



Business Analytics Live 2012 for Finance

The Premier Event for Finance Professionals

WELCOME

Mark Fieldhouse

Business Unit Executive, IBM Business Analytics



AGENDA



TIME	DESCRIPTION			
9.45	Welcome Mark Fieldhouse, Business Unit Executive - IBM Business Analytics			
10.00	The Changing Face of the Annual Report - implications for the Finance Function Andy Smyth, Partner, Financial Accounting Advisory Services, Ernst & Young LLP			
10.40	Keynote: Smarter Analytics for Performance Achievement Doug Barton, Director, Product Marketing, Performance Management, IBM Business Analytics			
11.20	BREAK			
11.45	Finance Transformation – dragging finance into the 21st Century with detailed analytics Steve Umpelby, CFO EMEA, Tradition Ltd			
12.25	Transforming Finance Operations Pat Calitri, Business Unit Executive, Financial Close Management, IBM Business Analytics			
13.00	LUNCH			
14.00	Cognos FSR in American Express Paul Nugent, Director Controller – Strategy and Performance Improvement, American Express			
14.40	Panel Discussion and Q&A			
15.00	Wrap up Mark Fieldhouse, Business Unit Executive - IBM Business Analytics			
15.10	BREAK			
15.30	Cognos FSR Customer Advisory Board (CAB)	Cognos Controller Customer Advisory Board (CAB)	Cognos TM1 Customer Advisory Board (CAB)	Business Analytics Live - Software in Action
17.45	Close			
	NETWORKING RECEPTION			

Today's organizations are facing many **DISRUPTIVE FORCES** fueling the need for analytics

1 The emergence of a new data era

Creating new opportunities to capture meaningful information from new varieties of data and content coming at organizations in huge volumes and at accelerated velocity



2 The shift of power to the consumer

Creating the need for organizations to understand and anticipate customer behavior and needs based on customer insights across all channels



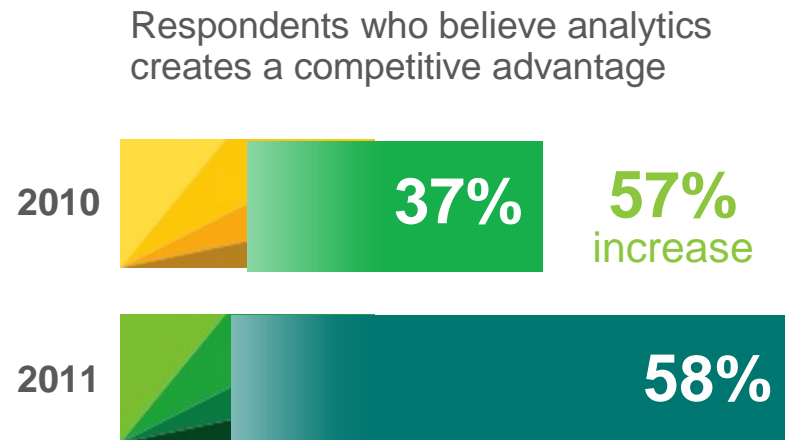
3 Accelerating pressure to do more with less

Creating the need for all parts of the organization to optimize all of their processes to create new opportunities, to mitigate risk, and to increase efficiency



Organisational pressures are at a point where analytics has evolved from business initiatives to **BUSINESS IMPERATIVES**

More organization are using analytics to create a competitive advantage



Source: The New Intelligent Enterprise, a joint MIT Sloan Management Review and IBM Institute of Business Value analytics research partnership. Copyright © Massachusetts Institute of Technology 2011

And leaders are outperforming their competitors in key financial measures

1.6x Revenue Growth

2.0x EBITDA Growth

2.5x Stock Price Appreciation

Source: *Outperforming in a data-rich, hyper-connected world*, IBM Center for Applied Insights study conducted in cooperation with the Economist Intelligence Unit and the IBM Institute of Business Value. 2012

ANALYTIC-DRIVEN ORGANIZATIONS are distinguished by their ability to leverage ...

All information

- All information
- Transaction data
- Application data
- Machine data
- Social data
- Enterprise content

All perspectives

- Past (historical, aggregated)
- Present (real-time)
- Future (predictive)

All people

- All departments
- Experts and non-experts
- Executives and employees
- Partners and customers

All decisions

- Major and minor
- Strategic and tactical
- Routine and exceptions
- Manual and automated



...focusing on high-value initiatives in core **BUSINESS AREAS**

1

Customers



Examples:

- Advanced client segmentation
- Leveraging customer sentiment analysis
- Reducing customer churn

2

Finance



- Enabling rolling plan, forecasting and budgeting
- Automating the financial close process
- Delivering real-time dashboards

3

Risk



- Making risk-aware decisions
- Managing financial and operational risks
- Reducing the cost of compliance

4

Operations



- Optimizing the supply chain
- Deploying predictive maintenance capabilities
- Transform threat & fraud identification processes

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Want to ask a question:
Join in the conversation using
#balive



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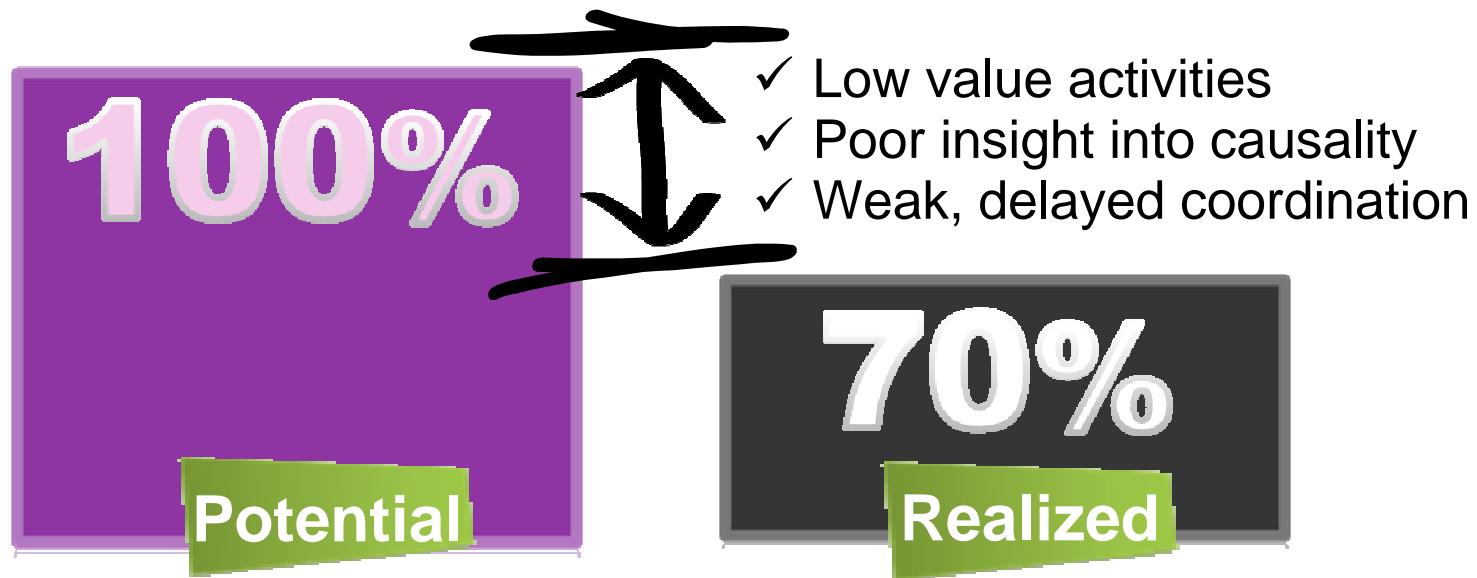
Smarter Analytics for Performance Achievement

Doug Barton

08 November 2012

IBM Southbank Forum



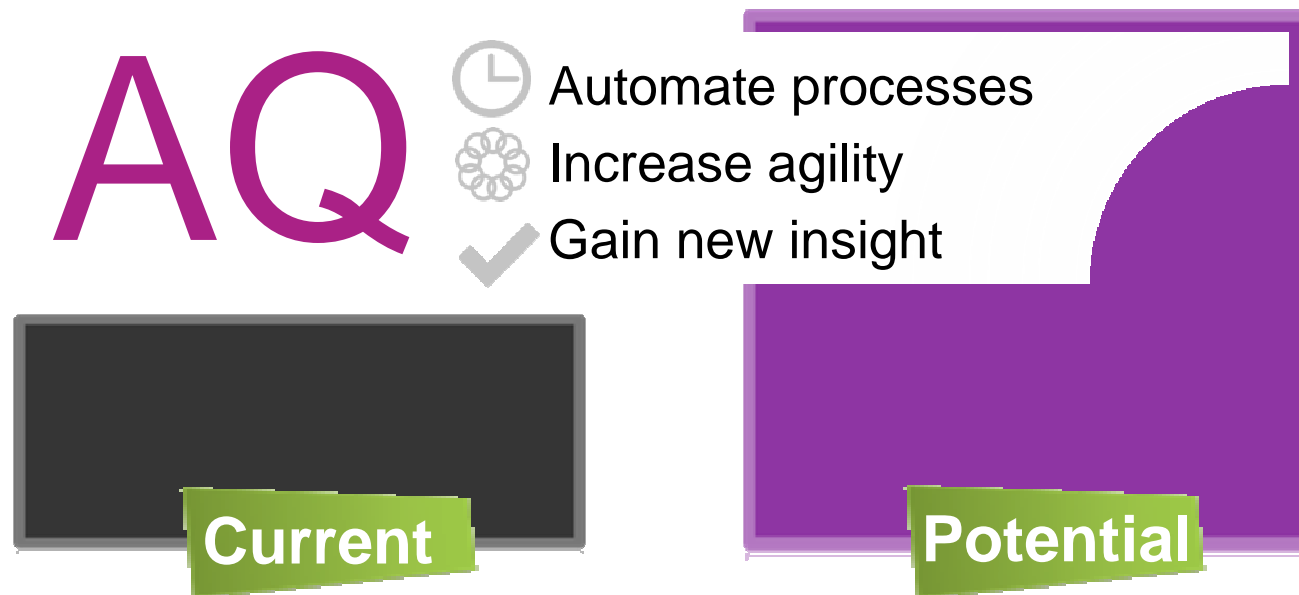


.....

30% of performance potential is lost due to
subpar performance management

Source: CFO Executive Board 2011; IBM Analysis





.....

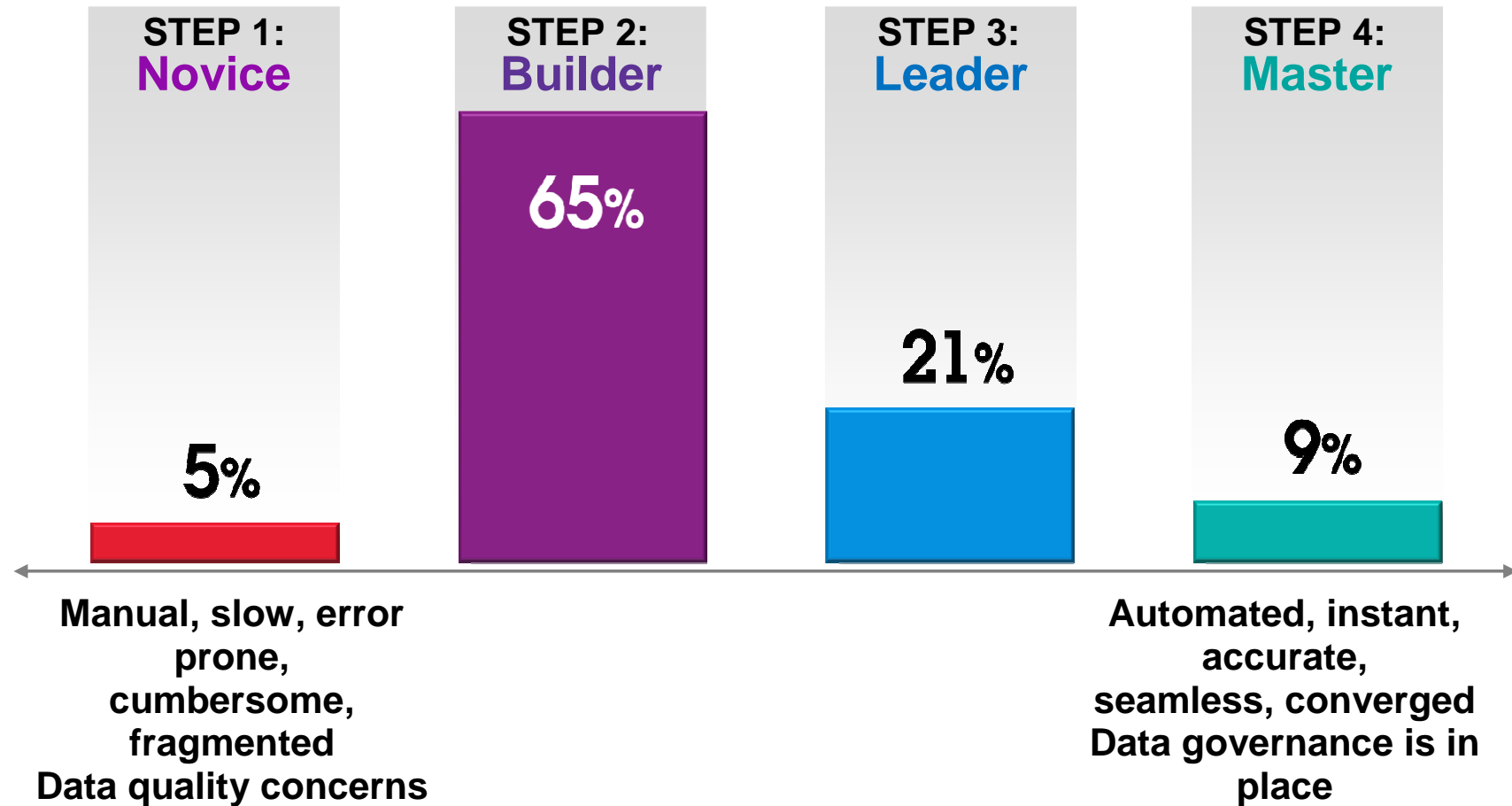
The more you infuse analytics into your business, the higher your AQ and the better you and your business will perform



