



The Financial Reporting Lab

Reporting at the leading edge

Zebra/Moscow Exchange
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Lessons from the Lab

- Who is the Lab and what do we do
- What areas have we worked on
- Key lessons from our current projects
 - Business model/risk and viability
 - Performance Metrics
 - Digital Future, XBRL, Blockchain and AI
- Digital Reporting Now – Top tips from investors and award winners



What is the Lab?



Vision

"To promote market innovation in corporate reporting through the publication of influential evidence-based research, presenting practical and pragmatic solutions developed with companies and the investment community, addressing their issues."



Wide scope

Work spans financial, narrative and governance reporting.



In a regulator but not regulation

Based within the UK's Financial Reporting Council but supported by a wide body of stakeholders from the Corporate Reporting Ecosystem.



Wide range of projects and views

Worked on more than 14 projects over the past 5 years and met with more than:
70 companies;
100 investment professionals; and
300 retail investors.

What areas have we looked at



What are we finding?

Most Investors want the company to explain:

- What the company does
- Key inputs
- Key revenue / profit drivers
- What makes the company special
- Supporting material

Many Investors want the company to explain:

- Market share
- Direct threats

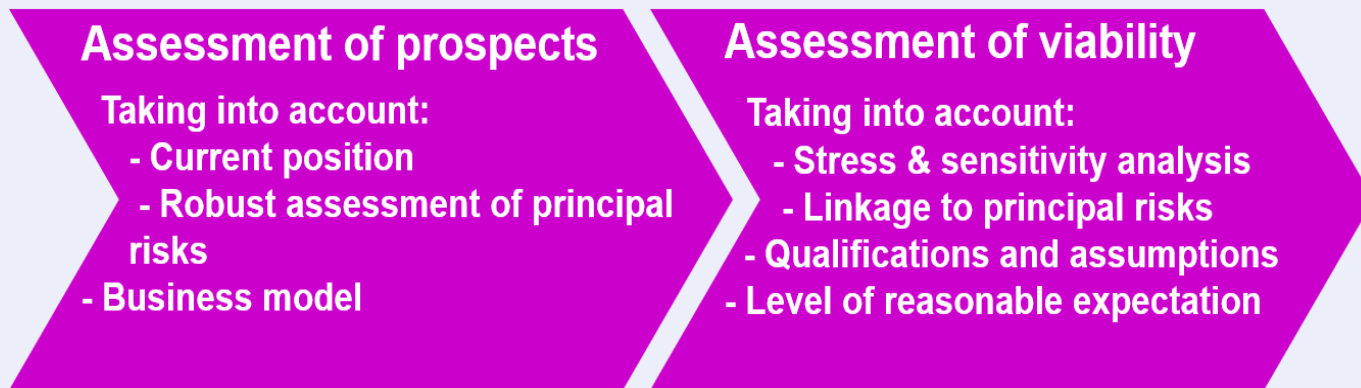
Some Investors want the company to explain:

- Purpose
- Investment plans/cashflow
- ROE/ROCE/ROA
- Market information
- Capital allocations

Business models

- ☐ Purpose more clearly articulated
- ☐ More “at a glance” articulation of business models
- ☐ Less development of disclosure of key revenue, profit drivers, investment plans and cashflows

What are we finding?



Risk and viability

- ❑ Many companies now making greater linkage between risk and other sections, movements in risk, prioritisation of risk but needs more specifics on mitigation
- ❑ “Two-stage process” for viability statements developing with greater disclosure of scenario analyses

What are we finding?

