E-BOOK

The Future of Reporting: How Ready Are We?

Understanding the status quo of corporate reporting in Europe

Workiva

Table of Contents

A new era has begun

The past two years have seen some unparalleled changes for annual reporting.

Among the most significant of these is the first European-wide shift to digital standardisation: the European Single Electronic Format (ESEF) mandate.

For many large companies, the latest filing season was their first experience with the mandate. From multinationals to smaller organisations, everyone is becoming affected. Consolidated subsidiaries listed on a European exchange must now be ESEF compliant, while local initiatives are introducing e-tagging requirements for private companies. As mandates expand and ripple from parent to subsidiary, the age of electronic reporting has clearly only just begun.

41% of finance professionals were over capacity during the latest reporting period [source: Workiva research]

The annual report of the future is going to look very different, bringing in more information while breaking it down in more accessible and verifiable ways. In the face of all these changes, long-established processes are being put to the test. Organisations are having to adapt—but how are they coping?

It's time to take stock

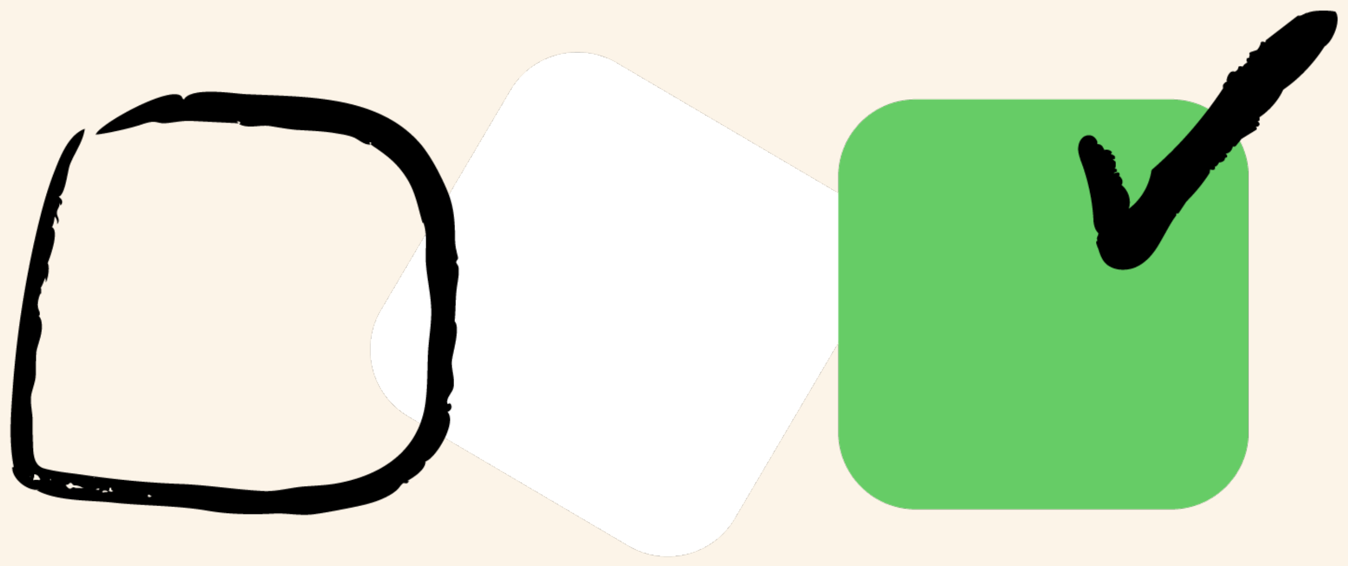
By looking at the impact ESEF has had to date, we can begin to gauge where organisations stand in the wider context of group and subsidiary reporting processes. How easily are requirements being met? Are we seeing unexpected challenges? And how are further changes likely to impact reporting processes?

It's essential to consider all the pressures felt by reporting teams: not only regarding compliance, but also stakeholder demands, the uncertainties of geopolitical and macroeconomic upheaval, and personal sacrifices made during reporting periods.