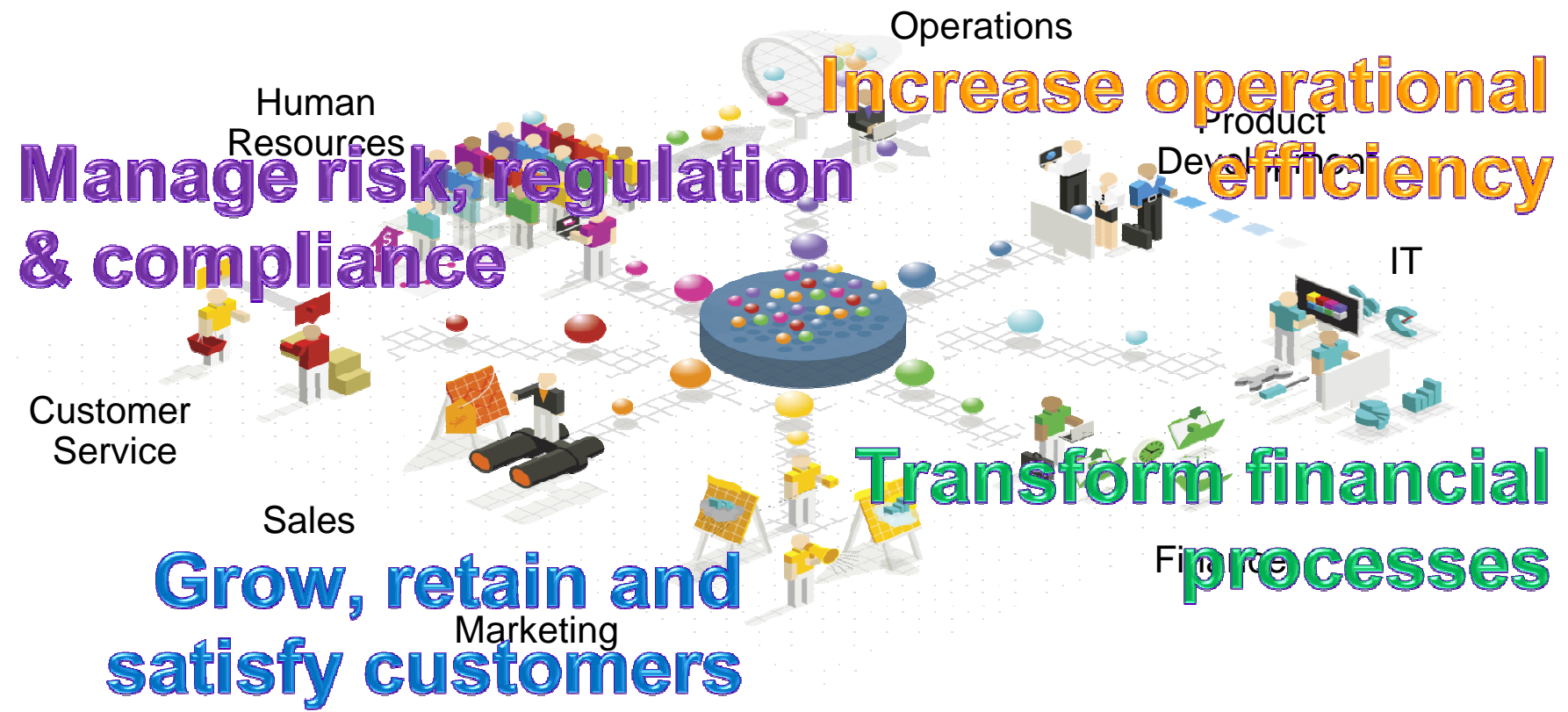


Where are people on the AQ Journey?

n = 5748 organizations



Smarter Analytics Drives Performance Achievement



Finance is at the forefront of this transformation



Manage risk, regulation
& compliance

Increase operational
efficiency



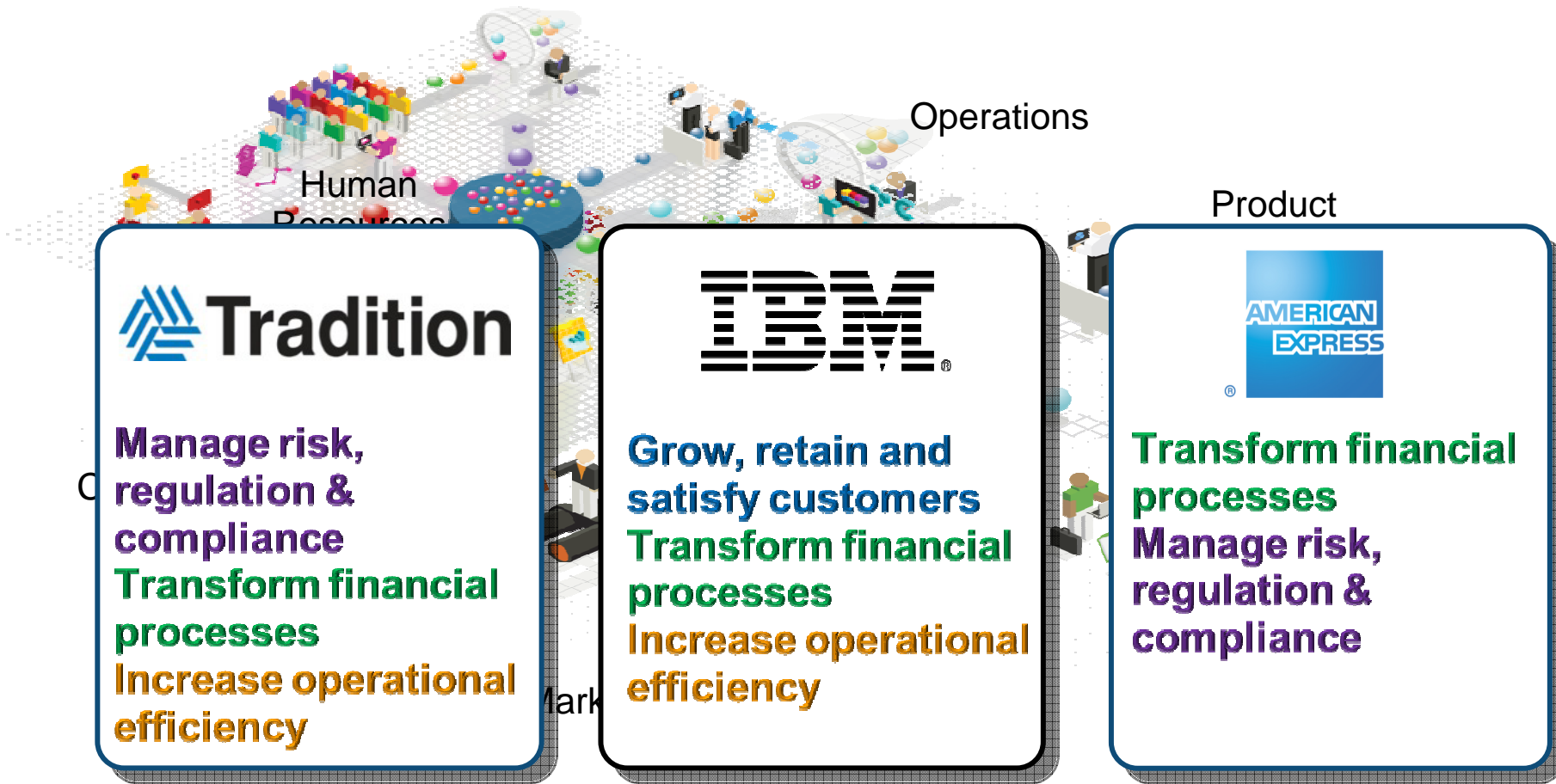
Finance

Transform financial
processes

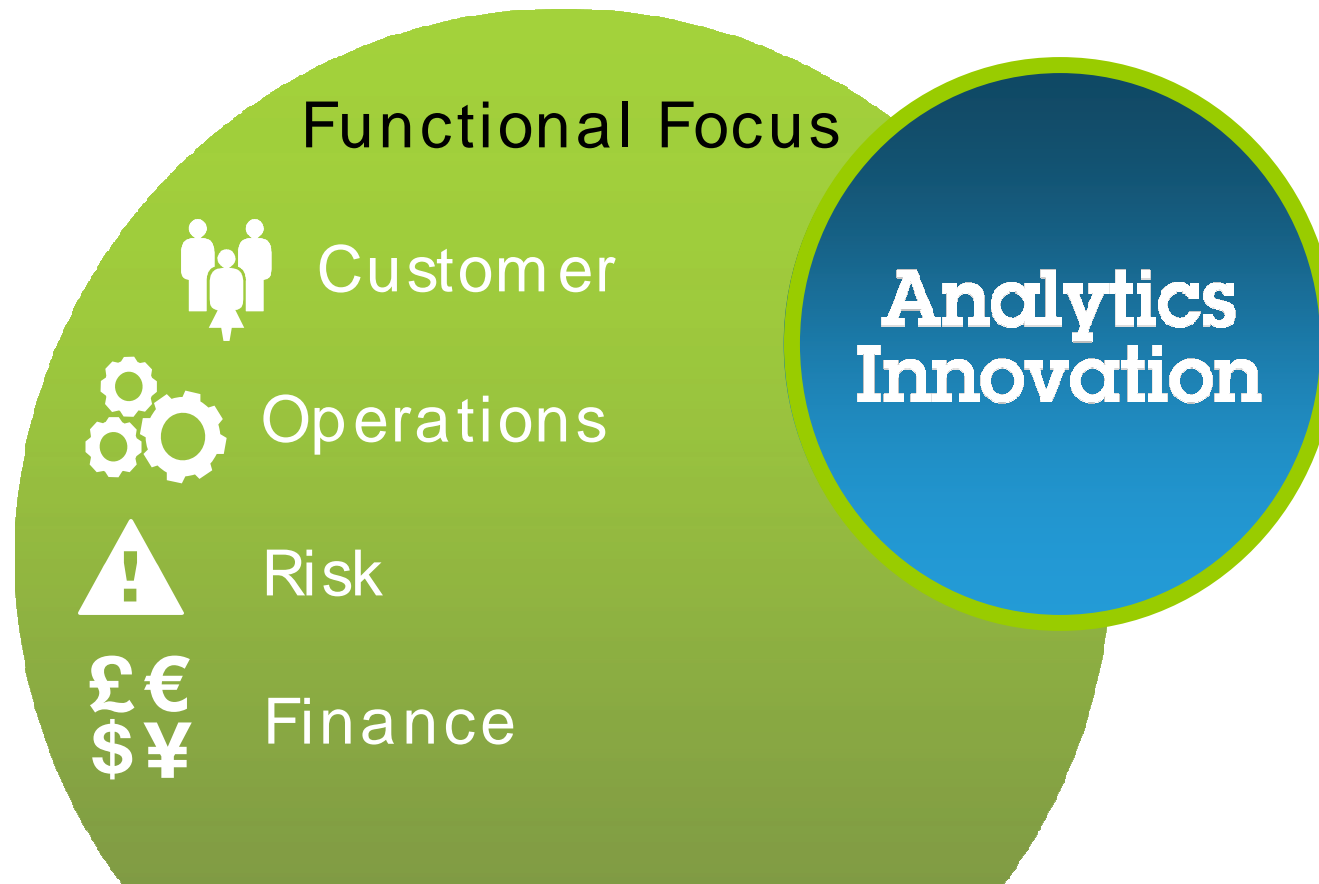
Grow, retain and
satisfy customers



Leaders in Action BA Live 2012



Weaving analytics into the fabric of business





Financial Analytics



IBM solutions help organizations transform financial processes and drive performance





Transforming Finance with Performance Management



Smarter Analytics Signature Solution:
CFO Performance Insight

Cognos Disclosure
Management



Cognos TM1
& Cognos Express





CFO performance Insight

An IBM Smarter Analytics Signature Solution



Measure, monitor, and anticipate business performance with pre-configured solution that

- Uncovers temporal-causal relationships between performance metrics using predictive analytics
- Enables guided root-cause analysis and what-if analytics through executive style dashboard

CFO performance insight

Business outcomes

- University reduces financial modeling process by 25 percent
- Finance company improves reporting efficiency by 70 percent



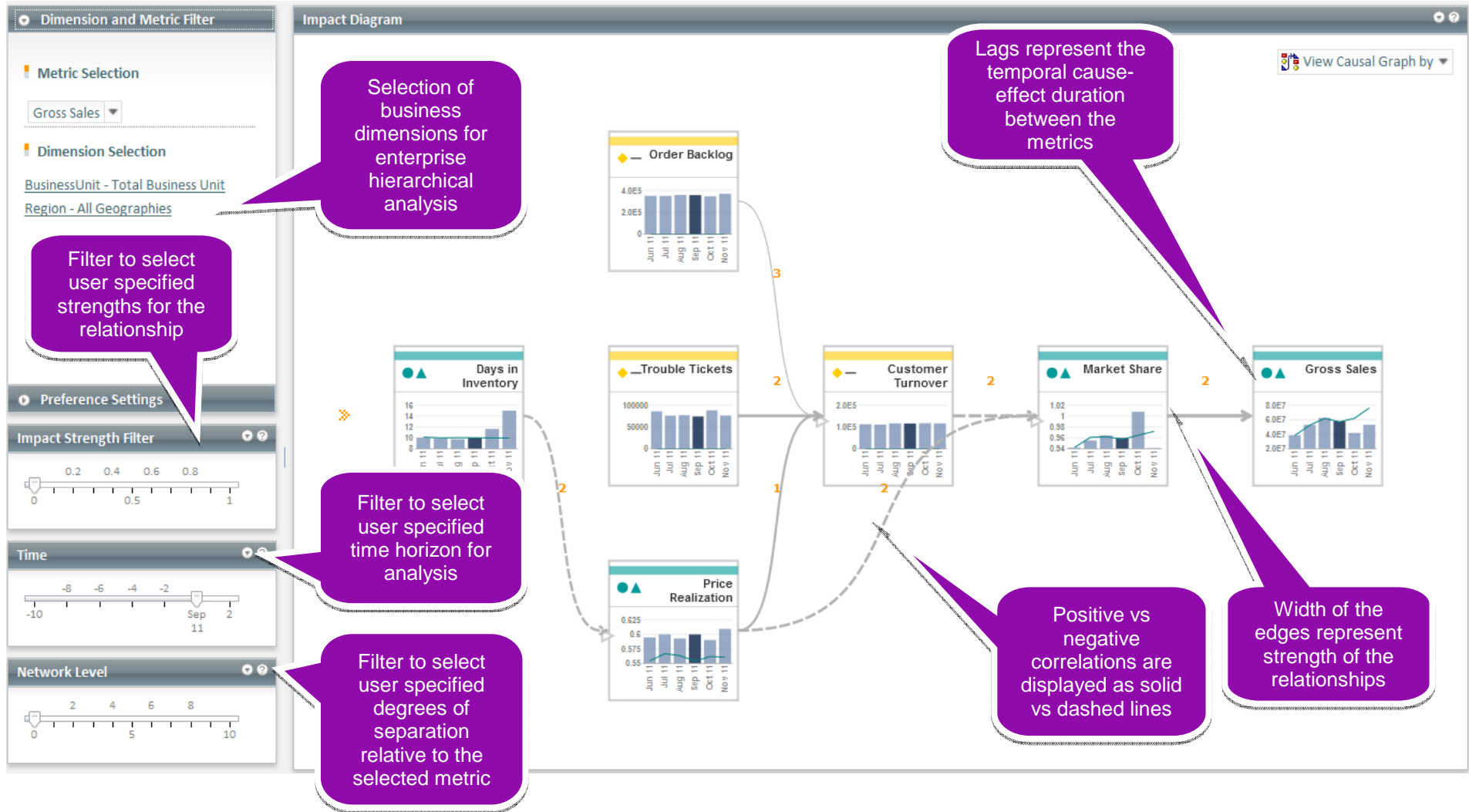
Cross-Industry





Issue Identification

IBM Smarter Analytics Signature Solution

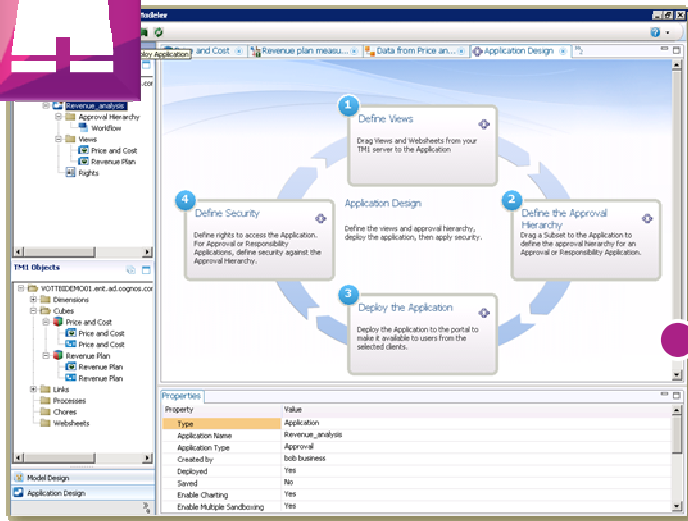
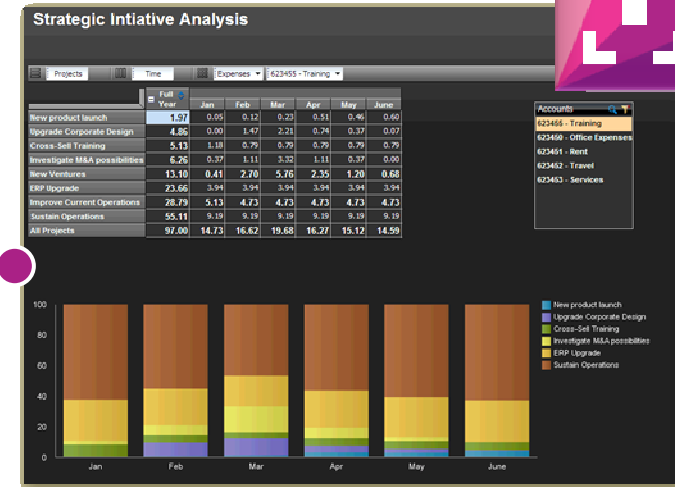


