



Financial Reporting Lab Update - Q3

Since our last newsletter in July, the Lab team have been busy on a number of key projects, working on promoting the Lab and (a little) summer rest and relaxation... but like many of you, we start Q4 with a full inbox and agenda. In the next few months, we will issue two project reports (Risk and Viability, and XBRL mapping) and we have just issued our second implementation study on Dividend policy and practice. We will also shortly announce the start of our next project on performance measures.

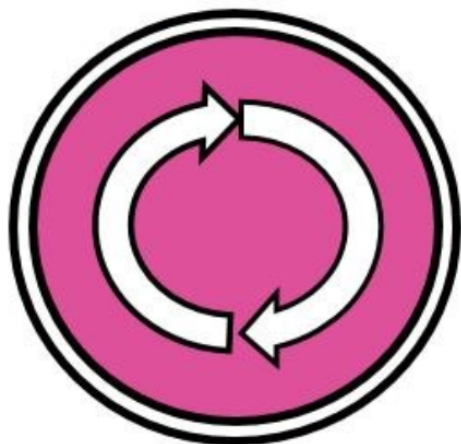
This edition of the newsletter provides an update on our current projects and gives you some insight into what we have been doing.

As always, we are grateful for your support and look forward to your involvement in the Lab going forward.

Phil Fitz-Gerald

Director - Financial Reporting Lab

Project updates



Risk and Viability

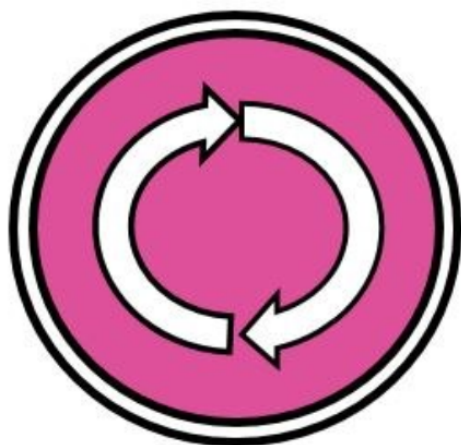
We are nearing completion of our risk and viability reporting project. This project has involved approximately 20 companies (from FTSE 100 to AIM quoted) and a similar number of institutional investors (including a number from Japan). We also carried out a survey of private shareholders which received nearly 200 responses. The survey was carried out in conjunction with the UK Shareholders' Association and ShareSoc, and we would like to thank them and their members for their support.

Some key messages are emerging from the project:

- Risk reporting has evolved and improved significantly since the financial crisis – investors recognise this but see the potential for further improvement.
- There is a balance to be struck between concise risk reporting and providing sufficient information on how risks are specific to the company without revealing commercially sensitive information – investors have identified good examples of where this balance has been achieved.
- The introduction of the viability statement has created more focus on risk management at Board level. Investors are positive about the greater level of engagement on risk management with companies.
- Viability statements themselves could be made more helpful, and companies should seek to demonstrate the greater focus that Boards have on viability.

The final report should be published in November. It will provide examples of good reporting and provide further details on the key elements that investors value in risk and viability disclosures.

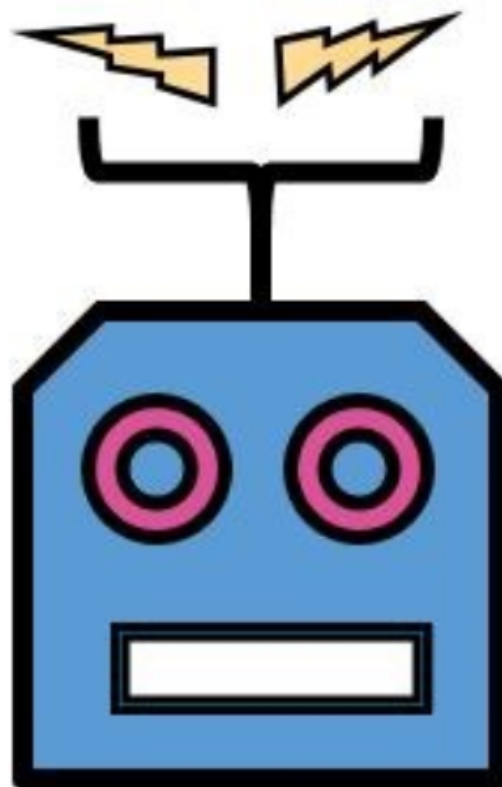
Project updates



Digital Future

Our Digital Future project is progressing well following the release of our report setting out the [characteristics of good digital reporting](#) in May. The original report continues to generate interest from around the world!