We're currently at a tipping point. To effectively manage disruption, organisations will need to embrace the opportunities of the new digital format. The time has come to challenge the status quo. But first, it needs to be fully understood.

CHAPTER ONE

What does the annual reporting process look like today?



Annual reporting demands a huge amount of time and manpower. We recently surveyed 539 finance leaders across 14 European countries. What we saw was a market in flux.

Here's the reality:

- Most companies are still using **manual processes** for their annual report
- Large teams typically handle **hundreds of documents** during reporting season
- **Minimising risk** is currently the top priority for finance professionals

For 60% of respondents, manual methods are still being used. Documents most commonly exist in disjointed spreadsheets and files, with edits generally exchanged over email, via manually annotated PDFs, or through non-traceable communications such as in-person or phone conversations.

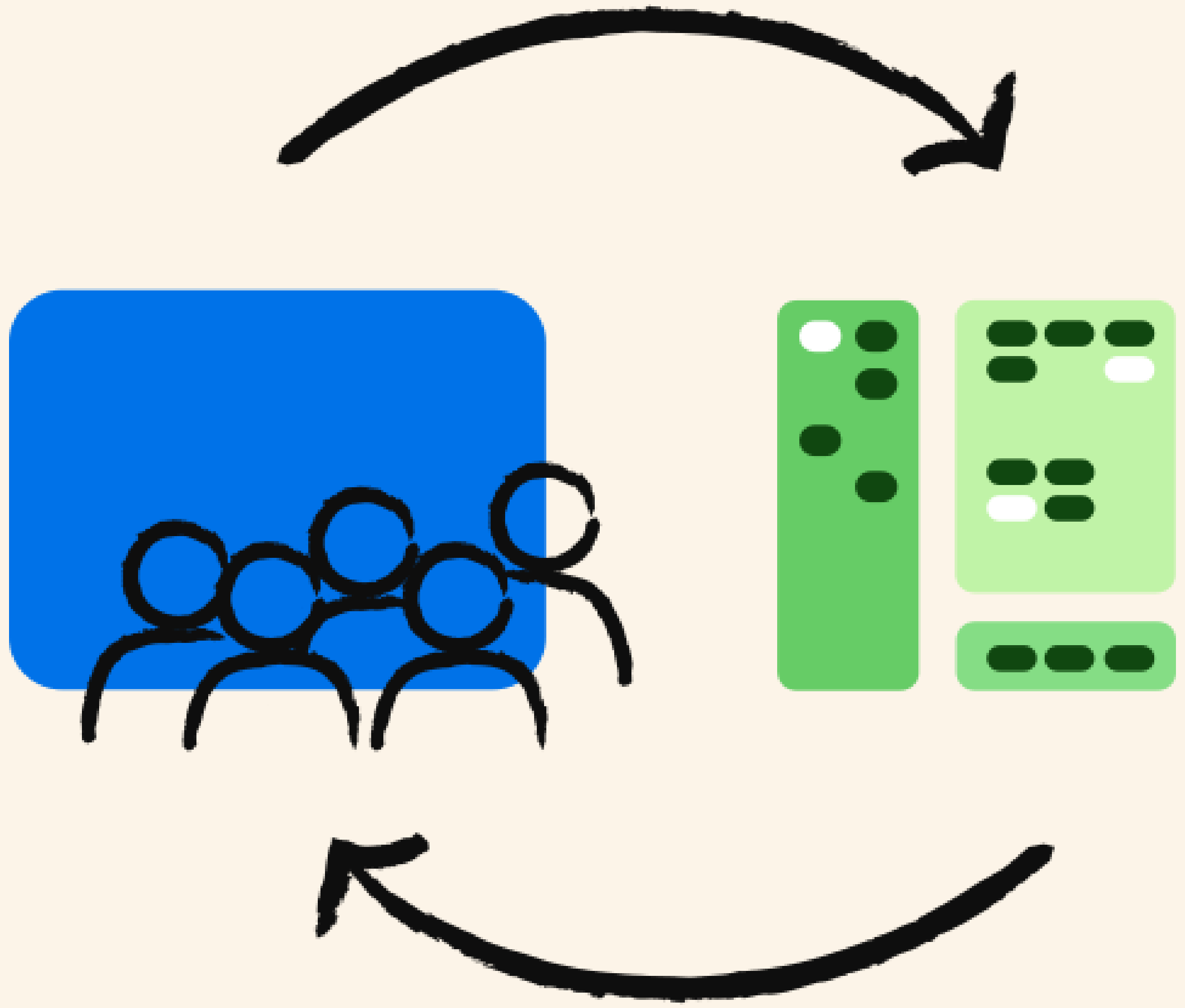
Considering the volume of work, it's easy to understand why 40% of respondents said minimising risk was their top priority for the 2021 annual report. The amount of work that goes into verifying data and updating figures across hundreds of concurrent documents cannot be understated—and neither can the possibility of human error.

