

Invitation to Tender (ITT):

Analysing trends in annual report language and content

Provision of Research Services

Reference	FRC2023-0131 Analysing trends in annual report language and content
Date	24/07/2023

Annual report language and content trends

1 Background and context

The Financial Reporting Council (FRC) regulates auditors, accountants and actuaries and sets the UK's Corporate Governance and Stewardship Codes. We seek to promote transparency and integrity in business; our work is aimed at investors and others who rely on company accounts, audit, and high-quality risk management. As the Competent Authority for audit in the UK, the FRC sets auditing and ethical standards and monitors and enforces audit quality.

The FRC Lab ('the Lab') provides an environment where investors and companies can come together to develop pragmatic solutions to today's reporting needs:

- As a learning space, companies can use the Lab to test new reporting formats with investors, and investors can indicate areas where management can add greater value through the information they provide.
- As a hub to support innovation in reporting, the Lab's focus on gathering and sharing evidence from the market provides the broader corporate community with feedback from shareholders on the value that new reporting formats bring.

The FRC Lab is commissioning research which will add to the understanding of recent trends in annual reports and how these impact the length and usefulness of reporting.

2 Project description

2.1 Purpose and objectives

The aim of this research project is to answer the following sets of questions:

- How much (and which parts) of the annual report is 'boiler plate', static, or changing over time?
- How have risk disclosures in annual reports changed over time (including the average time for a given risk to crystallise and then subsequently be removed from reporting)? Which risks are identified and disclosed most frequently across all companies, and categories of companies (e.g. sizes, sectors)?
- How consistent are business model-related disclosures over time? How often do these disclosures change significantly? How much is 'boiler plate'? To what extent are business model-related disclosures consistent with the financial statements (including segmental and other 'back half' disclosures)?
- How much forward-looking / strategic language exists in the annual report and accounts compared to backward-looking language? How is this split relatively between subsections¹ of the annual report and accounts?
- How have annual reports and accounts, including subsections¹, increased in length and complexity over time?

¹ For example strategic report, corporate governance report, financial statements, TCFD reporting, etc.

2.2 Scope

This research will cover the annual reporting of all FTSE 350 listed companies; we expect trends to identified, with respect to the research questions above, based on at least five years of past reporting (2017 to 2021).

2.3 Suggested approach

We anticipate this research being conducted using large data sets of publicly available company reporting. This will be likely to require a mixture of automated analysis and manual analysis by researchers. We are flexible on the approach taken by the research team provided it answers the research aims and objectives. Your tender bid should please include details on your proposed research approach and data sources.

2.4 Outputs and deliverables

The outputs from this research project will be

- data sets containing the analysis that answers the research questions;
- the corpus of structured annual report data (FTSE 350) underpinning the analysis; and
- a concise findings paper for internal use by the FRC.

The FRC will use the above outputs in future to refresh our own analysis, which may then be made public.

For the data set output, we do not have a set file format requirement. However, we would expect this to be in an organized and structured format, with a detailed explanation of how it has been compiled and instructions on how to use it. The dataset should be designed to ensure knowledge transfer to the FRC policy team. Please explain the formats of your outputs, and how these would be delivered, in your tender bid.

We will use the outputs to support ongoing FRC work, as well as inform future work. Please specify in your tender bid which of our research questions you could deliver answers to earlier vs later in the project timeline.

Proposals should include two knowledge transfer sessions so that the FRC policy team can understand the data corpus (and its sources) from this project and how the FRC could refresh this work in the future using data from the FRC's [Company and Organisational Data Explorer \(CODEx\) project](#).

2.5 Liaison arrangements

The FRC team should be consulted on key decisions in the research design and its implementation. This will include regular project progress meetings via Microsoft Teams and email.

2.6 High-level project timeline

<i>Date (week commencing)</i>	<i>Deliverable / milestone</i>
11 September 2023	Kick-off meeting, agree on the detailed project timeline and methods for each phase
2 October 2023	Agree on questions/topic guide for each project phase and area of enquiry; agree on target populations/samples. Agree on the phasing of interim deliverable outputs and timings.
To be determined with the supplier	Delivery of interim deliverable outputs
To be determined with the supplier	Two knowledge transfer sessions
To be determined with the supplier, but by 31 March 2024 at latest	Final report/deliverables to the FRC; project close

2.7 Cost and financials

Bidders should provide a fixed fee for the work, exclusive of VAT, inclusive of all expenses. Costs should be detailed in the Tender Response Documents in the format specified. No other costs should be charged on top of the fixed fee, unless the scope materially changes from what is set out / agreed. Changes to the scope / cost of the project must be mutually agreed.

