

demonstrate how sustainability report could be done as and importantly, how the future of corporate reporting should be.

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?

4.1. The proposed objective-driven report that accommodates the interests of a wider group of stakeholders is the very first step for the radical reform and should contribute by improving the quality of corporate reporting. Thus the purpose of the proposed new set of principles is to facilitate effective dialogue between a company and its stakeholders and to maintain cohesiveness across the corporate reporting system while establishing the adequacy of information needed by different stakeholder groups.

4.2. We agree with the notion that information should only be included in corporate reports when it is relevant in meeting the objective of a particular report and that an assessment should be made by reference to that objective of the specific report. An area of concern is the potential insufficiency of filtered information in meeting all stakeholders' needs for decision making. As such, one consideration should be applied by companies to determining the level of relevancy of information in meeting the objective of a specific report and whether it is sufficient to communicate the information to specific stakeholder group: how do these stakeholders use the corporate reporting information? We hope that the principles can ensure the companies as the preparers would address both positive and negative aspects of the company that could minimise the existing expectation gap. Further, active involvement from the regulators is essentials to ensure that all of the attributes is adequately prepared and provided in the corporate reporting.

4.3. While we believe the content communication principles should be a guide for the preparation of individual objective-driven reports, we think the concept of reliability should also be included in communication principles. Reliability (or credibility) is an essential component of building trust in an organisation and enables stakeholders to hold a company to account.

4.4. Moreover, the Brydon Review recognises that there is a growing challenge in using 'true and fair' as a descriptor of financial reporting given that corporate accounting increasingly involves the use of estimates and judgments.[9] We champion Sir Donald Brydon's view and think the use of 'true and fair' in report level attributes should be reconsidered and replaced with a term that better

[9] Sir Donald Brydon, 'Assess, assure and inform: Improving audit quality and effectiveness',Report of the independent review into the quality and effectiveness of audit, [2019]

describes/identifies the opinion of directors and auditors which is to provide assurance that the company accounts are free of material misstatement.

4.5. In general, we support this set of principles to improve the quality of corporate reporting in the future. However, what is more critical of this new corporate report framework is the impact on society. This new framework would greatly emphasise public interest. It is crucial to ensure that the corporate reporting preparers communicate the information in an understandable and relevant fashion for all corporate reporting users. In addition to that, the fragmented characteristics of future corporate reporting carry a higher risk of preparers to conceal negative news. One has to ask, would the new framework able to prevent other accounting failures such as Carillion in the future?

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

5.1. The three-report framework with the business report and public interest report will help the users, especially those who do not have accounting and finance knowledge, to understand how the business organization is adding value to society.

5.2. One observation is that in the proposed framework the relationship among the reports is not well explained. Though FRC separately explained the objectives of each paper, how these reports are interconnected and able to achieve the objectives at the reporting network-level need more clarification. For instance, there is a relationship between the way an organization does its business (business report) with its way of maintaining public interest (public interest report) as well as its financial position (financial statement). As this framework is proposed for a wide level of users, a well-defined relationship between these reports will help the users of all levels to understand the relevance of the individual reports as well as a whole. Though para 3.10 of the Reporting Network Level has provided an example, a detailed discussion regarding the inter-connection will be valuable for communicating the benefits of this proposed framework.

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?

6.1. The notion of materiality based on objectives of the individual reports and reporting network report is appreciated.

6.2. However, unlike financial information, for non-financial information, the material disclosure will be complex as well as require extensive knowledge regarding the industry and accounting concepts. Though the idea of objective-driven materiality sounds very impressive, it will be harder for the business organizations to determine and present the material non-financial information without proper guidelines regarding public interest, value creation as well as the well-defined relationship among the reports. For instance, in the business report, there is mention of the value creation. For a better understanding of the wider group of users (stakeholders), FRC needs to provide detail regarding how the organization will define and determine the value. It will be better if they can make a connection between the reports and how the value generated linked with each other. This is important as all values cannot be determined numerically.

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?