It isn't surprising, either, that 41% of those surveyed claimed they were over capacity during the latest reporting period. But what should be surprising is that, despite this volume of work, 42% shared that reviewing data took about as long as they had expected, with a further 40% saying the same about data verification.

Clearly, team members have long accepted the reality of working overtime during reporting periods; while it may not be explicitly required, it is generally inevitable, and this is reflected in the data.

Annual reporting is complex, time-intensive and littered with risk.

But with ESEF entering the process over the last two years, **the acceptability of this status quo is starting to fracture.**



On average, 50 people work across 227 individual documents to support the reporting process.

(Source: Annual Reporting Insights 2022)

CHAPTER TWO

How has ESEF impacted the status quo?

It was only to be expected that ESEF would come with its challenges. Here are the top three ESEF findings from our survey:

1. While **investor experience improved**, ESEF has added to the overall workload for many, with some teams finding the reporting process **more difficult.**
2. Auditing ESEF **increased timelines** by up to two weeks
3. The majority of finance professionals nonetheless reported being **happy with ESEF**

It was only to be expected that ESEF would come with its challenges. Our data reveals that it has added more time to the overall reporting process: for 83% of organisations, auditing ESEF increased timelines by up to two weeks.

Over a third of respondents also said that the process was more difficult this year. That number increases significantly in regions where ESEF was newly mandated, rising to 50% in the UK and Ireland, and to 51% in the Nordics.

However, the numbers also reveal a market that appears to be overwhelmingly in favour of ESEF. The majority of those surveyed reported being happy with their final output, and claimed that the new digital requirements didn't add too much pain to their existing processes. 71% found XBRL tagging either easy or of average difficulty, while 62% said the same about the XHTML conversion process.

Considering the fact that ESEF has nonetheless increased difficulty levels for so many, and taking into account what we already know about the status quo of annual reporting processes, why do so many finance professionals still seem happy with ESEF?

A roaring success, or just another wrinkle in the fabric?

In certain cases, it may well be that the work involved with ESEF simply didn't bring too much additional strain. For others, the pressures of the mandate will have been felt less acutely thanks to the outsourcing of specific tasks like XBRL tagging or XHTML conversion.

Looking at the bigger picture of annual reporting, another key factor becomes apparent. This is a market where late hours and overworked teams have long been accepted as part of the norm. While ESEF requirements might seem like a considerable undertaking on their own, when put into this context, it's possible that they hardly register.

But any false sense of normalcy here is unlikely to last. The reach of the mandate is expanding far beyond a handful of pages within the annual report. ESEF's end goal isn't just to introduce XBRL tagging: it's to fully digitise corporate reporting. And as more stakeholders and data are brought into the process—most notably, those relating to ESG—the pain is soon to be felt more deeply.

34%

of organisations say that the reporting process was more difficult this year than previous years
(Source: Annual Reporting Insights 2022)

CHAPTER THREE

What are the main priorities going forward?