Analysis & what-if, Forecast preparation, & Execution

IBM Cognos TM1 & Cognos Express

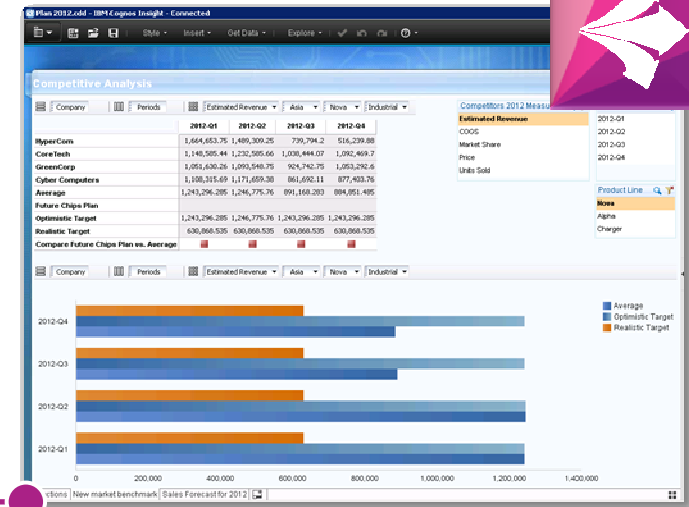


- Access to external and corporate-sanctioned data sources
- Boundless freedom to perform analysis
- “Write-back” for what-if scenarios and planning template development



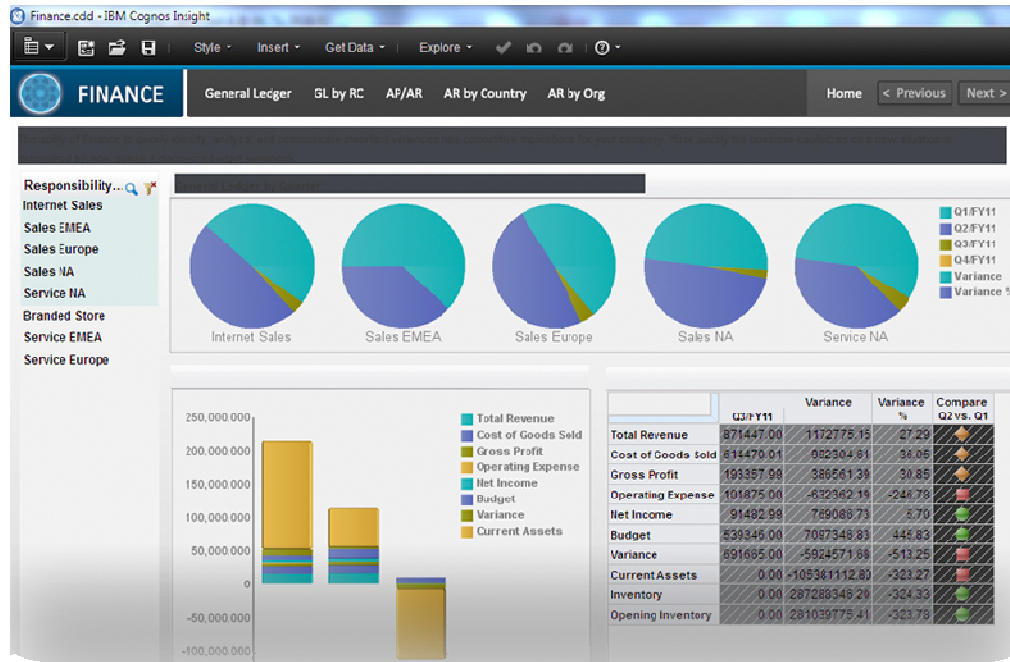
- Multidimensional modeling tools
- Big time savings, less risk and better visibility
- Visual interface for intuitive modeling

- Driver-based models
- Easier scenarios to address risk
- Easy distribution and aggregation of templates
- Real-time reporting



Planning, Analysis & Profitability Modeling

Performance Blueprints



- Functional and Industry Blueprints
- Samples available in Cognos Insight

ANALYTICSZONE



Narrative Business Reviews

Introducing IBM Cognos Disclosure Management



Analytical insight



Performance narrative



Gain consensus, plan & execute



On going reports & analysis

Speed alignment and decision-making



Financial & performance data



MD&A disclosures



Review, edit, Approve, certify



Publish to shareholders, regulators, etc.

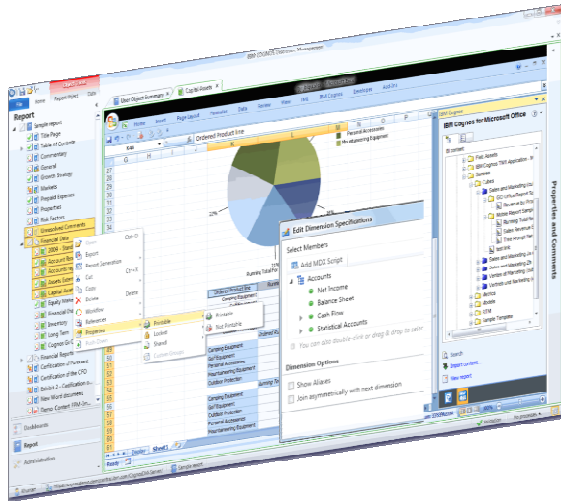
Reduce risk of error, insider leaks, and late filings



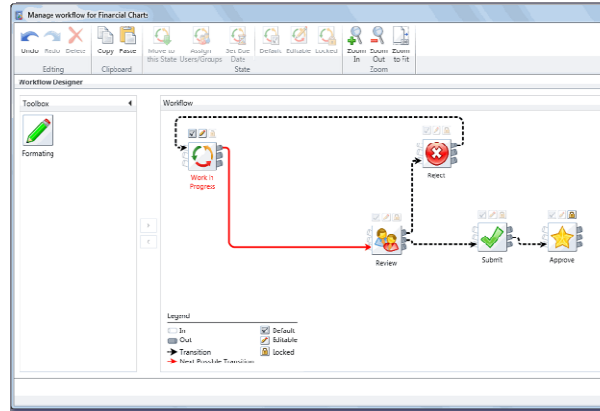


Narrative Business Reviews

Introducing IBM Cognos Disclosure Management



Load and leverage spreadsheets



Connect easily to all data

Design intelligent process and automation



Integrate numbers with narratives





Operational Analytics



IBM Operational Analytics solutions are driving the next wave of **efficiency** and growth

Threat & Fraud Detection



Asset Management



Supply Chain Optimization



Sales Performance Management





What's new in Operational Analytics





Customer Analytics



In this era of the empowered consumer, organizations are focused on optimizing the **Customer Experience**

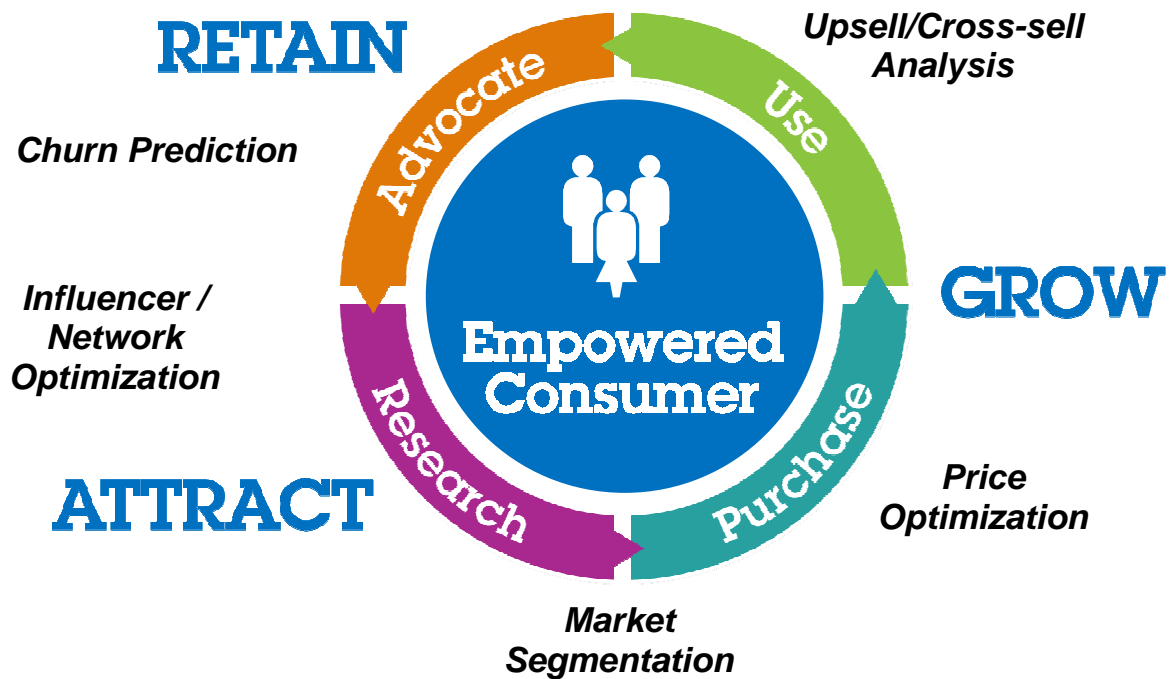




Customer Analytics



IBM Customer Analytics
solutions provide actionable insights to attract grow and retain customers



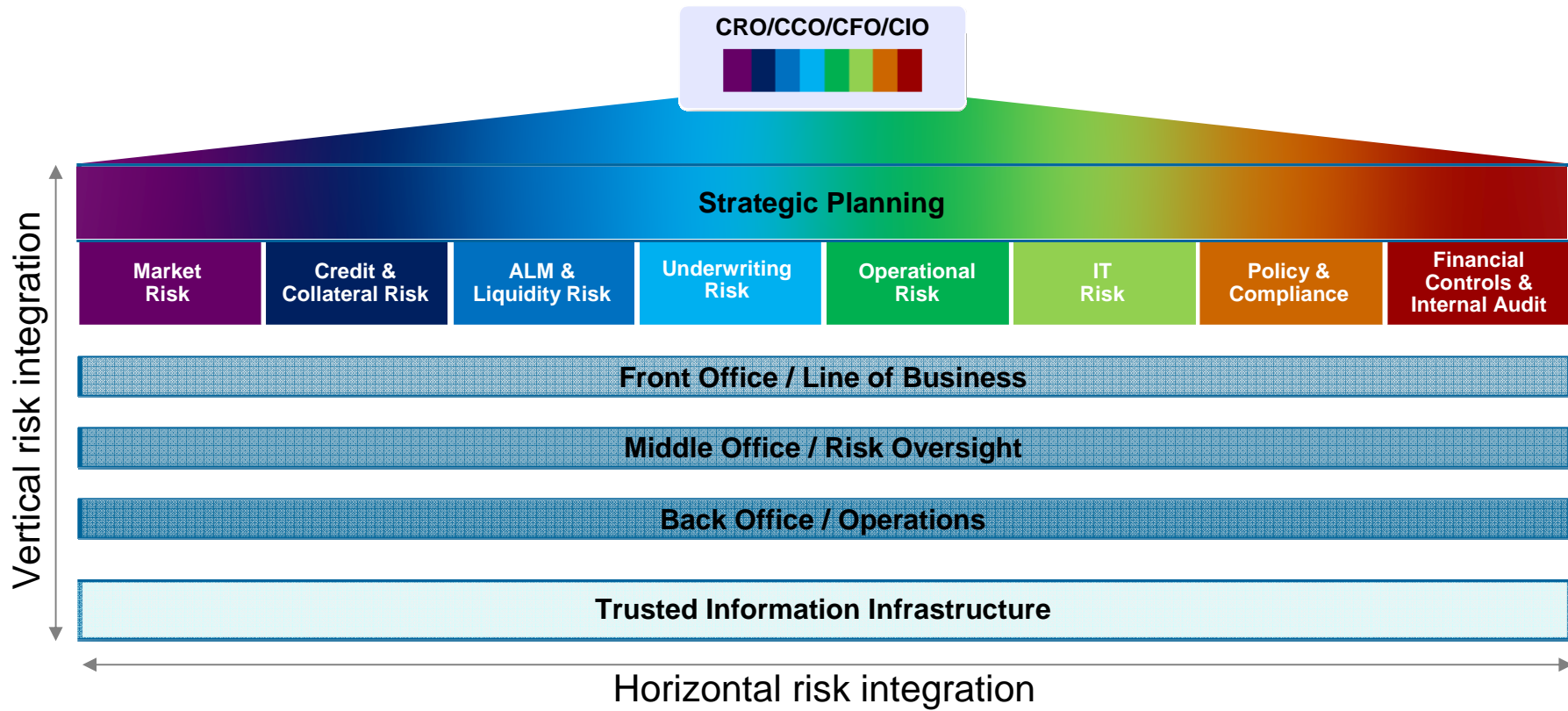


Risk Analytics



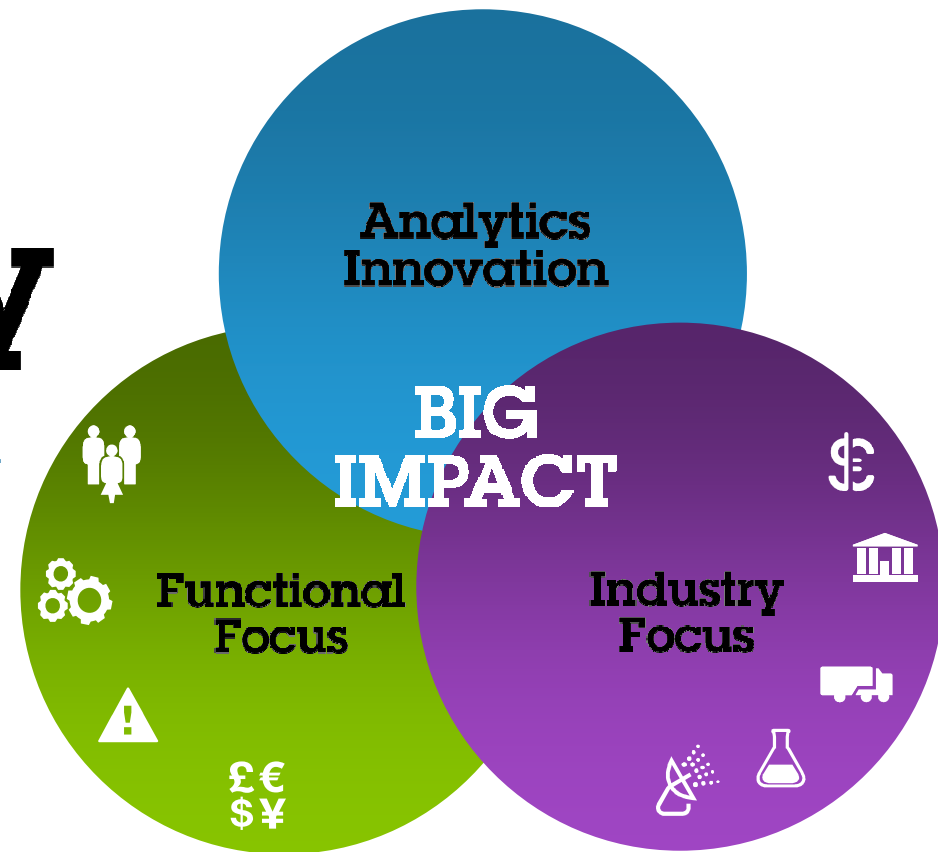


Risk Analytics





Addressing
business
and **industry**
imperatives
to drive **impact**





Why IBM Smarter Analytics is Unparalleled



Broad and integrated portfolio of information and analytics capabilities for finance and risk professionals