7.1. We do believe that non-financial information (broadly defined) is key to understanding the underlying nature of business. Alongside traditional accounting information, we need to have more emphasis on qualitative and narrative-based information that allows to go considerably beyond the financials and get a glimpse of the underlying economics of the enterprise as well as its effect on society and the environment.

7.2. However, we are cautious about the rush to translate the emerging "principles of stakeholder capitalism" into metrics, standards and KPIs. Namely, on p.113 of the literature review commissioned by the FRC, the following issues are highlighted:

- companies' tendency to take a tick-box approach providing only minimum disclosure requirements and concerns about the credibility of the information provided (Abdo et al., 2018);
- mismatch between dimensions of reporting, e.g. those promoted by the Global Reporting Initiative (GRI) and customers' information needs (Bradford et al.,2017);
- tendency for sustainability reports to reflect the impression management strategies used by companies to highlight the positive aspects of their sustainability performance and to obfuscate negative outcomes (Diouf & Boiral, 2017);

- an apparent preoccupation with financial performance and advancing shareholders interest coupled with a failure by managers to accept accountability (Haque et al., 2016);

- general resistance to disclosures on the part of companies (O'Dwyer et al., 2005).

7.3. It is not clear, how exactly the introduction of regulatory standards and metrics on non-financial reporting is going to address the above-mentioned concerns. Again, the FRC has to think beyond the standards and direct its attention at the underlying structural issues (and the macro-environment) that characterise the nature of free enterprise and its impact on society in the UK.

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

8.1. We agree that business is ultimately dependent on its social license to operate — i.e., it should serve the public interest and contribute to the greater social good while respecting people's dignity and the environment.

8.2. We fully support the FRC initiative in vesting companies with more responsibilities when it comes to the public interest (even though it is focused on reporting).

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

9.1. As a younger generation, we fully support the FRC's intentions to put the public interest at the heart of corporate reporting. We think that this initiative will have significant and positive social implications. That being said, the FRC still has some important steps to make in pursuing such a goal and the following comments are meant to assist them in pursuing such a direction.

9.2. First, in the existing literature, there is no proper definition of public interest. In that case, how is the FRC planning to determine the public interest standards? This is a concern because based on the activities an organization do, it has a different kind of impact on the society and environment which subsequently affects the business organizations public interest. For instance, the activities of Shell are different from the activities of Zara. Then how to determine the public interest of these two companies. One of the suggestions is that rather than defining the public interest, FRC can determine the areas which will be under the umbrella of Public interest.

9.3. Second, there is an interesting contrast to the Brydon Report's public interest statement as this does not specify required content but is based on the general principle that the PIE should disclose and explain how it views and has discharged its public interest responsibilities. It does not list detailed minimum content. Rather than presuming a relationship between the public interest and certain 'public interest' KPIs, it is designed to operate on the assumption that PIE's deemed to have reported poorly or inadequately will, through the force and power of comparison, have to improve their public interest reporting. We direct the FRC’s attention to the Brydon review as it could be argued that this is a more neutral or less deterministic form of reporting.

9.4. Third, consideration of the notion of empowerment in processes of governance (and moving away from a distrusting notion of agency concepts) is an interesting idea to connect to the nature and spirit of public interested reporting - especially in cases of companies that are highly trusted and seeking to be better - this connects quite closely potentially to Brydon's notion of building and maintaining deserved confidence. The reporting process could be on how the company has developed and seeking to be better, visibly demonstrating impact and not just about providing information to allow others to assess impact. This also has knock-on effects and consequences with respect to the role of auditing - which could extend beyond information verification to ways of assisting or enabling the company to better serve the public interest. Big data auditing (BDA) and business risk auditing (BRA) approaches are much better suited to a reporting and auditing requirement that is concerned with assessing whether the company is meeting its objectives.

9.5. Above all, the business itself cannot determine how much public interest reporting is done and to whom. Stakeholders have to be involved in determining the thresholds of reporting for individual companies.

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?