If ESEF hasn't yet truly shaken the foundations of annual reporting, it's inevitable that upcoming requirements and mandates will.

Here's what we discovered from our survey:

- **Minimising risk** is the number one future priority for finance professionals
- Ensuring **data integrity** and improving **efficiency** are the second and third main priorities
- As new mandates come into play, **controls** are becoming more important than ever

As new mandates, standards and expectations continue to pile onto the annual report, a shadow of risk is being cast over existing reporting methods—one that is proving too large to be ignored.

Our data shows that this year, 94% of finance professionals had more conversations about controls as a result of new mandates. This is undoubtedly in no small part due to ESEF: if the first years of the mandate are all about getting a process in place, the following years will be focused on making that process robust and repeatable. And for that, controls are essential.

Structures that have long served organisations well are under stress. Controls are therefore becoming a top priority, as teams work towards better integrating accounting, audit and finance departments, as well as those involved in ESG reporting. Removing barriers between disparate teams will make it far easier to deliver trusted reports that clearly communicate corporate value.

See how Jacob Douwe Egberts is facing up to the future of reporting: read their story.

Companies need to derisk current processes

Looking ahead, the top three priorities for annual reporting are minimising risk (35%), ensuring data integrity (34%), and improving efficiency (33%). 57% surveyed also said that imminent ESG mandates will lead to controls and risk becoming a more important consideration in future reports.

Ultimately, conversations about risk and controls can only go so far if there aren't plans to address existing risk vectors within the process.

The survey revealed that 69% of auditors are brought into the process either mid-way through or at the end. To embed trust within the reporting process, it is essential that they are included from the outset, or they will struggle to achieve the oversight that they need to minimise risk.

Finance professionals are tasked with derisking their processes, establishing oversight of a rapidly expanding reporting environment, and improving the integrity of both structured and unstructured data. But the path to achieving this isn't always clear.

CHAPTER FOUR

Do organisations feel prepared for the future?

When looking at how equipped organisations feel for future challenges, the data reveals an overwhelming apprehension, with trust in data (38%), impact on timelines (36%), and audit (34%) being the top three concerns, respectively.

Here are some more of our key findings:

- **Future metrics** being added to the report present a major concern for finance professionals
- The majority **do not believe their organisations have the right technology** in place
- Most intend to **invest more in financial transformation** in the coming year