Enterprise-class performance management

Integrated risk management

Comprehensive business analytics



Proven experience accelerating time-to-value and delivering breakaway results

20,000+ analytics-driven client engagements

9,000+ consultants
27,000+ partners

Analytic Solutions Centers
Smarter Analytics Signature Solutions



Advanced technology and expertise applying innovation to real world problems

IBM Watson

World's largest math department in private industry

500+ analytics patents per year



Take advantage



**Customer
Advisory Boards**
3:30 pm

**Networking
Reception**
Visit our
Expo peds

visit
AnalyticsZone.com



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Business Analytics Live 2012 for Finance

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Coffee

Back seated for 11:45



ONE

GLOBAL

FORCE

Finance transformation

**Dragging finance into the 21st Century with
detailed analytics**

On Arrival

- ◆ Good people, fragmented processes, changing business, lack of finance direction.....oh and pretty old systems
- ◆ So much paperwork it felt like an Insurance company, from the 80's
- ◆ A desire to modernise and some good first steps taken e.g. Qlikview
- ◆ Data wasn't in short supply, information and analytics was

First Steps

- ◆ Evaluate the team
 - Good at producing the numbers, poor at understanding and explaining them
 - Very helpful to the business, sometimes too much
 - Fantastic at chasing cash
- ◆ Evaluate the processes
 - Different legal entities, different processes
 - Lots of people doing the same task
 - Limited checks and balances
- ◆ Understand the need
 - Accurate numbers for reporting
 - Cash management
 - Analytics and understanding for performance management

Priorities

- ◆ Get the core numbers right, first time, every time
 - This is the day job, without accuracy there is no credibility
 - Processes needed improving and aligning between entities
 - Work had to be reviewed and challenged
 - Timetables had to be met
- ◆ Give something useful to the business
 - They expect the day job to be done, no plaudits there
 - Quick wins, not promises for the future
 - Turn data into information and information into suggestions
- ◆ Make sure I have the people to get this done

The technology landscape (after all it is an IBM conference)

- ◆ General Ledger built in AS400 system
- ◆ ADP payroll
- ◆ Web based expenses system
- ◆ Microsoft office, thank god for excel
- ◆ Qlikview sitting over the top of some AS400 fields
- ◆ HR Pro
- ◆ Nothing talks to each other

Onto systems and analytics

- ◆ Step 1 is to hire a good excel jockey
 - Management accounts
 - Budgeting/forecasting
 - Profitability analysis, by desk and by individual
- ◆ Step 2 is to integrate data sources
- ◆ Step 3 is to tell the story of the analysis, as simply as possible
- ◆ Step 4 is to add complexity and scenarios
- ◆ Step 5 is to repeat step 3 etc etc

- ◆ Excel is good and can take you a long way providing demand isn't high
- ◆ After 18 months we were at our excel limits, so.....

.....here comes Cognos Express

- ◆ Needed something with more stability, versatility, integration capability and repeatability
- ◆ But not too expensive or I'll hire another excel whizz
- ◆ Will only be used by finance
- ◆ No big data warehouse project thanks
- ◆ Needs to be deployed with minimal internal IT help

Prioritising the demand

- ◆ Kids in a candy store but see slide 4 bullet 1
- ◆ Back to basics, get the data right, provide some quick wins etc
- ◆ Take unstable excel models and rebuild them
- ◆ Take the most time consuming and error prone models and replace them

Delivering the system

- ◆ Have dedicated resource in blocks of time
- ◆ Make sure you are able to receive and use the software on day 1
- ◆ Prioritise getting the feeds correct
- ◆ Have regular planning/catch up/review sessions, but once planned spend time doing not meeting

Where are we now

- ◆ Phase 1 delivery complete on time and budget
 - Individual P&L's and Broker Performance analysis
 - General Ledger and Sales Ledger:
 - Region -> Entity -> Desk -> Broker
 - Balance Sheet
 - IT timesheet and project info, allocation rules and cross company journal output
 - Budgeting & Forecasting - Lite
 - ICAAP Reporting - Lite
- ◆ Phase 2 in planning
 - Budgeting & Forecasting - full model
 - ICAAP Reporting – full model
 - Detailed Revenue analysis

ONE

GLOBAL

FORCE

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CFO, EMEA

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Patrizio (Pat) Calitri, CA

London, UK- November 8, 2012

Transforming Finance Operations



Financial Close Management – Is this still an issue today?

> 60%

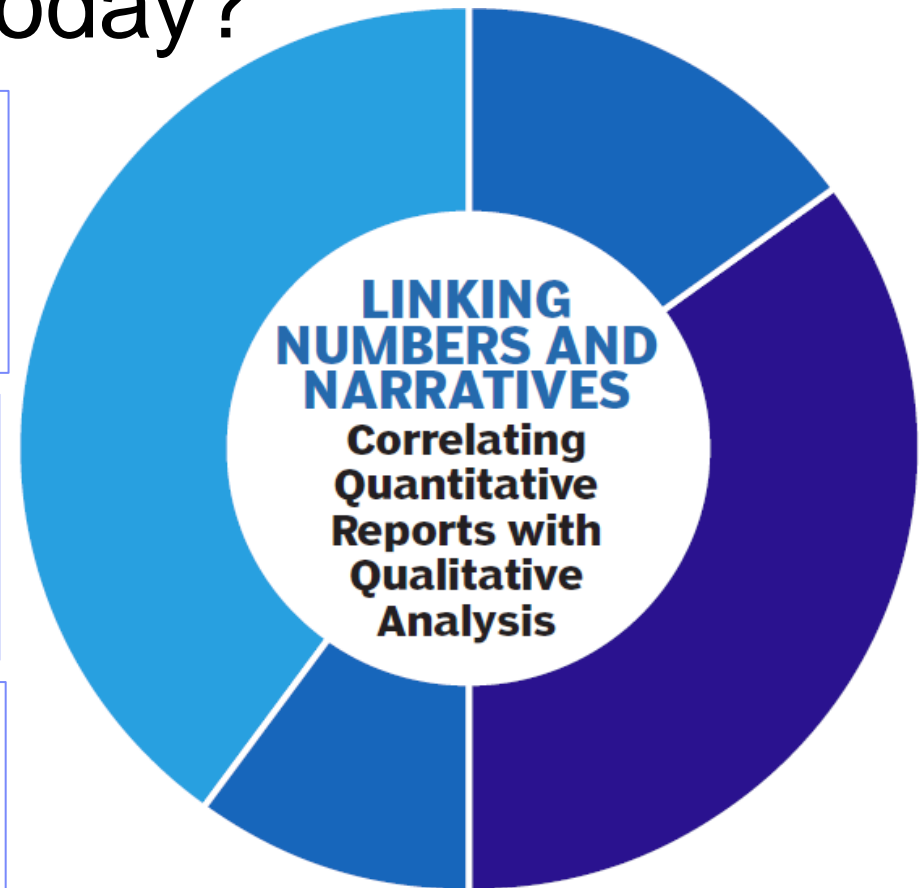
Percentage of companies that need to satisfy multiple reporting standards and requirements with their FCM process

> 60%

Percentage of companies that admit personal productivity tools increase the risks associated within the FCM process

> 90%

Percentage of companies that admit that staff and management spend too much time collecting & consolidating or reviewing & approving various elements associated with the FCM process



A report prepared by CFO Research
in collaboration with IBM Business Analytics

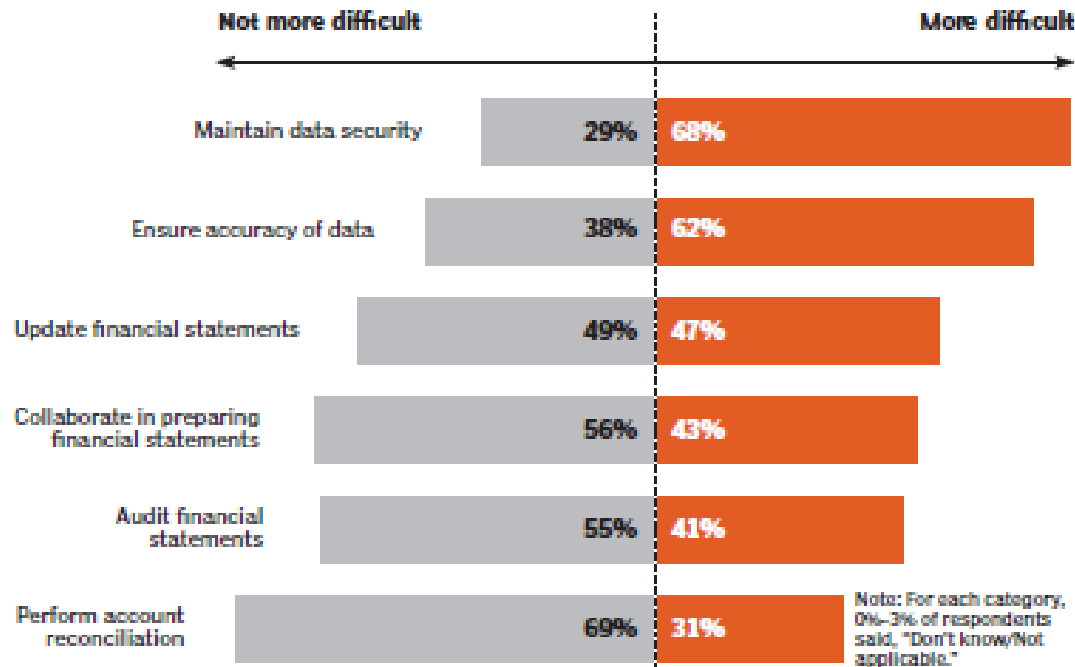


Senior Finance Individuals agree:

Across the board, manual processes and pervasive use of personal productivity tools (spreadsheets, word processing files and email) increase the difficulty in completing the FCM

Figure 3. Reliance on personal productivity tools makes many financial close activities more difficult.

Does reliance on personal productivity tools make it more or less difficult for your company to carry out financial close activities?



What does this mean?

•TIME:

- Increased Time to prepare the various documents,



•CONTROL:

- Less Control over the close process



•CONFIDENCE:

- Reduced Confidence in the documents generated through the close process.

Financial Close Management Reporting Efficiently with Confidence to Stakeholders

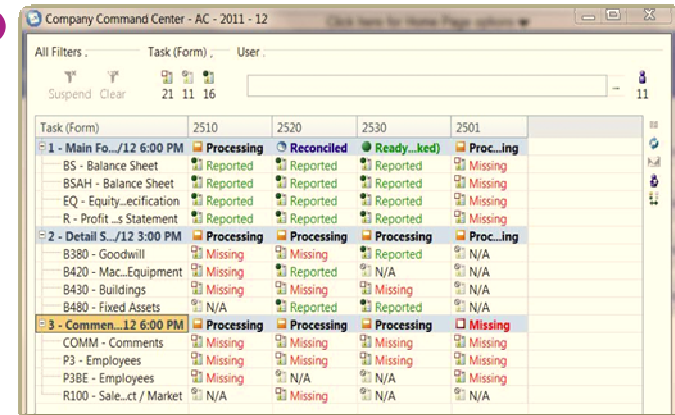




Consolidation Reporting & Analysis

Process visibility & high fidelity integration

- Enhanced visibility into the consolidation close process with command center allowing enhanced process visibility
- one location for user data interaction
- multiple form and submission status updates
- Enhanced data publishing to the Cognos TM1 OLAP repository
- Continued conformance and high level of interoperability with Cognos TM1 10.1, Cognos Business Intelligence 10.1, Cognos FSR 6.6.1, Cognos Business Viewpoint 10.1



Task (Form)	2510	2520	2530	2501
1 - Main Fa.../12 6:00 PM	Processing	Reconciled	Ready...ked	Proc...ing
BS - Balance Sheet	Reported	Reported	Reported	Missing
BSAH - Balance Sheet	Reported	Reported	Reported	Missing
EQ - Equity...ecification	Reported	Reported	Reported	Missing
R - Profit...s Statement	Reported	Reported	Reported	Missing
2 - Detail S.../12 3:00 PM	Processing	Processing	Processing	Proc...ing
B380 - Goodwill	Missing	Missing	Reported	N/A
B420 - Mac...Equipment	Missing	Reported	N/A	N/A
B430 - Buildings	Missing	Missing	Missing	N/A
B480 - Fixed Assets	N/A	Reported	Reported	N/A
3 - Commen...12 6:00 PM	Processing	Processing	Processing	Missing
COMM - Comments	Missing	Missing	Missing	Missing
P3 - Employees	Missing	Missing	Missing	Missing
P3BE - Employees	Missing	N/A	N/A	Missing
R100 - Sale...ct / Market	N/A	Missing	N/A	N/A



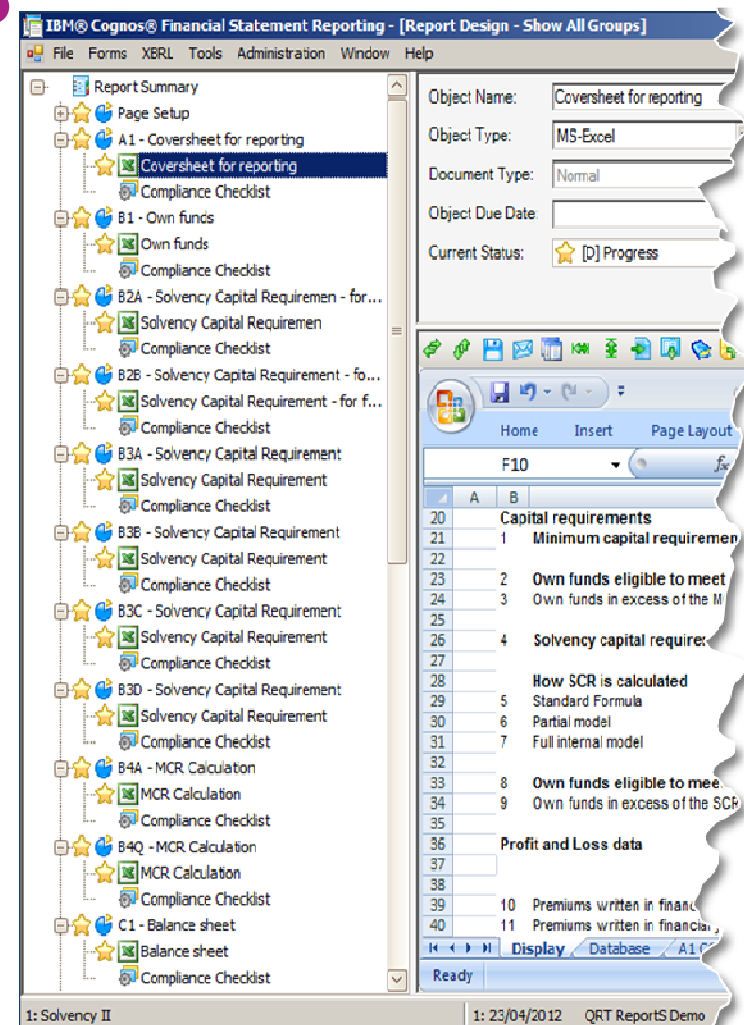
CASE STUDY: Jabil, a leading electronics manufacturing services provider, has reduced time to close and manual activity by 50%