10.1. We strongly believe that the advancement of technology would facilitate the new proposed model of corporate reporting. Some respondents in the survey urged for a substantial improvement in the accessibility of corporate reports. For example, technology issues such as the availability of digital annual report that is easier to search and access (p.28). A key insight is expected from the regulators and reports preparers to initiate analysis tools that could be accessed by all users (p.23). We add to the FRC's proposal that the reform should be supported by technology and suggest that an app designed for the corporate reports should be established.

10.2. The main page on this app would show a search-engine portal for companies with updated general information. Users can access each section of corporate reports based on the proposed reporting network of the searched company that is available on the app. The section would show three reports that can be accessed separately: financial statement, business report and public interest report. The content report of each company on the app would be idiosyncratic and tailored to meet the specific information needs of the stakeholders of the company. Thus the apps can enable users to comprehend the multiple reports easily and easily specify the desired content.

10.3. From other perspectives, there are a number of issues that should be considered. Such as, this suggestion would come with massive costs in developing the technology and information processing. This begs the question: would all users benefit from this initiative or is it in the common good of society? The FRC survey (p.22) reported that over half of the respondents currently do not use any specialist software tools to analyse companies' corporate reporting. Further, the use of technology relatively tends to be ignored even by the FRC itself with only one page (p.22) on the survey report discussing the possibility of the use of technology despite the findings on literature review p.76 by Hail[10] that the development of new technologies in distributing new information outside the accounting system would affect the value relevance of corporate reporting.

10.4. It is inevitable for the FRC to take this issue more seriously as we are now entering the era of technological revolution, where accessibility to information is as quick as lightning. Therefore, dependency on technology is inescapable, for better or for worse.

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

11.1. The proposed idea of reporting based on the objectives of each report and its relevance for entities of different sizes is appreciable. Here, we share some of our thoughts, considering which we think will help FRC to make the proposed framework successful.

11.2. At first, the proposed framework needs to concentrate on establishing an appropriate technique to identify the stakeholders for different sizes of organizations operating in different industries. Even in the same industry, the operations of an MNC will be different and more complex (as it must comply with both the indigenous and international laws and rules regulations) than the

[10] Luzi Hail, 'Financial Reporting And Firm Valuation: Relevance Lost Or Relevance Regained?' [2013] (43) Accounting and Business Research 329-358.

other large and medium companies which operate locally. This difference in operations defines each business organization's stakeholder group. The proposed framework emphasizes disclosing the value and public interest of the wider group of users. But how will the business organizations identify their wider group of users/ stakeholders operating in a particular industry with different sizes and complexities? The proposed framework needs to work further on this. It will subsequently help FRC to determine how this new proposed framework is going to define and disclose the values, public interest, and information needs of these users in this diverse context.

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?

12.1. As part of our submission, we also felt it was important to examine the nature of the opinion survey undertaken by the FRC as well as the literature review. We applaud the FRC in commissioning an extensive literature review and a survey of stakeholders – both have been very informative and useful in shaping our views. This kind of consultation approach is a step in the right direction when it comes to engagement with different communities and groups of people.

12.2. In our response, we wanted to make a clear distinction between (a) the importance of public interest as a principle and (b) the steps that the FRC needs to take to make this a reality. The latter would include further engagement with stakeholders to rectify the limitations of the survey and literature review, for example, which also happens to be the purpose of this section.

Analysis of the survey: an overview of key findings

12.3. This was a wide-ranging survey, conducted by the FRC, which sought to examine the views of different stakeholders on the financial reporting process. In undertaking this survey, the FRC believes the users of financial reports are becoming more diverse and may also include individuals who need the reports but may be not familiar with accounting. There is also an awareness within the FRC that financial reports are no longer conducted merely to accommodate investors as a method of evaluating a firm's corporate performance. However, whilst the survey highlights the need to reform the reporting process, it remains committed to keeping financial information as a fundamental part of the reporting process. The survey does find strong support for targeted disclosure of non-financial information, however, survey respondents also raised concerns that the current format of reporting was not effective in providing such non-financial reporting. Surprisingly a larger percentage of users said they wanted to read ESG related information in the reports, compared to those that actually read the ESG information already disclosed. Survey respondents also noted that current annual reports were too long and needed to be more focused and targeted. At the same time, there was a recognition that non-financial information needed to be comparable and standardized. In order to enable this, there was a recognition that technological innovation and access to more sophisticated data analysis tools may be needed to make reports more accessible to prepare, distribute, and consume.