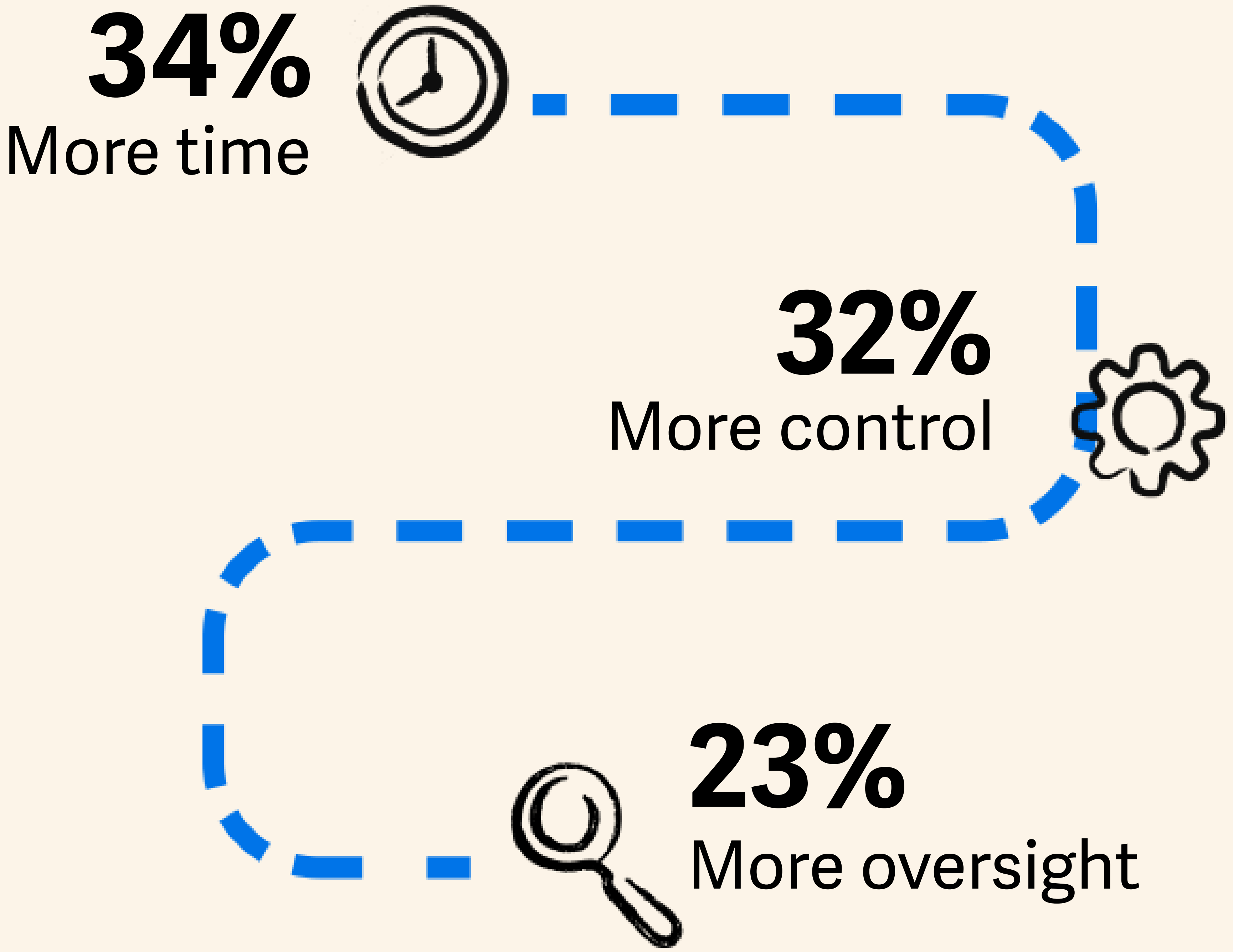
Whatever tools or strategies were brought in to handle ESEF, it seems clear that they didn't deliver meaningful improvements to the wider reporting process. By turning to point solutions or outsourcing work, teams were able to treat the mandate as a mere exercise in compliance.

56% of finance professionals do not believe that their organisations have the right technology in place to adapt to changing circumstances in reporting. A further 27% listed collaboration as a top concern. Organisations know that to establish trust in data, maintain control of timelines, and ensure straightforward and effective audits, they need secure and seamless workflows with unobstructed oversight of the entire reporting process.

When asked what they wanted more of next year, the top three responses from finance professionals across Europe were more time (34%), more control (32%), and more oversight (23%). These aims can be achieved—but only with the help of appropriate tooling to boost efficiency, deliver visibility and bring certainty to data.