The FRC does not anticipate tender bids over £40,000 excl. VAT. Should you feel the need to exceed this value, please detail how you would alter the scope of the sample, components or research questions to maximise the value within £40,000 excl. VAT and then separately what any additional costs would be for the remaining research questions.

2.8 Your tender response

The proposal should be no more than ten pages in total, excluding annexes, and include:

- A succinct summary of the proposal, including an estimated timeline of project milestones.
- Details of the proposed approach and data sources. This should include a high-level overview of your approach to data collection and analysis. Please also specify the formats of your outputs, and how these would be delivered.
- Your organisation's experience with similar projects and relevant research capability.
- The arrangements that will be made for managing this work and quality-assuring outputs.
- A budget, including a breakdown of time and costs per activity.
- Details of personnel to be involved, including their role in this project and relevant experience.
- CVs for the project team should be included in an annexe, along with any additional information about your organization that you consider relevant.

Bids should identify any real or perceived conflicts of interest.

2.9 Tender evaluation

Bids will be assessed against the following principal criteria:

- (25%) Understanding of our requirement (supported by relevant experience, track record and transferable knowledge).
- (30%) The suitability of the approach (including methodology and management).
- (25%) Experience / relevant experience of the proposed personnel.
- (20%) Pricing/cost of your proposal.

Score	Criteria for awarding score
0	Unacceptable Does not satisfy any part of the requirement. Does not comply with and/or insufficient information provided to demonstrate that the bidder has the ability, understanding, experience, skills, resource and quality measures required to provide the services, with little or no evidence to support the response.
25	Poor Satisfies only minor aspects of the requirement. Or can carry out some or all of the required services but not to a sufficient standard. Strong concerns over relevant ability, understanding, experience, skills, resource, and quality measures required to provide the services.
50	Fair Satisfies part of the requirement only, not the full requirement. Or can carry out all required services but not to a sufficient standard. Minor Concerns over relevant ability, understanding, experience, skills, resource, and quality measures required to provide the services.
75	Good Satisfies the requirement, with minor additional benefits. Supplier has the relevant ability, understanding, experience, skills, resource and quality measures required to provide the services, but the supplier has also provided relevant innovative methodology, or relevant added value services which will directly enhance the service required, giving minor additional benefit to FRC.
100	Excellent Satisfies the requirement, with major additional benefits. Supplier has the relevant ability, understanding, experience, skills, resource and quality measures required to provide the services, but the supplier has also provided relevant innovative methodology, or relevant added value services which will directly enhance the service required, giving major additional benefit to FRC.

2.10 Questions & Clarifications

- Tenderers may raise questions or seek clarification regarding any aspect of this further competition at any time prior to the tender clarification deadline.
- Tenderers may raise questions or seek clarification within the timeframe by sending questions to procurement@frc.org.uk in the following format.

Nature of query / clarification	Query / Clarification

- FRC will not enter into exclusive discussions regarding the requirements of this ITT with tenderers.
- To ensure that all tenderers have equal access to information regarding this tender opportunity, FRC will publish all its responses to questions raised by Tenderers on an anonymous basis.
- Responses will be published in a questions and answers document to all Tenderers who have indicated that they wish to participate.

2.11 Tender process timeline

DATE/TIME	ACTIVITY
24/07/2023	Publication of the Invitation to Tender
04/08/2023 by 12.00noon	Supplier's Deadline to submit clarification questions
10/08/2023	FRC's Deadline for publication of responses to clarification questions FRC will endeavour to meet this deadline
24/08/2023 by 12.00noon	Deadline for supplier submission of tender to the FRC.
On around / 07/09/2023	Shortlisted suppliers advised
08/09/2023	If required: Supplier tender clarification session. We anticipate this will be written clarification, not an in person / virtual session.
w/c 11/09/2023	Tender Outcome
11/09/2023	Contract commencement