Limitations

12.4. Whilst analysing the survey together with the consultation document, we found some inconsistencies/omissions that we feel are important to highlight as they have implications for the FRC's 'stakeholder-neutral' approach and its desire to work in the 'public interest'.

Methodological issues in terms of population, sample size and lack of details of respondents.

12.5. A population of only at those users who are on the FRC mailing list – with a sample size of 6%. The largest proportion of respondents were preparers of corporate report. Investors were categorized together without reflections of the different types/size.

12.6. The public interest has not been discussed at all in the survey, whereas investors have been mentioned more than 30 times. Was it not important for the FRC to understand how users view this term? Where is the desire to report in the public interest? The survey should have taken this opportunity to understand what type of users will be truly interested in a public interest report and how feasible it is to prepare such a report separately. Although it can be seen from the responses in the survey that some users would like to read sustainability report, there is no evidence that users would accept the separation of the annual report for setting up the public interest report. Therefore, if the survey was aimed at providing evidence for the FRC to implement its new reporting system, it should contain more questions related to users' willingness and cognition of the public interest.

Other inconsistencies in discussion:

12.7. Confusion over what is meant by an objective-driven approach vis a vis a user needs approach. For example, the stated purpose of the survey is to 'find what information users need' (p3), how is this an objective-driven approach?

12.8. The survey states 'Information on a company's impact on society and the environment clearly emerges as a new area of interest.'(p.14). We disagree with this statement. This is not a new area of interest.

12.9. Why does FRC recommend more changes into the reporting process when respondents state there is too much information already.

Further work:

12.10. Given some of the inconsistencies in this survey, we also examined FRC annual reviews from the years 2011 to 2020 to assess the commitment of the FRC to a stakeholder neutral approach or the desire to initiate a public interest reporting approach. We found:

12.11. The 2016 report was the first one to call for greater accountability to stakeholders other than shareholders. It was also the first report where the FRC focused on non-financial information and was the only report to mention the public interest. Reports initiated after 2016 did not mention the public interest we feel the FRC's incentive to implement an independent public interest report seems to be ambiguous.

12.12. It is also interesting to find that in 2019, stakeholders were not mentioned independently in most cases instead FRC used the phrase "investors and other stakeholders", which might indicate a tendency of dividing stakeholders into investors and non-investors.

12.13. Similar inconsistencies and ambiguities in the desire of the FRC to maintain a public interest reporting framework were apparent in an analysis of the stakeholder surveys undertaken by the FRC in 2017/2018.

12.14. For both these surveys, directors and non-executive directors comprised the majority of the respondents.

12.15. The FRC noted in the 2017 survey that they wanted to become more outcome-orientated, and less process-driven, which perhaps explains the objective-driven proposal in the current consultation.

12.16. Both surveys did not mention the public interest specifically. However, we acknowledge that the public interest can be reflected in-directly here. Even though the survey didn't directly discuss 'public interest', the desire to expand the diversity of its stakeholders and emphasis on non-financial information reporting may reflect a development trend towards the public interest.

Literature review

12.17. In preparing the discussion paper, the FRC devoted significant attention to the existing academic research in search of supporting evidence for the future of corporate reporting (DP, p.33). This is evident in the commissioned 162-page literature review, covering 538 papers, which examined a range of issues broadly related to stakeholder information needs and their usage of corporate reporting information (Review, p.12). The overall approach adopted by the FRC is highly commendable and we welcome this engagement with the academic community to envision the future of corporate reporting underpinned by the firm and robust evidential basis.