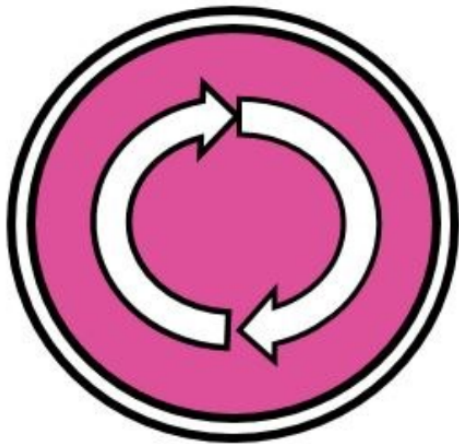
Recently we have held some deep-dive technology roundtables focused on XBRL. These well-attended roundtables brought together technology experts to explore the extent to which XBRL meets the digital characteristics set out in our report.



We are pulling together the findings from these roundtables and other discussions to create an XBRL mapping report. As well as reporting on the extent to which XBRL meets the characteristics it also sets out the areas that need to be developed and how technology companies, issuers, and regulators can help to facilitate this. We expect to publish the report in November.

Over the next few months we will move on to consider Blockchain, Artificial Intelligence and other technologies.

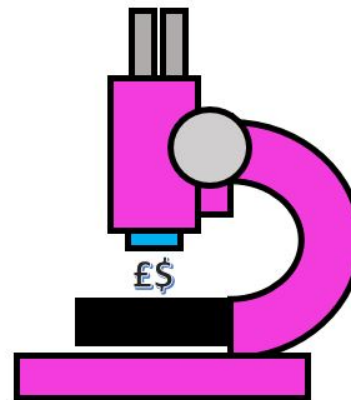
Project updates



Dividend policy and practice

At the beginning of October, we released a second implementation study on dividend disclosures which considered the extent to which the recommendations in our 2015 report, ***Dividend disclosure: policy and practice***, have been adopted. This is part of our program to assess the impact of the Lab's reports.

We are encouraged to see that more than 50% of companies within the FTSE 350 that we analysed are now making disclosures in line with some of the Lab's recommendations. The full report gives examples of practice and highlights some areas where companies could take disclosure even further forward. This is well worth a read before the upcoming reporting season.



What else has been keeping us busy!



Being Core to the More

We read with great interest the recent update to Accountancy Europe's Core & More report which was launched during their Future of Reporting event. This report is a good read and draws together a number of themes which set out the changing demands for corporate reporting on companies. One suggestion in the report is to establish a European Corporate Reporting Lab. This is something we would very much support; as well as a great way of facilitating innovation we would also love to have a continental pen pal!

Future of reporting

Phil presented at the Future of Reporting event in Brussels, where he highlighted the work of the Lab on technology and noted the challenge that it presented to all (regulators, companies, investors and technology companies) if it was to live up to its ultimate promise.

What else has been keeping us busy!



Being engaging and communicative

Not to be outdone by all the interesting conferences that we attend, we thought that it was time we held our own. Working with the Audit Futures program of the ICAEW, the FRC hosted the Engage and Communicate conference on 11 July. The event was very different for a reporting conference and included some thought-provoking presentations from John Curtice and Reverend Andrew Baughen amongst others. The idea of the day was to rethink reporting without being constrained by the current reporting framework.... a tall order, but attendees developed some real tangible ways forward. Further activity is in the pipeline, so watch this space!

Preliminary views on prelims

The FRC's accounting and reporting policy team have been undertaking research on how preliminary reporting has changed over recent years and how investors use the information contained in preliminary statements.

They have conducted a series of interviews with investors in relation to preliminary reporting to elicit their views. To complete the research the team wishes to share the results of the investor outreach with Companies. If you would be interesting in finding out more you can contact the team directly - Jennifer.guest@frc.org.uk

And finally....

We would like to welcome Hannah Armitage to the Lab. Hannah is a corporate governance and stewardship expert who joined the Lab on the 2 October. Originally from Australia, she spent the last few years working in the FRC's Corporate Governance team. Hannah decided it was time to hop desks and we are very much looking forward to having her on the team.