Performance metrics – an investor perspective

Transparent

Reliable

**Aligned
to
Strategy**

**In
Context**

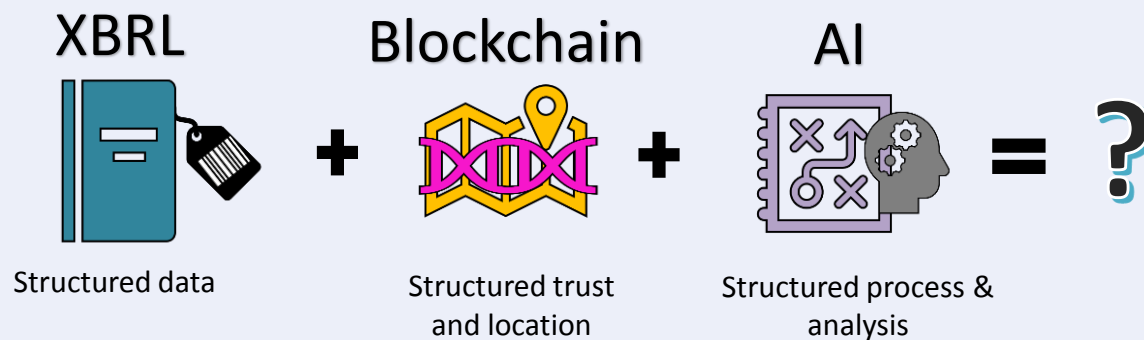
Consistent



What are we finding?

Digital future

- ❑ We have been considering how technology will impact corporate reporting in the future
- ❑ Whilst this is a question that has been asked before, now is the beginning of a new paradigm driven by technology, users and regulations.
- ❑ We have created a framework of digital reporting characteristics and conducted reviews of XBRL, Blockchain and AI in corporate reporting
- ❑ We have seen that whilst at early stages of development each of these core technologies will build upon each other and the combination will lead to new ways to produce, analyse and consume reporting.
- ❑ But progress needs experimentation and cautious innovation from preparers, tech companies and ultimately from all in the ecosystem.





Digital Reporting Top Tips - Investors

Tips from the Corporate Reporting Users' Forum and the Financial Reporting Lab



Annual reports - The annual report should be clear and easy to use both on screen and if printed. Avoid excessive pictures that make it look like a brochure. Keep designs to single pages, since double page spreads do not translate well onto screen. Include all key information within the annual report, especially if it relates to indicators that drive remuneration. If possible, the annual report should be available (electronically) on the results day, enhancing transparency.



Search - Investors are looking for information. When using an electronic report (in PDF or HTML), they need the ability to search. Enhance navigation with bookmarks, hyperlinks and back buttons. Hyperlink notes from the face of the primary financial statements (and vice-versa) to facilitate use. When using printed reports, investors value contents pages and indexes.



Usability - Make your investor content easy to locate and access and be clear about the contents of each section. Non-GAAP measures should be clearly labelled as such wherever used and linked to reconciliations and explanations. Avoid duplication by clearly cross-referencing and sign posting.



Downloads - Investors want to be able to use the numbers you report in their models. Provide an excel download (or iXBRL / XBRL) of all the tables in the annual report (including the *Strategic report* or the *Management's discussion and analysis* section), earnings releases and quarterly updates (in a consistent format period to period).



Audio and Video - When providing audio or video (for example, conference calls), a full transcript should be provided (including any Q&As), this makes it easier for investors to search and use the content. Consider breaking longer videos into clearly labelled sections to allow investors to focus directly on what is relevant to them.



Archive - The archive of reported information should be easy to find and use. As well as annual reports, investors want earnings results, conference calls (transcripts and recordings), presentations including investor days and the AGM, and quarterly reports. All released information should remain available for as long as possible beyond regulatory requirements.