12.18. In preparing our response, however, we wanted to highlight a number of issues associated with the literature review and outline how they relate to the nature of the final consultation document as well as some of the questions asked by the FRC. Our criticism is structured alongside two focal points:

- Important academic insights and findings that are missing from the literature review with potentially significant consequences for some of the suggestions in the discussion paper.[11]

- Insights and findings from the conducted literature review that are ignored, eschewed or not fully developed in the final discussion paper.

12.19. To begin with, it is important to consider whether the overall intention of the FRC to establish a unified framework and impose a single set of standards on all companies in the UK is desirable. Section B of the Review, devoted to the role of regulation in corporate reporting, sheds little light on the issue.

12.20. The varying outcomes of financial reporting and regulation are largely dependent upon its context: institutions and incentives.[12] Therefore, the task of deciding what the content of financial reporting requirements should be and how they should be enforced becomes an increasingly complex and uncertain endeavour.[13] A strong case could be made that the regulator, such as the FRC, does not know enough and is not competent enough to tinker with the system that determines the nature of business and the character of entrepreneurship in the UK. In that regard, we draw the FRC's attention to Walker (2010),[14] who challenges our confidence in understanding the functioning of the financial and accounting system across time and space to come up with this sort of initiatives. Although Walker's thesis primarily relates to the need for diversity in global accounting standards based on the varieties of capitalism, a similar argument can be made in the context of the UK where different industries and even individual ("public interest") companies might require different and tailored arrangements in terms of what is reported, to whom and how. That being said, one practical suggestion could be to consider alongside system level, report level and content communication level attributes, also industry (sector) or company level attributes that will help guide the on-

[11] This is based on the literature that we have been exposed to as students of accounting at the Alliance Manchester Business School.
[12] ICAEW, 'Incentives and Institutions in Accounting: Thinking beyond Standards' (2016) Public policy paper.
[13] Even more so when the regulation is aimed at enhancing comparability (e.g., through IFRS or a single set of non-financial standards) which has proved to be an elusive goal.
[14] Martin Walker, 'Accounting for Varieties of Capitalism: The Case against a Single Set of Global Accounting Standards' (2010) 42 The British Accounting Review 137.

going dialogue between the FRC with different interest groups in determining the future of corporate reporting.

12.21. Walker (2010) also suggests that the system of financial reporting is underpinned by the institutional characteristics of the economic and political system (rather than some vague communication principles as claimed in the DP). Hence, developing a model for corporate reporting that is fit for the future, first of all, requires envisioning that future. As the next generation, our vision of the future is not an *Unchained Britannia*[15] where everything is driven by economic goals and where even the social and environmental areas of life are becoming increasingly financialised and marginalized.[16] We, therefore, direct the FRC attention towards the British Academy's review of the role of business in society which we think has the potential to serve as a firm conceptual basis for defining the public interest dimension of business upon which effective and purposeful reporting can be erected (rather than the other way around).[17]

12.22. In addition, based on the insights from Walker (2010) and ICAEW (2016), defining the future of corporate reporting requires not just twisting words and tinkering with the technicalities of corporate reporting but going substantially beyond accounting standards and being realistic about the normative potential of the corporate reporting.[18] Namely, achieving the meaningful change in this area will require reforming the surrounding institutions – auditing, corporate governance, enforcement, the legal system, the educational system, and so on.

12.23. We also agree with the FRC that "accountability is a key concept for corporate reporting" (DP, p.1) However, corporate governance and accounting standards have for a long time favoured accountability to capital holders over other stakeholders (such as government, labour and consumers). In that regard, the commissioned literature review points out a number of things that can be learned from the interpretivist research on dialogic accounting. Our strong conviction is that the involvement of the broader range of stakeholders in participatory governance is the way forward when it comes to creating more socially purposeful business. However, in giving previously unheard stakeholders a voice, the FRC will have to abandon the pretence of "value-neutral" or "stakeholder-neutral" approach and instead make sure that the significance of the claims for a wider stakeholder approach is not lost in convoluted and over-written standards or in the managerial capture.