Compliance, Regulatory, & Tax

Extended integrated tagging for IFRS, SII, CoRep & FinRep, et al

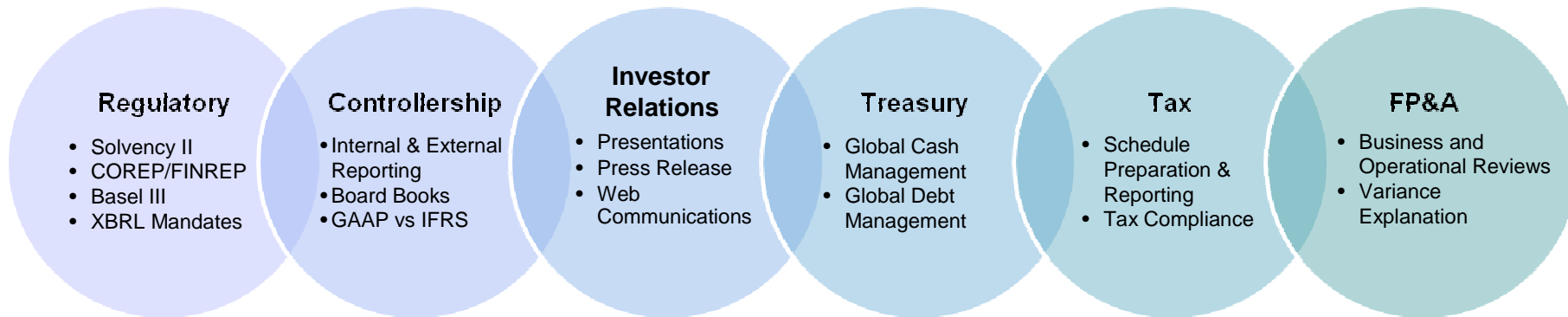
- Extension of integrated tagging platform with addition of Solvency II, COREP and FINREP taxonomies in addition to previously supported XBRL, iXBRL and IFRS taxonomies
- Enhanced integration with desktop publishing
- Native Office support so advanced features of each version are available to users



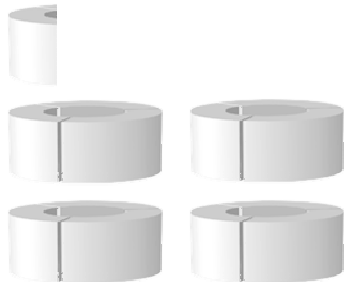
The screenshot displays the IBM Cognos Financial Statement Reporting interface. The main window is titled "IBM Cognos® Financial Statement Reporting - [Report Design - Show All Groups]". The interface includes a menu bar (File, Forms, XBRL, Tools, Administration, Window, Help) and a toolbar. On the left, a tree view shows the report structure, with "Coversheet for reporting" selected. The right pane shows the "Object Name" as "Coversheet for reporting", "Object Type" as "MS-Excel", and "Document Type" as "Normal". Below this, a preview of the report content is visible, showing a table with columns A and B. The table content includes sections like "Capital requirements", "Own funds eligible to meet", and "Profit and Loss data". The status bar at the bottom indicates "1: Solvency II" and "1: 23/04/2012 QRT Reports Demo".



Disclosure Management Challenges are Pervasive



Significant Number of Financial Applications



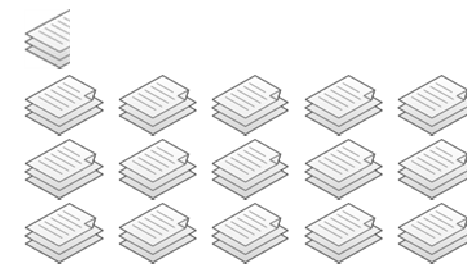
44 Financial Applications per \$B in Revenue (1 = 10 apps)

Labor Intensive Processes



91 Finance Staff per \$B in Revenue (1 = 10 FTEs)

Abundance of Reports



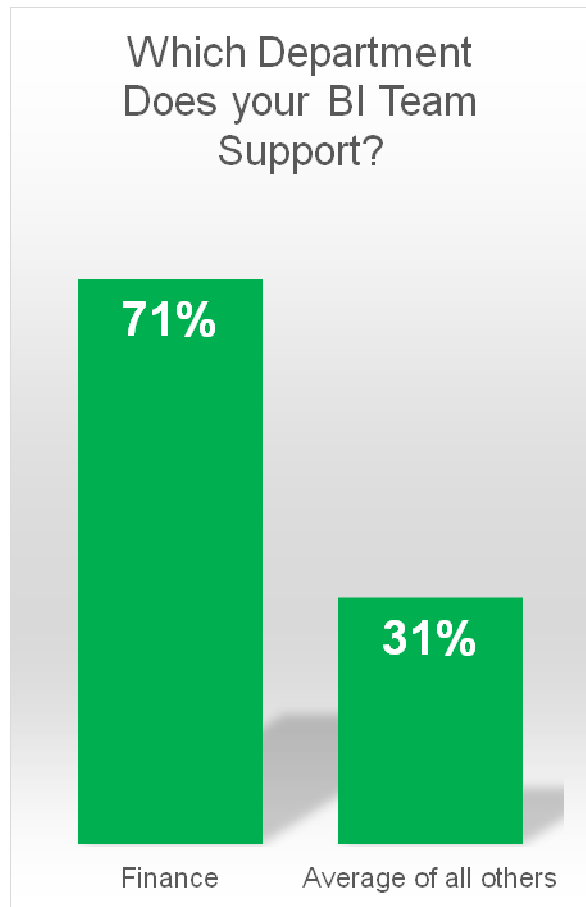
1552 Reports per \$B in Revenue (1 = 100 reports)

It all adds up to significant opportunity to save time, money, and risk to reputation

Source: Hackett Group, Book of Numbers 2012; All values are medians for peer group.



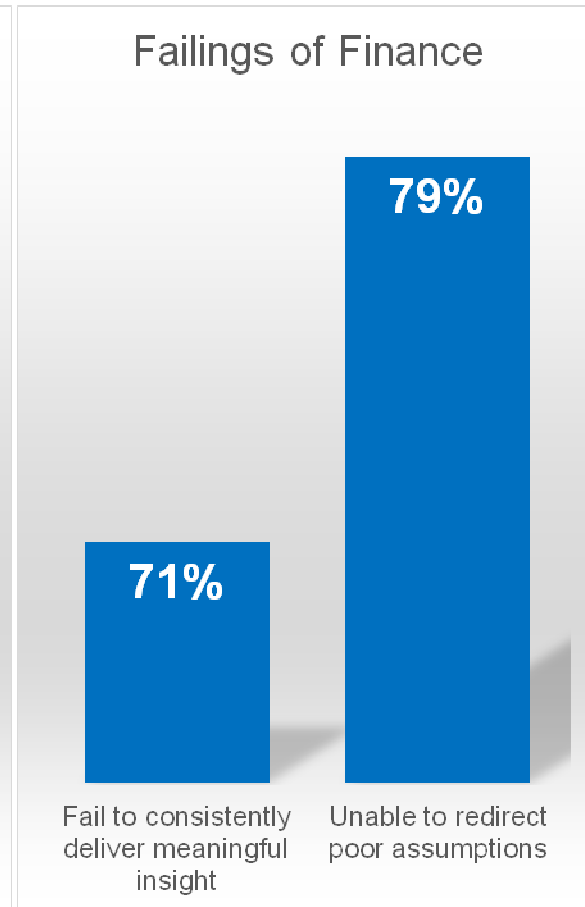
Disclosure Management Significant, Persistent Gap in Existing Capabilities



TDWI: 2012 BI Benchmark Report
TDWI, September 2012



Technology in Finance Study,
The Hackett Group, 2012



The Insight Deficit in Finance,
The CEB Finance, 2012



Disclosure Management

Authentic Enterprise Source Systems



Corp GL



Corp Consol



ERP



Legacy Systems



Global data collection



Interface



Interface



Spreadsheets



Paper Reports



Report Types



Contributors



Reviewers



Document Managers



Approvers



Report Consumers

User Management, Workflow & Process Control



IBM Cognos TM1 (optional)



IBM Cognos FSR

Analytic Data Management & Synchronization



Disclosure Management IBM Treasury Use Case

Challenges

- Data is in various systems with no way of collecting the data into one area
- Manual data manipulation for different reports
- No visibility of assurance or consistency between reports
- Prior periods are recalculated each time they are presented to ensure they are prepared in same method as current period being reported.

IBM Cognos FSR Solution

- Direct integration with multiple authentic enterprise data sources
- Enhanced audit trail and visibility
- Roll forward capabilities

“Real-time data updates made it easier for those working at Treasury HQ to see what changes are made throughout the day in all 170 countries where IBM operates.... The collection, aggregation, review and validation of the quarterly cash and debt data and reports were automated, while controls and visibility over the entire process have been optimized. “

Automated Treasury Management at IBM with Cognos FSR

IBM Treasury transformation
At IBM, the Treasury department has a long history of transforming itself. In the 1980s, Treasury began its automation journey of inter-company parallel. In the 1990s, IBM created an in-house bank in Dublin, Ireland to help consolidate and manage capital, moving it to parts of the business that had the greatest need for cash. In the last ten years, Treasury has created Centers of Excellence for cash management in Brazil, Slovakia, Singapore and Dublin.

Challenge
Today, the IBM Treasury function continues to search for ways to further increase free cash flow and to ensure financial flexibility and capital efficiency. Continuously enhancing productivity is also a priority, so the function is always looking for new ways to improve, integrate and streamline Treasury processes. One specific area in need of improvement was the monthly and quarterly cash/debt tracking and reporting process.

Solution
Using IBM Cognos FSR, the Treasury Department was able to automate each step in the cash management process - cutting the time and effort needed to collect, consolidate and review monthly reports and forecasts while also greatly reducing the size of the critical Finance function.

The changing process for performing cash management, forecasting and treasury position analysis were manual and complex. Global Treasury professionals, regional managers and the corporate treasury team relied on spreadsheets that were being updated and emailed throughout the organization on a daily basis. Each time a number was updated, multiple analyses were done - keeping the same information into numerous reports and tracking documents.

Impact

- Reduction of preparation time for various reports
- Integration of quantitative data points into narrative write-ups
- Audit Trail and control put back in hands of staff preparing each downstream report



Disclosure Management

*“We’ve gained **greater control** over the reporting process ...consolidation of numerous **spreadsheets...with version control, workflow and audit trail.**”*

Group Financial Controller, LV=

*“IBM Cognos FSR has been a tremendous help in **getting our reports done and filed**, and has significantly reduced the time pressure.”*

Group Financial Controller, LGC

*“We were able to automate each step in the cash management process – **cutting the time and effort** needed to collect, consolidate and review monthly reports and forecasts while also greatly **reducing the risk** of errors in this critical function.”*

Global Treasury, IBM

*“We’ve created and filed our 10-Q already with Cognos FSR and it really **reduced our workloads.**”*

Director, Corporate Financial Systems, TimeWarner

Learn more by selecting from these Cognos FSR [Case Studies](#)



Disclosure Management



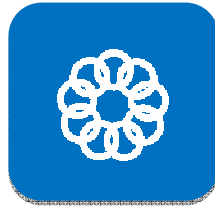
Status Quo?



Time

1. Drive efficiencies and scale

- Structure & automate low value, manual and error prone processes
- Eliminate bottlenecks in collecting data, and building reports and focus on analysis and actions



Control

2. Gain agility and preparedness

- Integrate disparate data from across the enterprise
- Enhance strategy with analysis that correlates analytics with
- Enterprise scalable secure, collaborative environment



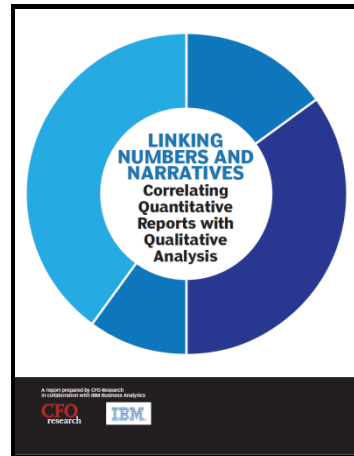
Confidence

3. Improve effectiveness and outcomes

- Dramatically reduce risk of errors
- Improve controls and governance across global finance organization
- Cost-effectively address compliance and escalating business expectations



To Learn More....



Linking Numbers & Narratives

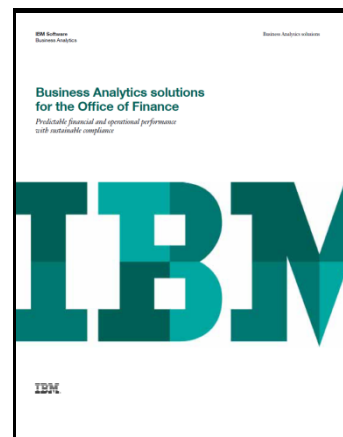
Correlating Quantitative Reports with Qualitative Analysis. CFO Research July 2012

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IBM Cognos Case Studies

Case studies of how IBM helps its customers succeed . IBM.com

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Business Analytics Solutions for the Office of Finance

Predictable financial and operational performance with sustainable Compliance. IBM July 2012

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Lunch

Back seated at 13:30



Cognos FSR at American Express

Paul Nugent – November 2012



AMERICAN EXPRESS

Director – International Controllership Strategy and Performance Improvement

American Express Company



- *American Express* – joined 2007
- *nabCapital* (National Australia Bank) - project lead London
- *Citi* - corporate & investment bank product control, country controller Tokyo, CFO consumer entity London
- *AIG* - London and Frankfurt project lead, parent entity controller, New York



- Cognos FSR Project Background at American Express
- Project Charter, Aims & Selection Process
- Pilot
- Pilot Outcome and Learnings
- Implementation
- Next Steps



2010 International controllership “5 Box Review” time survey →

- 15% - 20% controllership time – local reporting
- 75% of that work estimated to be “manual” work
- No consistent process or system
- Reporting controls ad-hoc, differed country by country

Legal Entity Controller Role

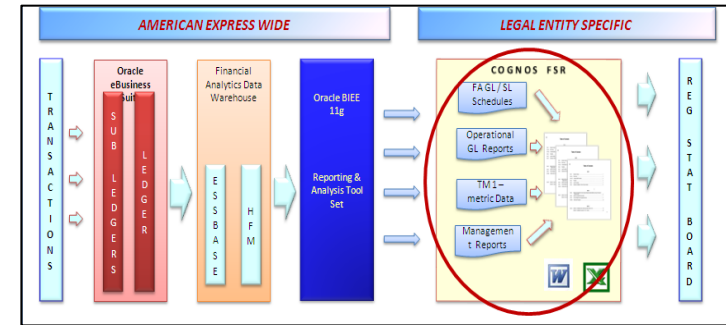


*There was a need to develop an **approach to international local financial reporting** which was **broadly standardised** and could be **consistently deployed across all international controllership**, and which would strengthen the reporting control environment and realise efficiency gains within the controllership teams.*



High Level Requirements

- Efficiency potential
- Enhancement of control environment
- Use in 40 global locations
- Alignment with controllership strategy
- Ease of implementation
- Short list reporting automation solutions



Selection and Validation

- Review short list
- Priotisation & selection
- Agreement of pilot
- High level design solution agreed

Key Considerations	Do nothing	Clarify Only	FRS Global Only	Clarity and FRS Global	Custom-build
Implementation Costs		✓	✗	✗	✗
Implementation Timing		✓	✗	✗	✗
Goal Alignment	✗	✓	✗	✓	✓
Ongoing Costs		✓	✗	✗	?
Flexibility (future needs)		✓	✓	✓	✓
Quality Improvement	✗	✓	✓	✓	✓
Control Improvement	✗	✓	✓	✓	✓
Serviceability (future needs)		✓	✗	✗	✗
Application Board		✓	✗	✓	✓
Application Statutory		✓	✗	✓	✓
Application Regulatory		✗	✓	✓	✓



Pilot Process

- Appoint project lead & decide pilot location
- Review & alignment with US implementation
- Engage technology
- Met with IBM FSR team
- 3 weeks IBM training - Sydney October 2011
- Local Australian controllership team (10) trained
- AE WCS entity statutory accounts used – in Cognos at year end
- Post implementation review



Lessons Learned and Best Practice Development

- Flexibility needs managing
- Data sources
- Process changes required
- Reporting process control need managing
- Implementation plan should incorporate the *way* to implement
- Best practices documented
- International implementation plan developed



