

## **Financial Reporting Council (FRC) Research Project:**

### ***Understanding the latest research findings and evidence on corporate reporting: literature review***

#### ***Summary***

The FRC wishes to commission a literature review to support a major project on the Future of Corporate Reporting. <https://www.frc.org.uk/news/october-2018/frc-to-examine-the-future-of-corporate-reporting> The literature review is expected to take place over a period of months, starting as soon as possible.

The customer for the work is the FRC.

#### ***Background***

The FRC has launched a major thought leadership project to examine the Future of Corporate Reporting. An advisory group has been appointed, chaired by Paul Druckman, FRC Board Member and Chair of the Corporate Reporting Council.

The scope of the Future of Corporate Reporting project will evolve to take into consideration the contribution from the advisory group participants. However, the following broad themes will be explored as part of the project:

- Information needs of investors and other stakeholders
- The purpose of corporate reporting and the annual report
- Different forms of corporate communication
- The role of financial and non-financial reporting
- The role of technology
- The role of assurance

The Future of Corporate Reporting project will seek both incremental improvements in corporate reporting and to test more “blue sky” thinking about the nature, form and uses of corporate reporting, covering all its elements and how best to protect the interests of users of financial information and the wider public interest, for example, is information in the Annual Report and Accounts used to inform investment decisions or is it being used for a different purpose?

#### ***Research objectives***

The FRC wishes to commission a literature review of articles and research papers to determine the extent to which analyses have been undertaken which support the objectives of the Future of Corporate Reporting project. The following questions should be treated as a guide only and tender bids should suggest others where they are considered relevant to the Future of Corporate Reporting project:

##### **Purpose**

1. What is the purpose of corporate reporting?
  - How is this defined in academic literature?
  - What types of information are included as part of corporate reporting?
  - How does corporate reporting affect behavior?
  - What is the role of regulation in corporate reporting?

2. What is the purpose of the annual report?
  - Who is the audience of the annual report?
  - How is narrative information in the annual report used – strategic report/ corporate governance statement/ remuneration report
  - What is the role of the financial statements?
3. What is non-financial/ ESG/ sustainability reporting and how is this information used?
  - How is non-financial/ sustainability reporting defined in academic literature?
  - How is it used?
4. How does the annual report fit into the wider corporate reporting framework?
  - Is there a link between corporate reporting and movements in share price?
  - What is the role of corporate reporting in building corporate accountability?
  - How have different periodic reports evolved (preliminary announcements, interim reports, annual reports, sustainability reports)?

#### Content

5. What are the information needs of investors and how is this information used?
6. What are the information needs of users that are not capital providers and how is this information used?

#### Delivery

7. What are the characteristics of good corporate reporting?

#### **Target resources**

Academic journals, research by overseas regulators, professional associations, think tanks. The focus of the research is the UK but articles and research on overseas markets could be relevant where parallels with the UK can be drawn.

#### **Suggested approach and analysis**

We propose that the research will cover:

- A scoping survey of all the topics covered in the available literature on corporate reporting (not necessarily limited to the questions addressed by the Future of Corporate reporting project), an indication of the quality and quantity of reputable research findings and the extent to which they address, or not, the questions for the Future of Corporate Reporting Project to enable refinement of the research areas which will yield the most recent, relevant and credible findings. Agree keywords, if appropriate.
- A detailed review of some agreed areas, a summary of the main findings, their soundness in terms of methodology and data used, and any limitations of the research, for example, where the size of some study samples is not big enough to draw reasonable conclusions. This latter element would also assess any areas where there is insufficient information or gaps in the current literature against the questions addressed by the Future of Corporate Reporting project.

We will also consider joint bids reflecting different specialisms; please indicate which organisations or personnel would anticipate covering particular themes (and the cost split of doing so in the context of the project budget below). Please also indicate, if applicable, if there are any themes you are aware of but could *not* cover.

**Budget**

The budget for this project is £35,000 excluding VAT.

**Form of proposal**

The proposal should not exceed 8 - 10 pages (excluding annexes) and contain the following:

- a succinct summary of the proposal, including proposed timescales
- details of the approach, steps you would take to make sure it was successful, and your rationale for choosing it and/ or the costs and benefits associated with any options including how well they would achieve our objectives
- a demonstrable understanding of the research approach
- any external data sources to be used in building the sample or conducting the project, including input required from the FRC
- details of your experience in executing projects using the proposed research methods and any lessons learned
- details of the personnel to be involved including their role in the project and prior experience
- arrangements for managing this work and quality assuring outputs
- a detailed budget, including a breakdown of time and costs per activity and per team member.

**Evaluation criteria**

The project proposal will be evaluated against the following criteria:

1. Evidence of understanding the brief
2. Suitability of proposed methodology
3. Experience undertaking similar projects and academic standing
4. Cost

**Closing date for tenders**

5pm, Thursday 21 February 2019. Please submit to [h.grimshaw@frc.org.uk](mailto:h.grimshaw@frc.org.uk)