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[15] Kwasi Kwarteng and others, *Britannia Unchained: Global Lessons for Growth and Prosperity* (2012th edition, Palgrave Macmillan 2012).
[16] Julian Müller, 'An Accounting Revolution? The Financialisation of Standard Setting' (2014) 25 Critical Perspectives on Accounting 539.
[17] *The Future of the Corporation* outlines the following social purpose of business: "Profitably solving the problems of people and planet, and not profiting from creating problems."
[18] Carsten Erb and Christoph Pelger, '"Twisting Words"? A Study of the Construction and Reconstruction of Reliability in Financial Reporting Standard-Setting' (2015) 40 Accounting, Organizations and Society 13.

12.24. To illustrate, allowing the companies to self-select their salient stakeholder undermines the whole approach taken by the FRC in this discussion paper, in our opinion. As noted in the Review, leaving the companies with too much discretion is a double-edged sword (p.53) especially when it comes to them selecting their own stakeholders as it harnesses a real danger of managerial capture and business-as-usual under the pretence of public interest. As noted in the Review on p.58:

> "By relegating the interests of wider stakeholders, [the new reporting requirements] seem to ignore the evidence that stakeholder conflict exists and that this conflict is usually resolved in favour of shareholders (Owen et al., 2001). This leads us to conclude that without far-reaching institutional rights being built into the law the differentials between stakeholder groups will remain (Swift, 2001), which will continue to undermine the legitimacy of corporate actions" (p. 137).

12.25. Next, in the future, the literature reviewers should devote more attention to qualitative and interpretivist research, especially when it comes to understanding how corporate reporting is used in reality as well as evaluating certain normative positions. With regard to the latter, there is surprisingly little in the review the directly supports the normative stance taken by the FRC in their DP. As a result of that, the independent literature review, which poses more questions than answers and prioritises quantitative, positivistic and functionalist research, is largely glossed over in the final document.[19] With regard to the former, some claims in the review on how corporate reporting is used in practice can be significantly challenged.

12.26. For example on p.69, the following argument is made with regard to the usage of financial reporting:

> "As discussed in Section A, the usefulness of financial reports depends on the purpose for which the information is to be used (in particular valuation v. stewardship, see Section A). Professional investors consider financial accounting information to be more relevant for valuing of firms as opposed to assessing performance of their managers (Cascino et al., 2016). Not all financial statement information is considered equally useful by equity investors either, with the importance of (consolidated) income statements usually dominating balance sheet figures, although the importance of the latter is higher for underperforming firms (Cascino et al., 2013, 2016). Nevertheless, Davern et al. (2019) find that financial reporting (specifically, reported net income, shareholders' equity, and operating cash flows) remains relevant for investment decisions in the Australian context. Moreover, their field evidence also demonstrates that no one financial statement dominates in investor decision making."

[19] Moreover, the DP cites papers that are then not cited in the literature review such as
Stenka, R. and Jaworska, S. (2019) The use of made-up users. Accounting, Organizations and Society, 7

12.27. This leads to the following conclusion on p.70 of the Review: “financial statements remain an important source of information about firms used by investors and analysts primarily for valuation purposes.”

12.28. We would like to challenge that position based on the work that we have covered on our accounting course at Manchester. Georgiou (2018) provides with clear empirical evidence that in reality, investors and analysts are more interested in getting insights into the overall performance of the business through corporate reporting rather than viewing financial statements (and the forms of accounting embedded therein) as a practice of valuation (especially when it comes to the uses and abuses of fair values).[20] This is contrary to what is claimed in the Review and has significant implications for the future direction of corporate reporting as well as accounting more broadly. Qualitative and inter-disciplinary articles like Georgiou (2018) can greatly contribute to our understanding of the use of accounting in practice and challenge some of the existing assumption held by the standard-setters.

[20] Omiros Georgiou, ‘The Worth of Fair Value Accounting: Dissonance between Users and Standard Setters’ (2018) 35 Contemporary Accounting Research 1297.