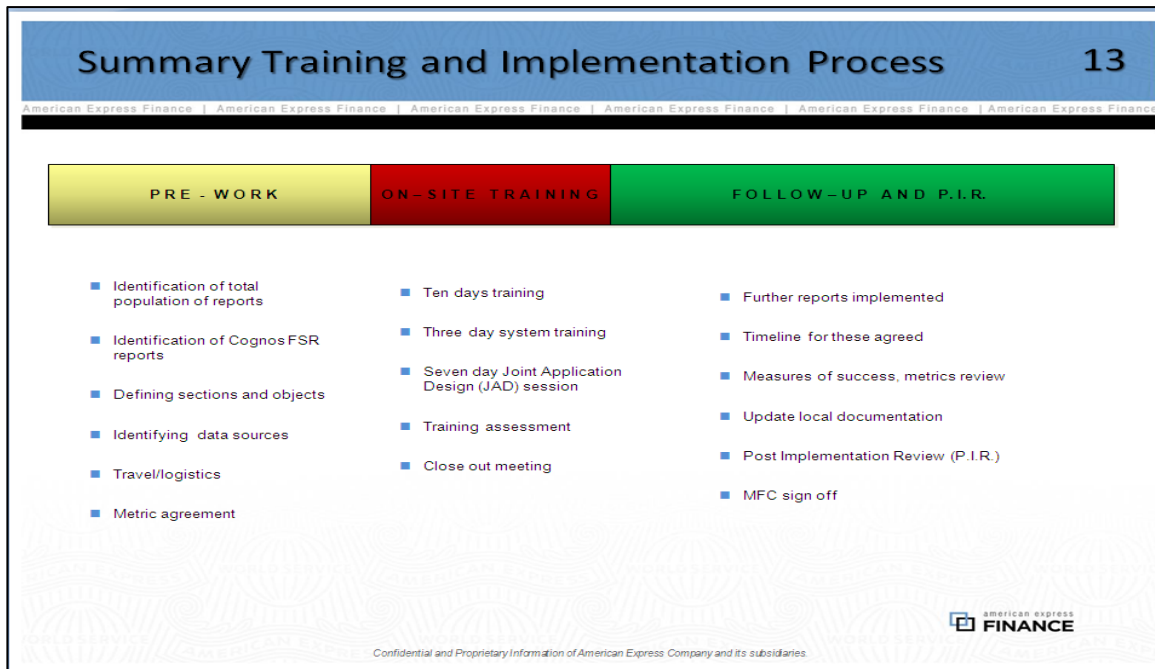
Some Examples of our Best Practice

- Separation of Data Bases
- Global online Technology Support
- Overall reporting system reconciliation to base G/L
- All sub totals cross checked
- Booking adjustments – time line and process
- Combine Excel functionality with Cognos
- Data location – “O” drive



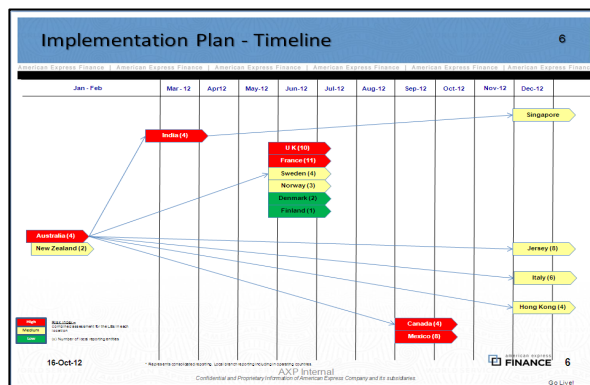
Implementation Process Developed

- Pre-work
- Two week face to face training
- Follow up and post implementation review



Implementation

- Australian pilot complete – January 2012
- Australian SME's and /or IBM to be training team for global roll out
- Process and materials developed
- Analysis of global entities to prioritise high risk markets
- Roll out methodology tested in New Zealand
- Process adjusted for NZ feedback and India implemented
- First European countries completed in May – UK, France & Nordics
- LAC – Canada & Mexico implemented in September



EFFICIENCY

- Automated data retrieval, embedded queries & controls
- Automated report roll over
- Automated validations, no manual cross casting
- Easy too see previous versions & who did what & when

FLEXIBILITY

- Use in all locations
- Use for multiple report types and formats
- Flexible controls and efficiencies set by us
- Snapshot facility – can quickly switch back to a previous version
- Fast and easy report re-ordering

CONSISTENCY

- Standard global reporting process, adaptable local schedules
- MFC checklist set up to ensure consistent output
- Reporting formats set once held in the system
- Control set in the system & applied every cycle
- Resilience

EFFECTIVENESS

- Significantly enhanced control over reporting
- Segregation of duties embedded
- Workflow methodology – scheduling formalised
- Audit trail maintained over all schedules, single location
- Multiple simultaneous users, one report location



Next Steps in the International Roll Out

- Development of virtual training to roll out to smaller low risk markets - ongoing
- Potential future “report hubbing” opportunities
- Schedule sharing - IFRS COE preparation of schedules made available globally
- US GAAP local reporting
- XBRL
- User groups, internal forums, information sharing



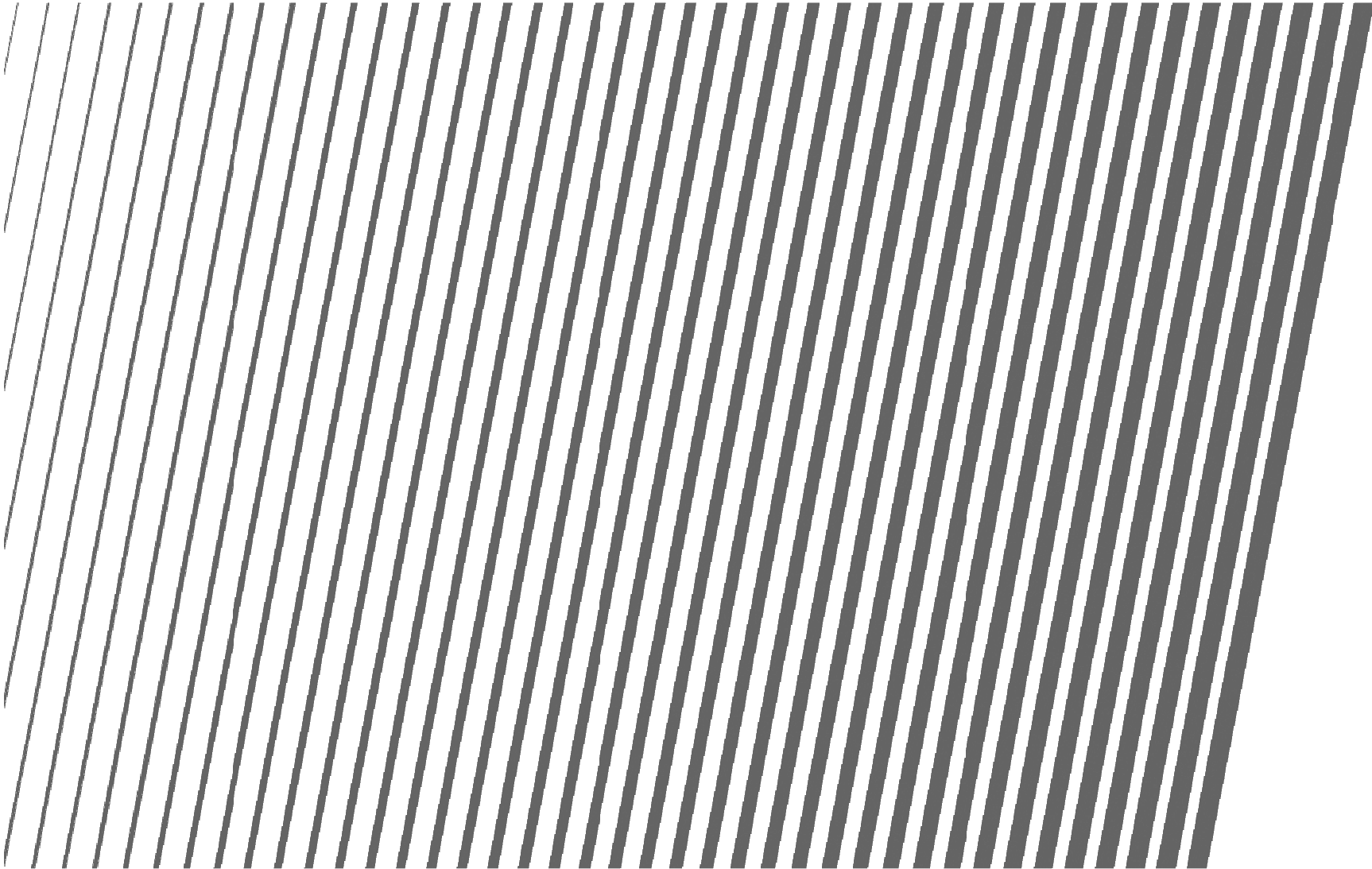


The Changing Landscape of Financial Reporting

8 November 2012

 **ERNST & YOUNG**
Quality In Everything We Do

The context



Ever increasing demands on preparers from an expanded set of stakeholders

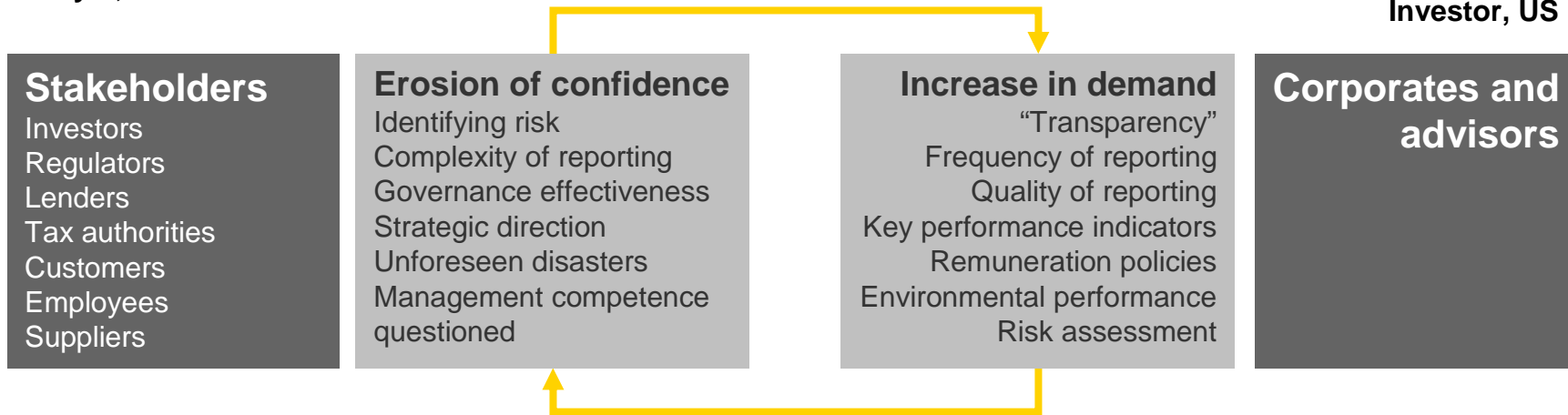
Market uncertainty has upset the balance between stakeholders and corporates

“There has been a loss of confidence, and trust will be regained only if there is a lot of transparency, because this is what was lacking.”

Analyst, France

“There’s now added scrutiny – more concern about the levels of compliance, levels of risk, levels of transparency and financial reporting than there’s ever been.”

Investor, US



“Any board should be able to describe in their accounts, simply and clearly, the principal risks and uncertainties facing the company.Boards who retreat behind boilerplate give the impression that they have not themselves understood the risks they face.”

Bill Knight, Former FRRP Chairman, UK

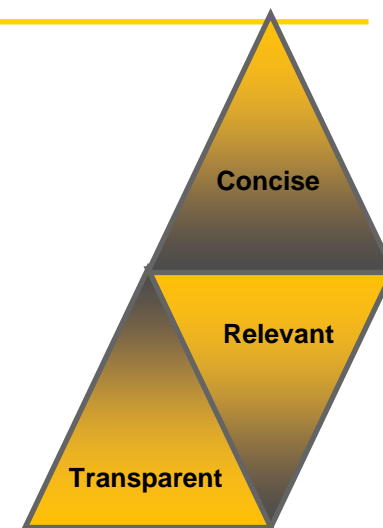
“A lot of financial reporting is mandatory... beyond that they can demonstrate that they really understand the business and make it simple for the person reading it, so I think it is the tone you adopt with your financial reporting rather than the financial reporting itself. Honesty and openness most influence financial reputation.”

Independent director, UK

Perception that narrative reporting has been in need of improvement

ASB review (2009) - Annual Reports of 50 listed companies

- ▶ Reviewed narrative reporting to establish how well companies were meeting the enhanced business review requirements of the Companies Act 2006
- ▶ Focused on “content, communication and clutter”
- ▶ Scoring mechanism from 1 to 5 (with 5 being the best)
 - ▶ KPIs not reflective of latest market issues, e.g. liquidity
 - ▶ KPIs focused primarily on performance
 - ▶ Principal risks and uncertainties too boiler plate



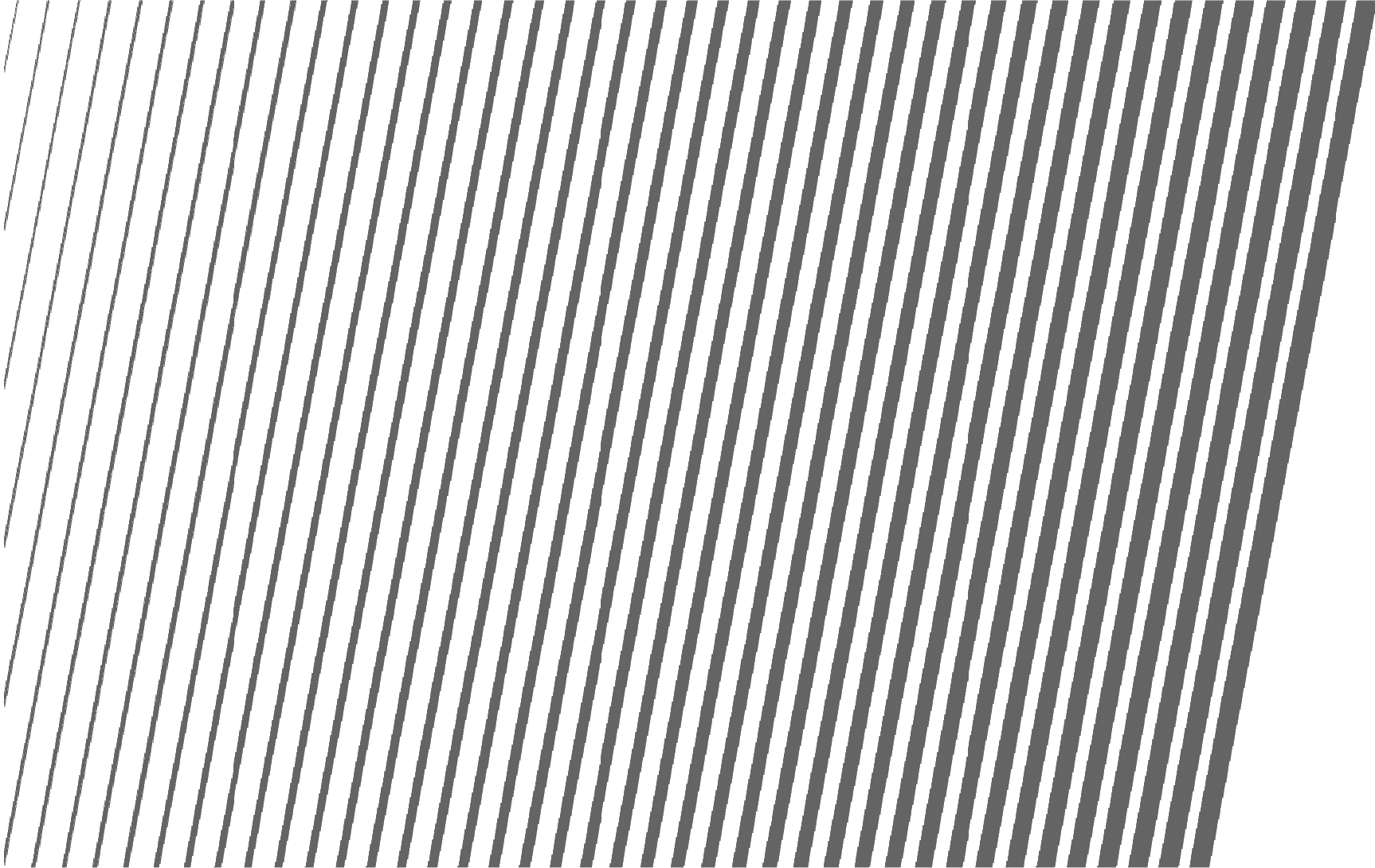
	% non compliant	% falling short	FTSE 100 av. score - 5 point scale	FTSE 250 av. score - 5 point scale
Business description	6	52	2.8	2.2
Strategy	8	44	3.0	2.5
Principal risks	0	66	2.4	2.3
Performance and position	4	20	3.2	2.9
Trends and factors	6	56	2.9	2.3
Corporate Social Responsibility	12	34	3.0	2.4
Contractual and other arrangements	12	52	2.4	2.2
Financial KPIs	6	34	3.0	2.8
Non-financial KPIs	32	20	2.7	2.2

