

THE DIGITAL PICTURE

THREE IDEAS
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Prepare for the future in financial reporting – XBRL is coming
Learn about the potential of the XBRL ecosystem and its prospects for your company. John Turner examines the theoretical principles as well as the future development potential of standards. The Novartis team focuses on the implementation of XBRL with IFRS taxonomy.

If data is the new gold, reporting needs to rapidly shift to the gold standard. Corporate reporting must respond to the need to make information AI-useful, to enhance trust and reliability in decision-useful data, and to incorporate integrated thinking into our reports, in a way that is comparable, digital and discoverable. The XBRL standard is being rapidly adopted across the world. It's now time to think about corporate reporting through a digital lens.

By John Turner

Video rental stores. Photographic processing kiosks. Price label guns. All part of history thanks to the digital revolution that has swept the world over the last 25 years. Only possible thanks to broadly embraced industry standards that allow interoperable use of digital information. MPEG4 drives video streaming to your TV, PC and phone. Without it you might still be browsing the shelves at Blockbuster. The JPEG standard means you can take a photo on your phone or digital camera and pass it to friends and relatives without ever going down to the Kodak shop. And without GS1 barcodes and the Universal Product Code, we would be still waiting patiently in line for a clerk to individually key the price of everything in our shopping trolleys.

These digital developments have been literally transformative. Next up? Reporting. Digitisation of corporate reporting is slowly but surely spreading across the world, driven by policymakers and three key new megatrend developments: the advent of AI, the primacy of trust and the emergence of integrated reporting.

Another standard with a strange acronym – XBRL – is making it possible. More than 130 regulators in 70 countries already require data contained in reports to be digitally tagged using XBRL, the business reporting standard. For corporate reports this means “Inline XBRL” – web pages with built-in barcodes tagging individual facts contained in the report, making these pages both human and machine-readable. Millions of these reports are already created by companies around the world.

The European Single Electronic Format mandate, now making its way through the EC, is ESMA's new requirement for all public companies in the EU to file IFRS annual financial reports as Inline XBRL documents. This new requirement is set to apply for 2020 reports onwards. With Japan, China, Korea, Taiwan and the US, as well as much of South America and the Middle East all already requiring digital corporate reports, Europe's move is timely.

Why timely?

First, with every organisation (not least in financial markets) looking to enhanced analytics and artificial intelligence, the idea that the “fundamentals” of a company – its financial statements – can't be consumed digitally is simply not credible. To get the story about company performance out in the modern world, financial statements need each key fact to be connected with granular digital definitions, such as those provided by the IASB's IFRS taxonomy, a digital dictionary of disclosure terms. With these tags in place, analytics applications and platforms can make the data discoverable and accessible. Previously this kind of information was keyed by hand to create, at best, a close approximation of what

the company was reporting. Getting accurate, timely data in exactly the form that the company's report held it is a vital aspect of disclosure in a digital world.

Second: trust and data governance. Management, shareholders, employees and wider stakeholder groups rely like never before on accurate performance data of all kinds. It's a question of building and maintaining trust. To respond, the way that information is managed within the enterprise needs to be rethought, re-engineered, digitised and controlled. Internal and external audit is being redesigned to allow continuous, automated insights into key processes. Pulling together every piece of decision-useful information should be subject to rigor, and wherever possible, automation. Standardisation of terms, their meaning and source, for reporting both inside and external to the enterprise helps control and improve information used by management at all levels. This is one of the key developments in the ongoing evolution of the XBRL standard.

Third: making integrated reporting digital. New regulations, as well as a new mind-set, show that developing an integrated approach to strategy and reporting, taking account of the broader societal and environmental factors that impact an enterprise, is a key way to drive performance. Looking at not just financial capital, but manufactured, intellectual, social, human and natural capital is the model proposed by integrated reporting. With leading companies focussing on ways to think about their business holistically, creating value by connecting these capitals, the new normal for corporate reporting will look very different in 2025. The challenge is to make these new kinds of reports relevant and decision useful in a digital age. Integrated corporate reports need to be rigorous, they need to contain relevant and comparable information, and they need to ensure that this information is digital and discoverable. This is a vital challenge for reporting in the 21st century.

XBRL International is the global not-for-profit standards development organisation that manages the freely licensed standard in the public interest, to help improve accountability and transparency of business performance. To support the digitisation of corporate reporting we are working to enhance the interoperability of reporting software. We are working to modernise the technology behind the standard, so users can focus on meaning, not syntax. And we are working to make reports more accessible and more usable. Interested? Join us in June at the Geschäftsberichte-Symposium to learn more!



JOHN TURNER is the CEO of XBRL International, the standards development organisation behind XBRL. XBRL International works to enhance transparency and accountability in business performance by developing and promoting its freely licensed global data exchange specifications in the public interest.



VORSPRUNG DURCH XBRL

Die Digitalisierung der Erstellungsprozesse von Reportings gewinnt an Bedeutung. XBRL bietet viele Möglichkeiten den Reporting Prozess zukunftsgerichtet zu optimieren. Bereits heute können Unternehmen den Vorsprung durch XBRL nutzen.

- 1 Ein Standard für unterschiedlichste Berichte.** Mit dem XBRL-Standard können Unternehmen interne sowie externe Reports und Datenflüsse abdecken. Traditionell für die externe Berichterstattung genutzt, ermöglichen heutige Tools die Standardisierung für alle Interessengruppen.
- 2 Manuelle Arbeitsschritte entfallen.** Herkömmlicherweise stehen Daten in Papierform, als Text/Tabelle oder PDF zur Verfügung. Der Informationsempfänger filtert die Daten, strukturiert sie neu und überführt sie in seine eigenen Systeme. Nach Implementierung von XBRL werden die Daten elektronisch übermittelt und können vom Empfänger in ein eigenes Analyse-Tool eingelesen werden.
- 3 XBRL überwindet Sprachgrenzen.** Wenn Investoren Unternehmen verschiedener Regionen der Welt miteinander vergleichen, erschweren unterschiedliche Sprachen häufig den Prozess. XBRL erleichtert es, dass diese Informationen sprachunabhängig zugänglich gemacht werden.

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