3. Conduct

- 3.1. The tenderer must not communicate to any person the tender price, even approximately, before the date of the contract award other than to obtain, in strict confidence, a price for insurance required to submit the tender.
- 3.2. The tenderer must not try to obtain any information about any other person's tender or proposed tender before the date of the contract award.
- 3.3. The tenderer must not make any arrangements with any other person about whether or not they should tender, or about their tender price.
- 3.4. The tenderer must not offer any incentive to any member of FRC's staff for doing or refraining from doing any act in relation to the tender.
- 3.5. If the tenderer engages in any of the activities set out in this paragraph or if FRC considers the tenderer's behaviour is in any way unethical FRC reserves the right to disqualify the tenderer from the procurement.
- 3.6. The tenderer represents and warrants that a conflicts of interest check has been carried out, and that check revealed no conflicts of interest.

3.7. Where a conflict of interest exists or arises or may exist or arise during the procurement process or following contract award the tenderer must inform the FRC and submit proposals to avoid such conflicts.

3.8. Tenderers must obtain for themselves at their own responsibility and expense all information necessary for the preparation of tenders. The FRC is not liable for any costs incurred by the tenderer as a result of the tendering procedure. Any work undertaken by the tenderer prior to the award of contract is a matter solely for the tenderer's own commercial judgement.

4. Due Diligence

4.1. While reasonable care has been taken in preparing the information in this ITT and any supporting documents, the information within the documents does not purport to be exhaustive nor has it been independently verified.

4.2. Neither FRC, nor its representatives, employees, agents or advisers:

- makes any representation or warranty, express or implied, as to the accuracy,
- reasonableness or completeness of the ITT and supporting documents; or
- Accepts any responsibility for the adequacy, accuracy or completeness of the information contained in the ITT and supporting documents nor shall any of them be liable for any loss or damage, other than in respect of fraudulent misrepresentation, arising as a result of reliance on such information or any subsequent communication.

4.3. It is the tenderer's sole responsibility to undertake such investigations and take such advice, including professional advice, as it considers appropriate in order to make decisions regarding the content of its tenders and in order to verify any information provided to it during the procurement process and to query any ambiguity, whether actual or potential.

4.4. It is a requirement that the successful supplier (i) comply with all applicable laws and regulations including, without limitation, the Bribery Act 2010, the Equality Act 2010 and the Modern Slavery Act 2015; and (ii) in addition to any contractual requirement(s), inform the FRC immediately upon becoming aware of any event (including actual or threatened court proceedings) which may impact upon the reputation of the FRC, whether or not connected with the Supplies and/or Services.

5. Submitting a Tender

- 5.1. Tenderers must submit their tender response within the deadline to procurement@frc.org.uk.
- 5.2. Where a Tender Response Template is provided, potential providers must align their tender response with that format.
- 5.3. A Tender must remain valid and capable of acceptance by the Authority for a period of 90 days following the Tender Submission Deadline. A Tender with a shorter validity period may be rejected.

6. Evaluation

- 6.1. FRC will award the contract on the basis of the tender which best meets the evaluation criteria aligned to the requirements.

7. Acceptance of Tender & Notification of Award

- 7.1. FRC reserves the right to amend, add to or withdraw all or any part of this ITT at any time during the procurement.
- 7.2. FRC shall not be under any obligation to accept the lowest price tender or any tender and reserves the right to accept such portion or portions as it may decide, unless the tenderer includes a formal statement to the contrary in the tender. FRC also reserves the right to award more than one contract to fulfil the requirement.
- 7.3. The tenderer will be notified of the outcome of the tender submission at the earliest possible time.
- 7.4. Where the procurement process is subject to EU public procurement directives, a minimum standstill period of 10 calendar days will apply between communicating the award decision electronically to tenderers and awarding the contract.
- 7.5. Nothing in the documentation provided by FRC to the tenderer during this procurement or any communication between the tenderer and FRC or FRC's representatives, employees, agents or advisers shall be taken as constituting an offer to contract or a contract. No tender will be deemed to have been formally accepted until the successful tenderer has received a formal contract award letter from FRC.

8. Additional Information

- Tenderers must not undertake any publicity activity regarding the procurement within any section of the media.
- The FRC reserves the right to take up references. You may be required to provide references in the Tender Response Document / upon request. References must be relevant to the FRC requirement and in the last five years
- Please use the attached Tender Response Document for your reply.
- The Terms and Conditions will apply to this proposed Agreement are contained in the Tender Response document and should be accepted with no material changes.