Greater emphasis on quality (not quantity) has provided some positive results

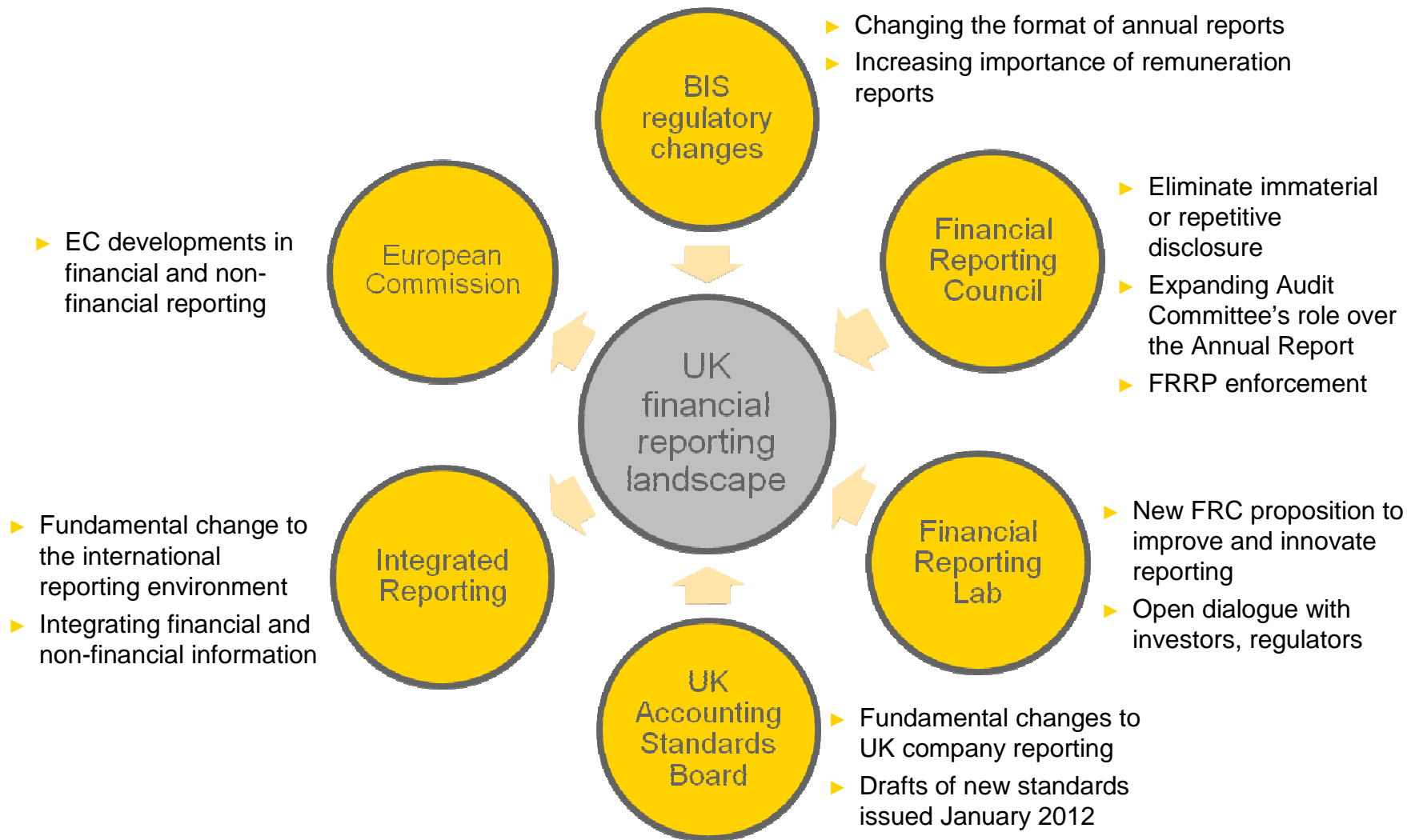
Observations from a recent review of annual reports of all FTSE 100 companies

- ▶ Key observation
 - ▶ A significant number of reporters continue to approach reporting as a compliance exercise, rather than an opportunity to tell their strategic story
- ▶ Areas showing signs of improvement
 - ▶ Aligning strategy and KPIs
 - ▶ Offering strategic insights beyond group level by identifying priorities for operating divisions
 - ▶ Explanations of risk management frameworks and processes
- ▶ Areas still in need of improvement
 - ▶ Clear explanation of the company's business model
 - ▶ Quality of information about principal risks and their management
 - ▶ Discussion of company's competitive environment
 - ▶ Lack of concrete targets offering truly forward-looking perspective
 - ▶ Information on material environmental and social issues related to the company
 - ▶ Not presenting key content in a joined-up way (continue to treat reporting as a series of discrete disclosures)

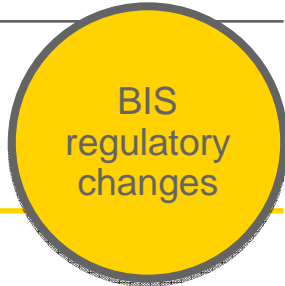
Future of UK annual reporting



There are various change drivers impacting the future of annual reporting



BIS proposals will change the format and content of annual reporting



- ▶ Narrative Reporting changes proposed to take effect from October 2013
- ▶ Draft regulations issued by BIS on 18 October 2012
- ▶ The regulations propose that the annual report and accounts be split into three parts:



- ▶ Strategic Report is designed to include strategy, business model and challenges facing the company - high level financial information.
- ▶ Directors' Report will underpin the Strategic Review, covering Directors remuneration, Corporate Governance and Audit Committee report. Some reporting requirements removed.
- ▶ Financial Statements stay in their current form. Auditors to review Directors' Report and Strategic Review for consistency.

Quoted companies will be most affected by BIS proposals

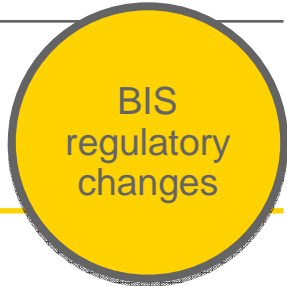


BIS
regulatory
changes

Impact of BIS proposals on current reporting requirements under the Companies Act 2006 (“CA”)

- ▶ Quoted companies
 - ▶ Disclosure requirements changed from CA
 - ▶ Business Review information (including from the enhanced Business Review) included in Strategic Report, with details in Directors’ Report
 - ▶ Significant changes to the Directors’ Remuneration Report, which will become part of the Directors’ Report with key information elevated to the Strategic Report
- ▶ Medium and large companies
 - ▶ Some disclosure requirements changed from CA to simplify and remove duplication
 - ▶ Business Review renamed to Strategic Report
 - ▶ Other content remains in Directors’ Report
- ▶ Small companies
 - ▶ Disclosure requirements unchanged from CA
 - ▶ Not required to produce a Strategic Report - although encouraged to report on social and environmental issues

Reporting remuneration of executives is of increasing importance



- ▶ Remuneration reporting
 - ▶ BIS to introduce regulations to take effect for financial years beginning on or after 1 October 2013, with some new disclosure :

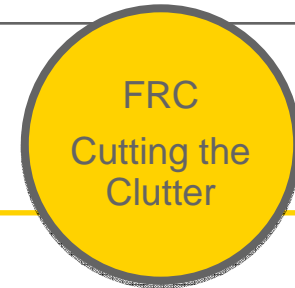
Proposed future reporting on executive pay

- The composition and potential level of pay for each individual director
- How proposed pay structures reflect and support strategy and KPIs
- What the performance criteria are, how performance will be assessed and how this will translate into total level of reward
- How and why the company has used benchmarks and other comparison data to inform pay levels and structures
- How employee pay, views and shareholder's views have been sought and taken into account, including the results of the previous year's votes on remuneration

Policy for the preceding year

- A single figure for the total pay of each individual director
- How pay awards relate to company performance and the policy agreed by shareholders at the start of the year with a binding vote
- How spend on executive pay relates to other dispersals, such as dividends, tax, business re-investment and general staffing costs

The regulators want to eliminate immaterial or repetitive disclosures



- ▶ Financial Reporting Council – Cutting the Clutter
 - ▶ No mandated requirements, more a cultural change being sought
 - ▶ Aims to reduce the amount of immaterial, repetitive or “standing data” from Annual Reports
 - ▶ Some change seen in 2011 annual reports, especially in narrative sections
 - ▶ Boards/management should
 - ▶ Determine a qualitative and quantitative threshold for reporting items in the annual report
 - ▶ Avoid immaterial information and disclosure
 - ▶ Avoid repetition of explanatory information of “standing data” year on year unless critical to user understanding
 - ▶ Look to simplify the detail
 - ▶ Potential challenges to FRC’s aspirations
 - ▶ Can greater transparency be achieved by reducing disclosures in the Annual Report?
 - ▶ How will this be achieved while standard setters demand more disclosures?

Expanded Audit Committee (AC) role in reviewing the annual report



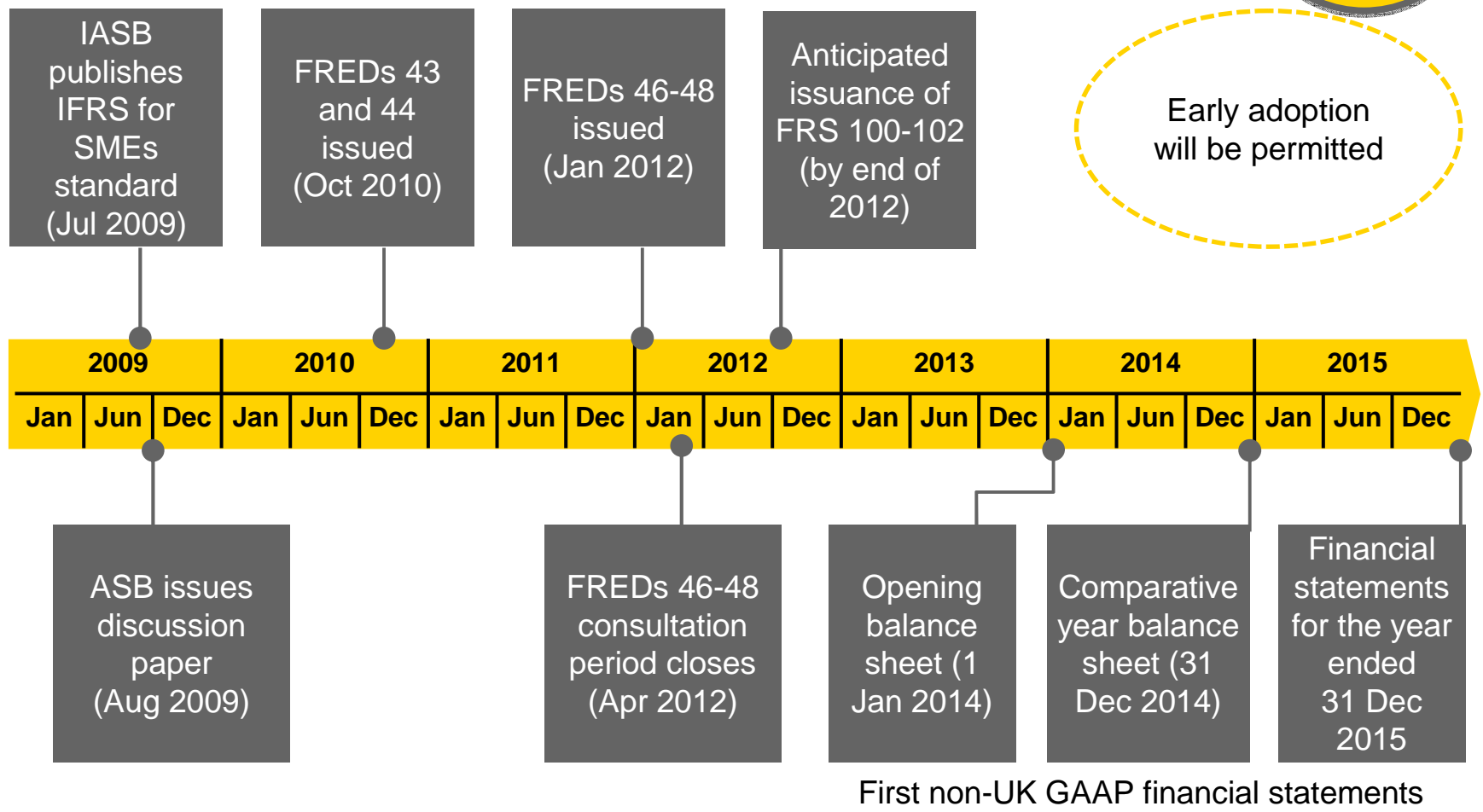
- ▶ Proposed changes to Guidance on Audit Committees
 - ▶ Under the UK Corporate Governance Code on annual report disclosures, the Board is now required to establish arrangements to enable it to confirm that the Annual Report is fair, balanced and understandable
 - ▶ This is to ensure the narrative reporting is consistent with the financial statements and accurately reflects company performance
 - ▶ The Board can seek advice on this from the Audit Committee
 - ▶ The Audit Committee is also be required to report to the Board on:
 - ▶ issues they considered in relation to the financial statements and how they were addressed, in reference to information received from the auditor
 - ▶ an assessment of the effectiveness of the external audit, and approach taken towards the appointment or removal of the auditors
 - ▶ Companies will be required to provide information on the incumbent auditor's length of tenure and the date of the last audit tender