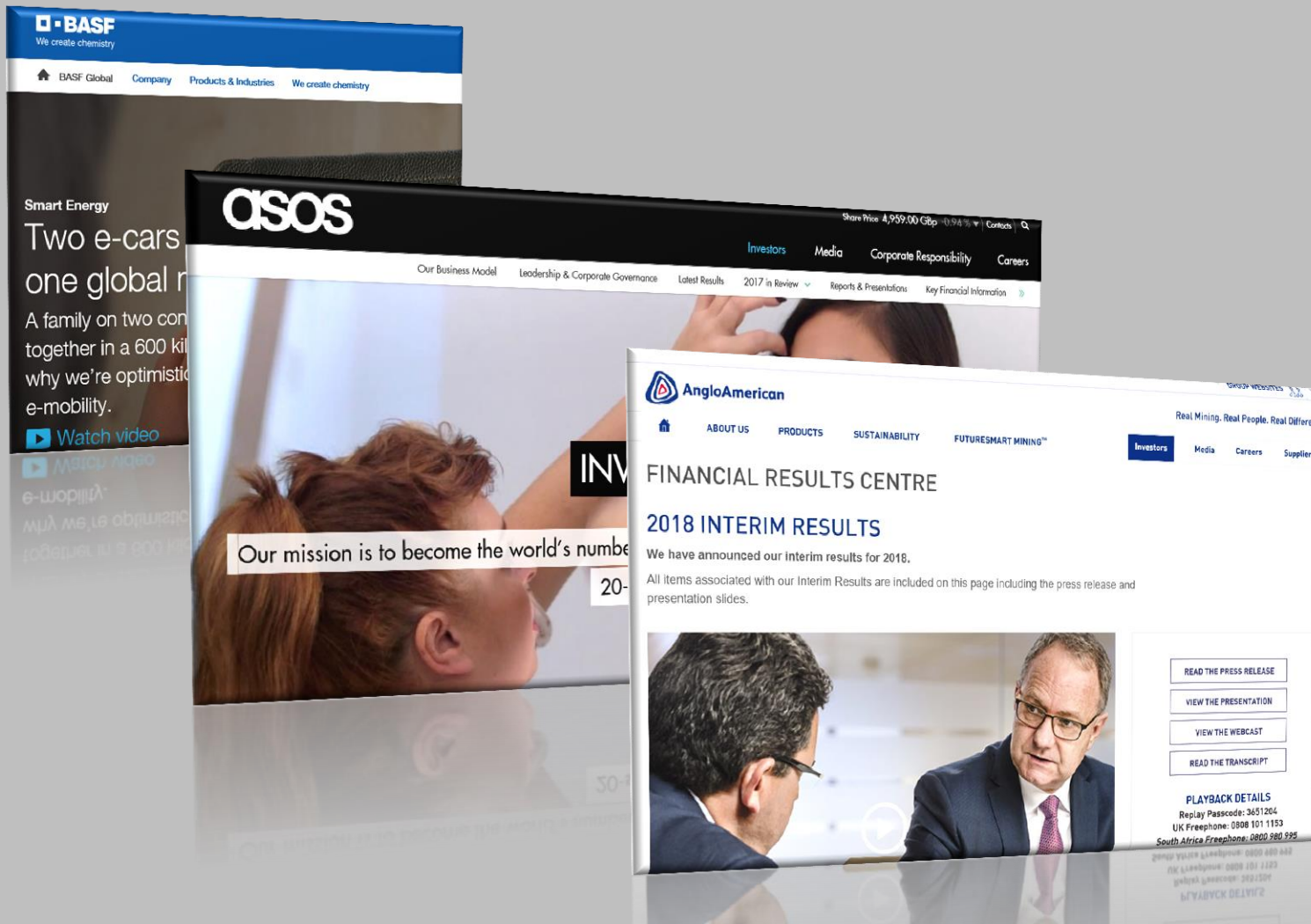
IR website - Investor relations websites should be optimised to work properly on both desktop and mobile. The content should be presented to minimise scrolling and aid navigation. Consider having a page covering frequently asked questions from investors. Make it easy for investors to subscribe to relevant news flow.

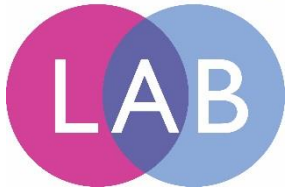


Other information - Investors also want access to both current and archives of information on bond issues, shareholder notices, other instruments, prospectuses and sustainability reports. These should be easy to find from the main investor relations page.



Digital Reporting Top Tips - Judge





Find all the Lab's reports and updates on current activities and our blockchain report through our web page :



www.frc.org.uk/lab



You can also follow us on Twitter @FRCnews or on LinkedIn