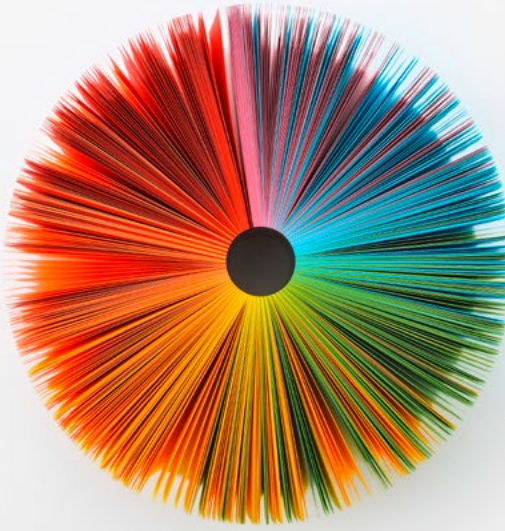
Boardroom Questions

Improving effectiveness and efficiency of corporate reporting

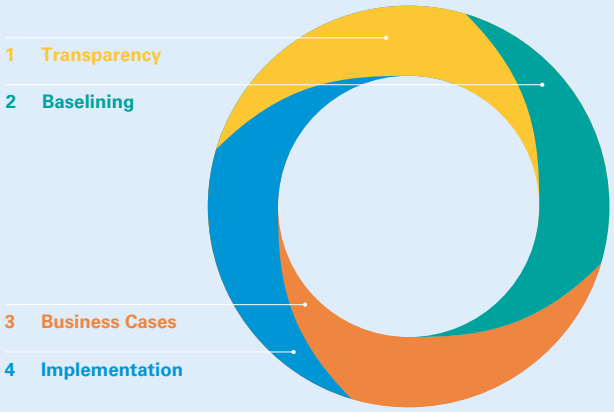


Is corporate reporting still fit for purpose?

Generally, communication between managers and shareholders focus on historical earnings and on the company's compliance with regulatory requirements. The extent of shareholder value creation is rarely visible in today's annual reports. As a result, investors have limited objective information with which to assess whether the longer term, value-creating prospects of the business have been truly enhanced.

Moreover, it has been admonished that too much information is being presented and that it is often redundant. This is onerous for companies and confusing for investors, since it makes it hard for them to find the relevant data to be incorporated into their decision-making. Several companies are now taking a step back to think about reducing clutter, simplifying their reporting and making sure it is truly relevant to investors. Initiatives such as the Disclosure Initiative (IFRS) or the GRI Sustainability Reporting Standards might be a starting point for many. Nevertheless, shortening a report does not automatically lead to better and more relevant reports.

Main aspects to consider



To re-think your reporting based on clear business cases, you will need to consider the following steps:

- **Transparency:** Increase transparency regarding cost and time consumption of corporate reporting
- **Baselining:** Clarify reporting audience / stakeholders and establish baseline of minimum requirements to be fulfilled to match stakeholder expectations as well as legal and regulatory requirements
- **Business Cases:** Establish redesign-scenarios based on solid business cases, by analyzing potential improvements in reporting content, structure, processes and IT infrastructure, considering consequences for the cost and timing of the reporting
- **Implementation:** Implement change projects

Why think about corporate reporting now?

Various initiatives and trends will require Swiss companies to reconsider parts of their corporate reporting or the reporting suite as a whole:

- Initiatives of influential standard-setters to improve relevance of reporting content, such as the Disclosure Initiative of the IASB and the redefined materiality assessment process of GRI Sustainability Reporting Standards
- New mandatory or «voluntary» reporting requirements set by standard-setters, regulators, investors, customers and others (e.g. extended disclosures on alternative performance measures)
- Technological progress and potential competitive advantages deriving from usage of data analytics and predictive analysis
- Compliance risks deriving from inconsistent and growing reporting content
- Investors' demand for faster closing and reporting
- Potential savings in the light of growing pressure on companies' profitability

Analyzing the need for change and targeted development of corporate reporting will therefore make most sense if looked at holistically.

Prerequisite

- Top-down commitment and direction are key to ensure the success of such a project.
- Clearly defined objectives and scope will set the cornerstones of any improvement project.
- Multidisciplinary teams will be a key asset in order to analyze all relevant aspects of corporate reporting. To ensure compliance with local legal requirements, appropriately skilled team members will focus on the baseline of the report. Depending on objectives and identified relevant stakeholders to be addressed, further resources regarding business model and strategy description, risk and opportunities reporting and other experts might need to be consulted. Experts from other areas such as IT and process transformation will help identify efficiency gains based on newly set business requirements and support the initiatives to turn ideas into cost-saving implementation projects.

Benefits of better business reporting

A well-thought-through better business reporting initiative has the following advantages, amongst others:

- Higher transparency and relevance of corporate reporting
- Capital costs are lowered because communication regarding future value creation with capital providers is improved
- Visibility over future trends affecting corporate reporting (e.g. new standards, best practices, etc.)
- Better understanding of a company's relevant stakeholders' needs
- Better understanding of relevant drivers of cost and time consumption of corporate reporting
- Reporting suite rebuilt based on clear business cases
- Comprehensive project plan for implementation and development
- More effective and more efficient reporting, which means better reporting and faster closing at lower cost

Contact

KPMG AG
Badenerstrasse 172
PO Box
8036 Zurich

kpmg.ch/blc

Lukas Marty
Head of Audit

+41 58 249 36 49
lmarty@kpmg.com

Daniel Haas
Partner
Head of Accounting Advisory Services
+41 58 249 33 82
dhaas@kpmg.com

Martin Stevka
Director
Co-Head of Accounting Advisory Services
+41 58 249 41 14
mstevka@kpmg.com