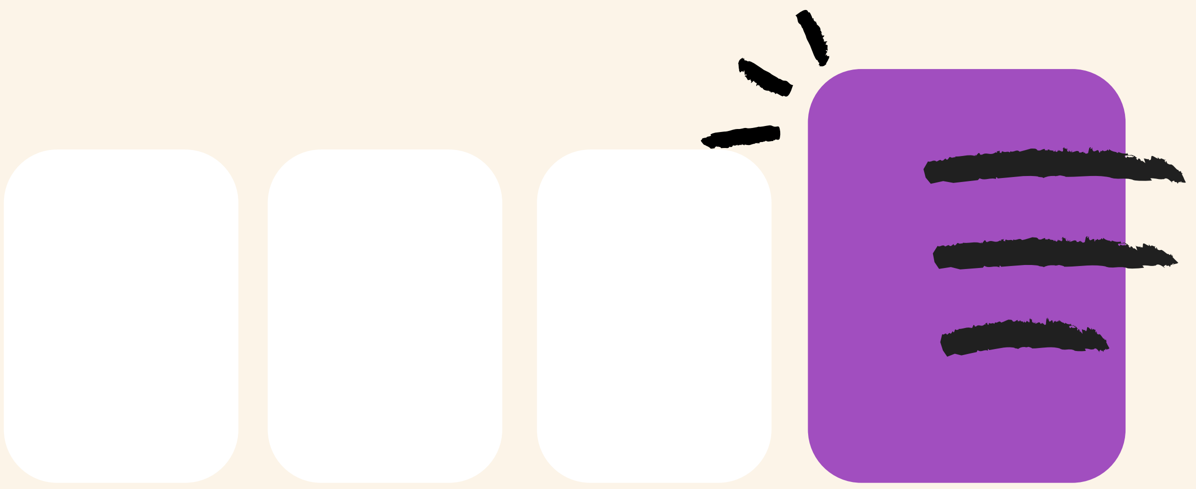
The workforce is eager for change.

The top 3 things that finance professionals want more of next year:



(Source: Annual Reporting Insights 2022)

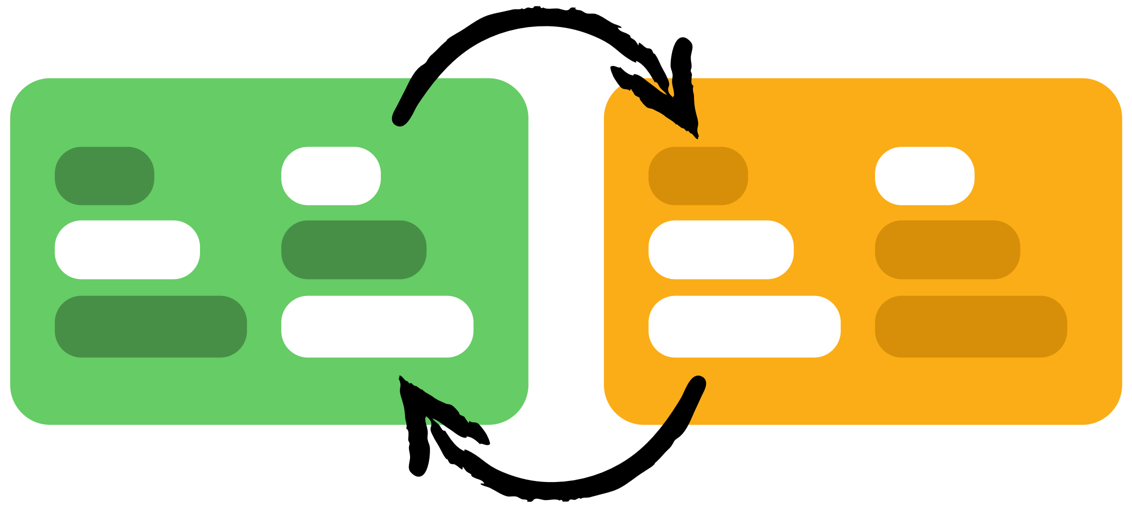
It’s time to challenge the status quo



For reporting and governance teams, regulatory change seems to be triggering a rethink of long-held strategies and a move towards better integration of risk and controls in annual reporting. As more people and data are brought in, organisations will be looking to eliminate manual processes and establish tighter and more secure collaboration mechanisms. By doing so, they will increase confidence and trust in data across every stage of the reporting process.

It’s not possible to flick a switch and instantly transform long-established ways of working. Annual reporting is, and will always be, a complex task. To deliver meaningful change in a secure and effective way, leaders will be considering how to enact iterative, non-invasive improvements—not only across the end-to-end annual reporting process, but underpinning all reporting processes throughout the entire organisation.

Evidently, the current status quo is no longer good enough. It’s time to establish a new one.



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