

Financial Reporting Lab - June 2017

Director's notes

The Financial Reporting Lab (the Lab) recently conducted a survey of stakeholders to obtain feedback on the effectiveness of its activities and potential future projects. Many of the projects that the Lab has carried out in the last three years were as a direct result of the last survey in 2014, and the responses received this time will similarly be used to inform our future projects.

Since my appointment as Director of the Lab in February this year, I have been struck by the significant level of support that the Lab receives from companies, investors and others involved in corporate reporting. Our work can only be influential if it represents the views of the market and it can only do that if our projects enjoy high-quality input from those participating. I am therefore grateful for the on-going support the Lab receives. It is encouraging to see that the Lab's reports are having an impact on the quality of reporting. The Lab's work on dividend reporting, for example, has led to improvements in the disclosure of dividend policy and distributable reserves.

One of the outcomes of the survey was that it would be helpful to send out a regular newsletter setting out what the Lab is working on. This newsletter, therefore, gives some highlights from our activities in the last three months and provides an opportunity for you to get involved in our activities going forward. The newsletter is designed in a format to be easily read on mobile and tablet devices. I hope you find this helpful and informative and we will continue to publish a quarterly newsletter going forward.

As always, the Lab is happy to hear from you if you would like more information or have any thoughts or views to share. If you have not been involved with the Lab in the past and would like to discuss how you can over coffee, I would be very pleased to meet with you.

Regards

Phil Fitz-Gerald, Director - Financial Reporting Lab

Please send all correspondence regarding the Lab to the following email address:

FinancialReportingLab@frc.org.uk



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Phil Fitz-Gerald, Director - Financial Reporting Lab

Lab activities during the quarter

April

Lab Stakeholder survey

In April the Lab launched a survey which asked for feedback on previous projects and sought views on topics the Lab might undertake going forward. The survey received more than 200 responses. The results indicated that those taking part in Lab projects found the process beneficial to the quality of their reporting and that the resulting Lab reports were helpful.

Turning to future projects, there was much support for the continuation of the Lab's series of projects on the strategic report. The Lab is currently working on a project on Risk and Viability Reporting, which follows last year's report on Business Models. The stakeholder survey results indicate that it would be helpful to carry out projects on other aspects of the strategic report, such as the use of alternative

performance measures and possible disclosure of capital allocation. There is also much focus currently on how companies create value and how this is explained in the annual report, and a Lab project picking up aspects of this may also be helpful. Remuneration reporting also continues to be a challenging area.

Over the summer/autumn, we will prioritise these areas, and we expect to be in a position to announce our next project in the autumn.



<http://frc.org.uk/lab/reports>

May

Digital Future

May saw the release of a report on the first phase of the [Digital Future Project](#). It set out a framework of 12 characteristics which are important to consider in any future (or current) system of digitally enabled reporting. Now that we have established the framework, we are organising a series of workshops and roundtables to identify which technologies might best meet these characteristics. If you have particular skills or experience in any of the following, we would be happy to invite you to the sessions:

- Augmented Reality, Virtual Reality and Video for reporting
- Blockchain and other forms of disaggregated ledgers
- XBRL, iXBRL and tagging

- Artificial Intelligence and Natural Language Processing
- Data analysis, dashboards and reporting technology

The workshops (each of about 2 hours) will run across the summer/autumn and be in London. If you are interested in attending, please contact us.

Electronic reporting is particularly in focus at the current time. The European Securities Market Authority (ESMA) recently announced open trials for the production of financial statements in the European Single Electronic Format and we would encourage companies who are interested in taking part to [sign-up](#).

Risk and Viability reporting

In May, we started our Risk and Viability Reporting project with two company roundtables. This project is timetabled to run throughout the summer, and we are currently obtaining the views of members of the investment community. There is still time to participate, so please let us know if you are interested.

We are also keen to hear the views of private investors and, as such, have prepared a short survey. If you do invest in shares privately, we encourage you to provide us with your thoughts: [Private investor survey](#)

June

Improvements in dividend disclosures

We took the opportunity in June to review whether there had been further developments in dividend disclosures following on from our implementation study which we released in [November 2016](#). That study showed that a number of companies had taken up suggestions from the report we issued in 2015 (Disclosure of dividends – policy and practice), but also that many had not.

The latest round of reporting indicated a further increase in those taking up some of the report's suggestions. For example, of the 92 FTSE 100 reports which have been published, 34 companies were either disclosing distributable (or non-distributable) reserves, with another eight using narrative to explain the sufficiency of reserves. This is a significant change from last year (when 13 of the FTSE 100 had done so), and we encourage other companies to follow suit. We expect to undertake a full analysis (of the entire FTSE 350) in the autumn once all companies have reported.

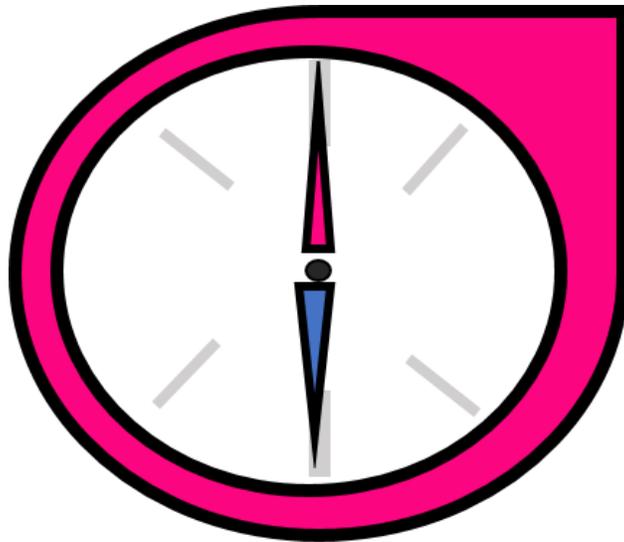


Lab Steering Group

The Lab's work is guided by the Lab Steering Group which includes a number of experienced people who represent the views of various stakeholder groups involved in corporate reporting. It includes those participating in the preparation of the annual report, auditors and advisors and members of the investment community. It meets three times a year. We currently have vacancies for an academic with expertise in researching corporate reporting practice and a finance director from an AIM quoted company. If you are interested in either of these positions (which are offered on a pro-bono basis), please contact us.

A list of the current members of the Steering Group can be found at the following link:

[Lab Steering Group](#)



and finally....

We would like to welcome Joan Hill to the Lab. Joan joined the Lab team in May and will be providing administrative support to the team. Joan will be using her impressive organisational powers to keep us in line!

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