

Digital Future

A framework for future digital reporting

April 2017

The Digital Future: Our approach

There are two ways to investigate how technology can be optimised to create a corporate reporting system that works for preparers, investors, and others. Either think first about the various technologies available and what they offer or reflect on the desired outcome and then consider how technology might help to achieve this.

The Lab’s Digital Future project takes the second approach. The Lab asked preparers, investors, and others what they wanted from a future digitally enabled system of corporate reporting. Their responses have been used to construct a framework of characteristics; ‘the future digital reporting framework’. This report presents the framework.

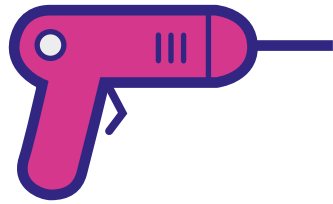
The next stage of the project will assess various reporting technologies and initiatives against this framework. This will enable the consideration of how they might work together to meet the needs of preparers and users.

What do you want
from a digitally
enabled system of
corporate reporting?



The three stages of reporting

Through the Lab’s discussions with participants, three broad stages in the process of corporate reporting were identified. These three stages are used within this report as a basis to frame the characteristics identified as being those essential for future digital reporting.



Production



Distribution



Consumption

Production – This stage is focused on the collation, amalgamation, packaging, and presentation of underlying financial and non-financial information from within a company or organisation with, the express intention that it will be released externally. Production characteristics were of most interest to companies and those supporting them.

Distribution – This stage is focused on the dissemination of the packaged information both to meet regulatory requirements (e.g. National Storage Mechanism) and to communicate with external stakeholders. Distribution characteristics are of interest to both companies and those consuming the information.

Consumption – This stage is focused on the analysis and use of the distributed, packaged information. Consumption characteristics are of most interest to those utilising the information. These characteristics might attach equally to any individual piece of data, disclosure or document being used.

Distribution characteristics

If future digital reporting is to be successful it would meet the following characteristics (in distribution):

Free



It can both guarantee free access to company level information and provide peer, industry or national data sets in an easy to use format.

Compliant



It needs to support the compliant distribution and storage of regulated information.

Prompt



It should lead to the timely distribution of information and signal its release (for both regular and ad hoc communications).

Accessible



It must be easy to find and access, providing the ability to locate individual data points, disclosures and documents at a company or industry level.

Consumption characteristics

Users and preparers expect that the information presented under any future reporting framework is usable. For this to be the case they identify some sub-characteristics that need to be present. These include:

Up-loadable – Users identify the ability to upload or link information into reports and models as important. This desire relates not only to individual documents but also to individual pieces of data. Some also express a desire for information or data to retain its link/connection to the original underlying source.

Universal – Successful digital reporting should be widely used by preparers across sectors and markets. A solution which was not ubiquitous or missed significant elements of the market or disclosures would limit the cost-effectiveness of adoption and the desire of participants to utilise the resulting information.

Searchable – Ensuring searchability or navigability is very relevant to users. Users look for specific pieces of information within or across a company or companies' corporate reporting. Successful reporting, therefore, should allow and enhance the ability of users to search for relevant information.

Intuitive – Reports need to be easy to consume and require limited technical or specialist skills. This is particularly important if information is designed to be useful to a broad stakeholder group.



Usable

Consumption characteristics

An area of interest to both users and preparers is the ability to ensure that documents and other communications made can be trusted as being secure and authentic. For future digital reporting to be successful it needs to embody the following attributes:

Be immutable/secure – Corporate reporting information is designed to be a permanent record of the financial position and performance of a company at a specific point in time. It is important to users and preparers that they can access information as it was originally reported (even if subsequently changed).

Communicate assurance – Users place a higher value on reporting that has some level of assurance on it, be that internal assurance (e.g. sign-off from executives) or external assurance (e.g. audit opinion). However, it is often difficult to assess what level of assurance is associated with a specific item of information, especially when viewing data that lies outside of the annual report. Digital reporting has the potential to enhance the communication of assurance, both its level and nature, to more clearly allow users to understand the reliability of the information.

