

Preparing for a digital reporting transformation

Digitisation has been slow to arrive in corporate reporting, but regulation and advances in software mean that the shift to digital-first reporting has begun. **Rob Riche** reports.



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Thirty years of digital innovation has changed all aspects of our lives. But this has been slow to reach corporate reporting, largely because of its content and process complexities. The huge potential for digitisation to enhance reporting has never been realised.

However, as print quantities decline and the PDF format becomes too limited for digital use, the focus on digitisation of reporting is increasing. This is being accelerated by a number of key developments.

Digital reporting regulations

The introduction of the digital ESEF format is a crucial catalyst for innovation, requiring the full annual report to be published in digital format. It may not be very innovative in the ESEF reports created today, but the potential of this online format is huge and is sparking advances in software that will start to transform reporting over the coming years.

More digital, more tagging

The introduction of the Corporate Sustainability Reporting Directive (CSRD) is significant because it also requires sustainability disclosures to be in the digital format and tagged using XBRL (like ESEF). It is anticipated that 50,000 businesses will be required to report in this format under CSRD over the next five years, meaning many more will have to embrace digital reporting technology.

What about landscape PDF? Isn't that digital?

The landscape PDF report is a stepping stone towards digital reporting. It's a great format, but it isn't digital. It's not responsive, accessible or Google-friendly. It has no analytics, and it produces unusable reporting data.



The FRC Lab report set out clear guidance on best practice in digital reporting: responsive, interactive, user friendly, accessible, with high quality easy-to-use XBRL tagging. See www.frc.org.uk

“ Most companies currently convert a print-first PDF to HTML, producing an unusable digital format with poor quality data tagging ”

The need for new digital solutions

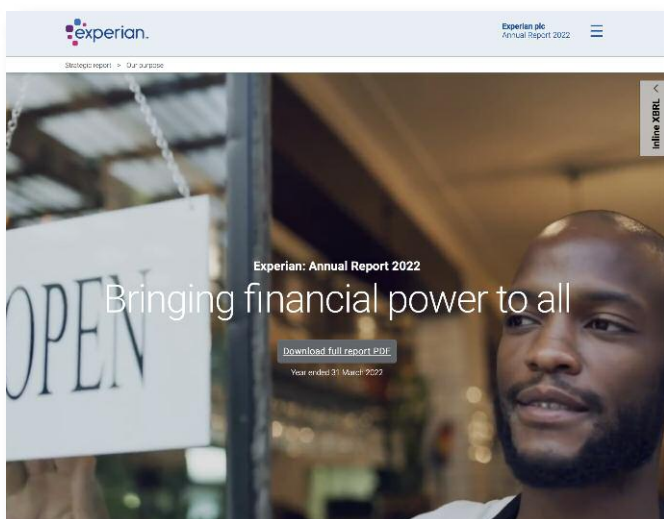
PDF-based ESEF reports offer no real benefits to end users, which means this mandatory format isn't yet meeting the needs of all stakeholders as intended (a user-friendly online report).

The FRC Lab, which conducts ongoing reviews of ESEF digital reporting, has recently reiterated its 2022 guidance: that more needs to be done to improve the standard of companies' mandatory digital reports and that companies should consider preparing reports using new digital-first practices.

Most companies currently convert a print-first PDF to HTML, producing an unusable digital format with poor quality data tagging. So far, there have been no cost-effective alternatives to this method. But this is changing.

Rapidly developing technology

Advances in new reporting software are creating opportunities for digital transformation. The best software will enable reporters to publish single source content simultaneously across multiple formats (PDF, print, online and filings). The best digital reports will also include easy-to-use tagging for anyone to view online.



Experian's prototype interactive annual report complies with structured reporting requirements while being responsive, accessible, interactive and optimised for search engines.

Meeting all stakeholders' needs

A truly digital-first report delivers all digital functions that online audiences need, and fully complies with tagging requirements:

Responsiveness

Easy-to-view on all devices and browsers.

Navigation

Full navigation using the conventional structure of a report.

Interactivity

Clickable, engaging, easier to understand content and video.

Accessibility

Fully compliant (PDF conversion isn't).

Google friendly

A search takes users straight to specific content (not just a 300 page PDF).

User analytics

Vital for refining content that users need most.

Multi-format

From single content source (online, filings, PDF, print).

High quality tagged data

This relies on high quality XHTML (not from PDF).

The new generation of digital reporting tools fully integrate content and data tagging during the report creation process. This can deliver faster, more engaging, more accurate, higher quality and more efficient reporting. The best tools will also deliver accessibility-compliant digital reports, which print-based software can't.

How to future-proof your reporting plans

Over the next few years, most international regulations are moving corporate reporting to the digital format (with XBRL tagging). Although this will eventually be transformative, it presents challenges for companies, not least in knowing what digital reporting should look like.

Helpfully, the FRC Lab report set out clear guidance on best practice in digital reporting: responsive, interactive, user friendly, accessible, with high quality easy-to-use XBRL tagging. This guidance creates many opportunities for companies to enhance their reporting by embracing digitisation.

Planning ahead

The decision to digitise reporting is a long-term one and might be made up to two years before implementing. Once the change is made, it's unlikely a company will ever return to the print-first PDF-led process. To plan with confidence, companies need to be well-informed – understanding what's driving digitisation, its many benefits, and the changes it brings. It also relies on raising awareness and understanding among internal stakeholders and the wider ecosystem of reporting service providers. ■