Guarantee its authenticity – Both users and preparers value the ability to confirm that the information (either as a whole package or a single data point) – is actually authored by the company (or others where relevant e.g. auditors). Digital reporting should support the communication of, or guarantee the authenticity of, the information delivered.



Consumption characteristics

A characteristic identified by preparers and by those serving them is the desire that any future system of digital reporting should facilitate the ability of companies to engage with their audience.

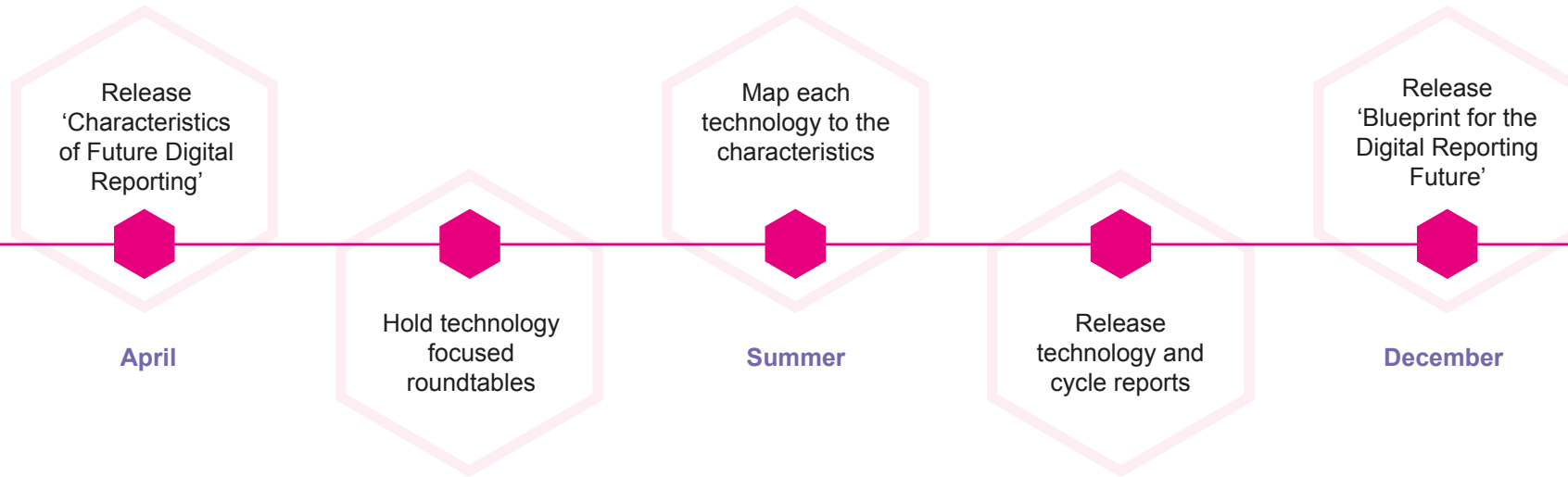
Modern financial reporting has a relatively high level of designed content; this reflects the desire of preparers to 'tell their story' in 'their style.' Companies spend time designing their corporate report to reflect their own narrative, structure and brand image; they consider that this is an important element of their communication with users.

Preparers believe that digital reporting should support their ability to customise their communication and provide ways of enhancing engagement. However, this should be balanced by the investors' desire for standardisation of usable content. Much of the promise of technology-enabled future (e.g. Artificial Intelligence and Big Data) relies on a level of standardisation to allow comparison. Therefore, a technology which allowed standardised consumption and utilisation but allowed a significant freedom to communicate and engage should be welcomed by both preparers and users.



Engaging

Next steps



This report lays out the framework of characteristics for future digital reporting. The next step is to consider how future technologies might meet these needs (either as is or through further development).

The scope of the project is expected to cover the following technologies Virtual Reality, Augmented Reality, Blockchain, XBRL and other tagging techniques, Video, and other digital media.

If you are a technology expert or have strong views on, or experience of, how technology might be used for corporate reporting and have time to attend (on a pro-bono basis) a tech-focused round table, the Lab would welcome hearing from you. Please contact financialreportinglab@frc.org.uk