A new forum for open dialogue aimed at improving financial reporting

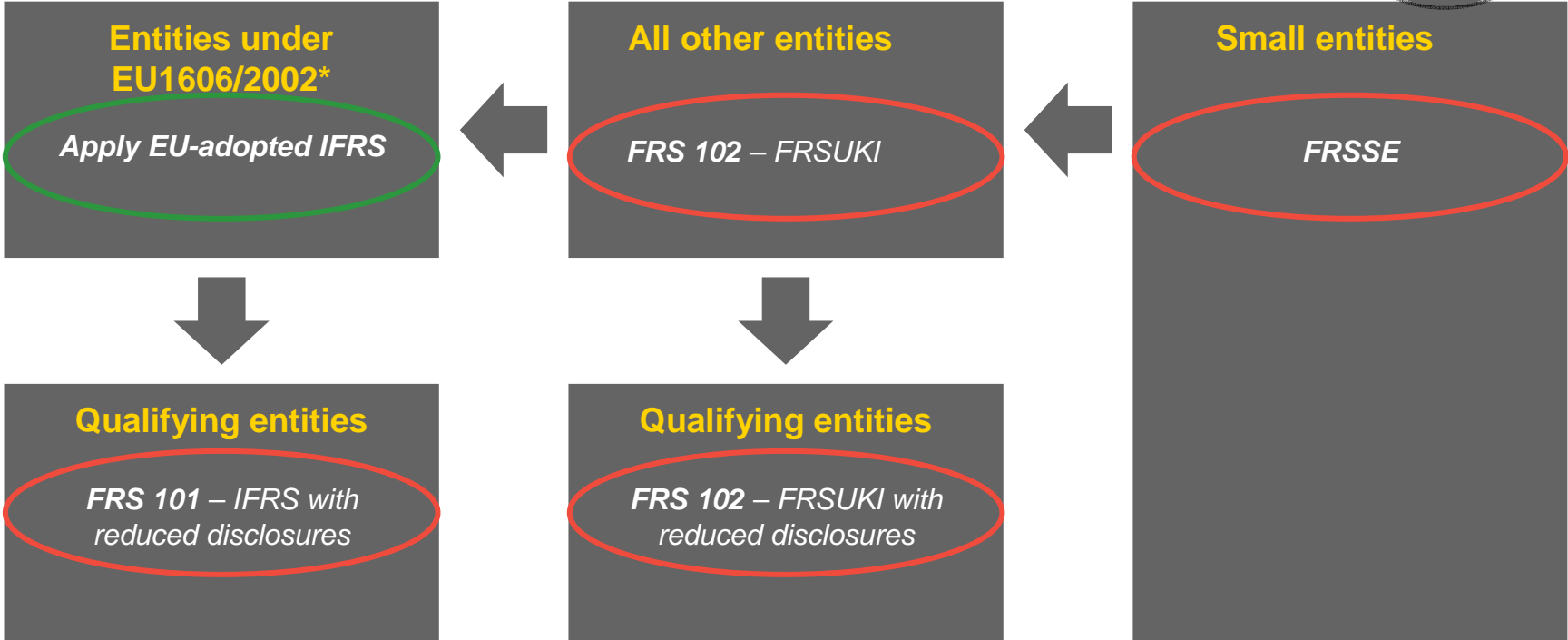


- ▶ Financial Reporting Lab
 - ▶ The Lab provides an environment where investors and companies can come together to develop pragmatic solutions to today's reporting needs:
 - ▶ Companies - test new reporting formats with investors
 - ▶ Investors - indicate areas where management can add greater value
 - ▶ A hub to support innovation in reporting
 - ▶ A focus to provides the broader corporate community with feedback from shareholders on the value that new reporting formats bring
 - ▶ The Lab has been working on a range of projects including assessing:
 - ▶ How a 'single figure' of executive remuneration might be measured and presented (project completed)
 - ▶ Ways to improve financial disclosures in a range of areas including accounting policy disclosures, presentation of cash flows, reporting of business models.

ASB timetable for elimination of UK GAAP reporting



ASB's proposals: The new framework



UK company law will require either **IAS accounts** or **Companies Act accounts**
Entities can adopt a higher tier

* IFRS will continue to only be mandatory for group accounts for those entities with securities admitted to trading on an EU regulated market or as a result of market rules or other regulations.

IIRC in the UK is helping to lead the development of Integrated Reporting



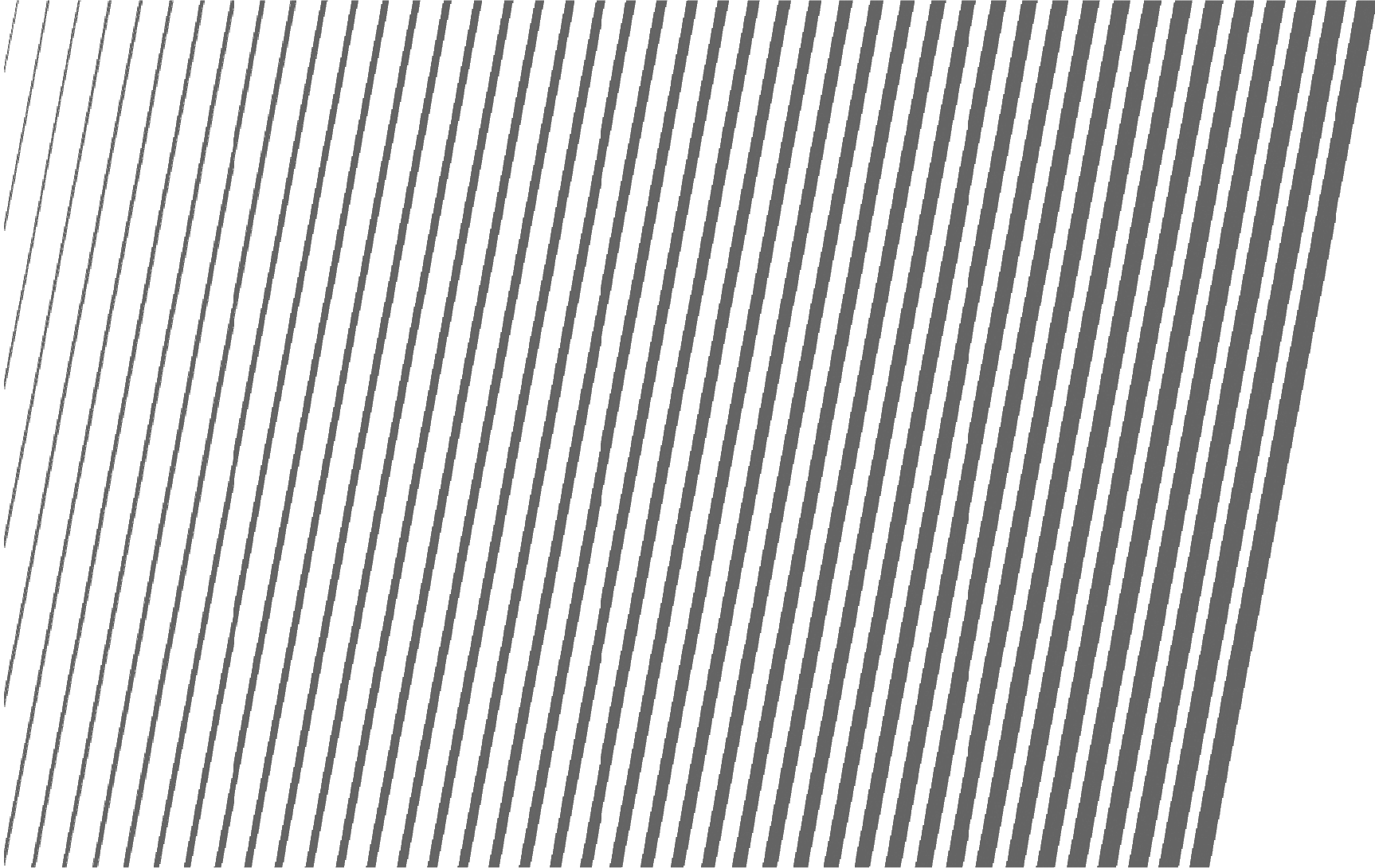
- ▶ International Integrated Reporting Council (IIRC)
 - ▶ Published a Discussion Paper (Sept. 2011) outlining the need for :
 - ▶ “greater integration of reporting to bring together material information about a company’s strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context in which it operates”
 - ▶ Launched an international pilot programme (Oct. 2011) for Integrated Reporting, with more than 70 companies participating
- ▶ Next steps include
 - ▶ Publication of the draft Framework for Integrated Reporting (2012)
 - ▶ Development of the Integrated Reporting Framework (2013)
 - ▶ Launch of Sustainability Accounting Standards Board (SASB), October 2012
 - ▶ Raise awareness among investors and other stakeholders, ensuring they contribute to the evolution of Integrated Reporting
 - ▶ Explore opportunities for harmonising reporting requirements within and across jurisdictions

Over 70 of the world's largest companies participating in IIRC's pilot programme

Integrated Reporting



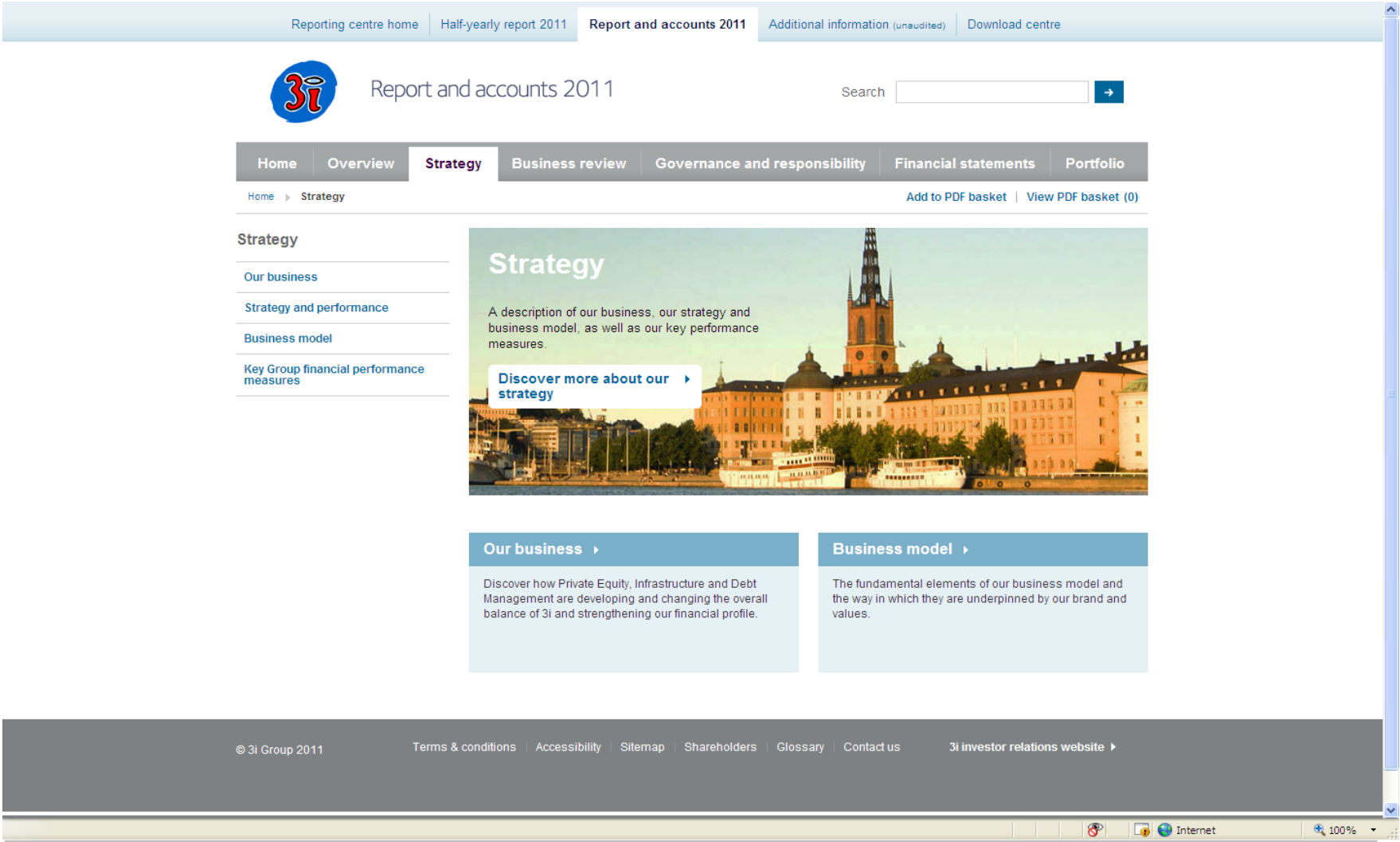
Emerging trends in online reporting



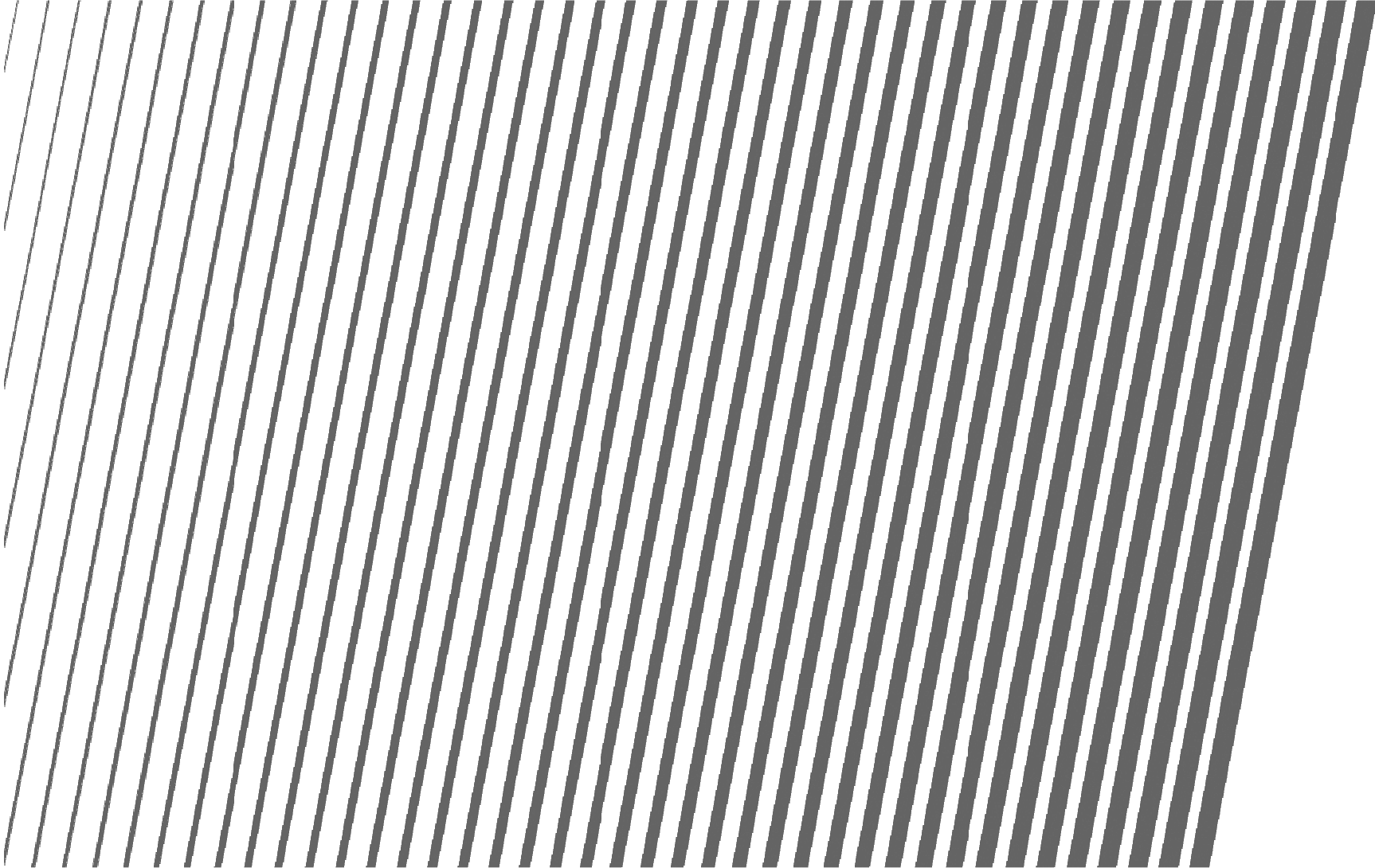
Online interactive reporting and communication is developing rapidly

- ▶ In 2011, 70 of the FTSE 100 provided an HTML report on their website (37 in 2007)
 - ▶ Shifting away from merely attaching pdf of Annual Report online
- ▶ The aim is to create engaging user experience
 - ▶ Allowing users to take a more active role in exploring key information
- ▶ Leading reporters are:
 - ▶ Making infographics more interactive
 - ▶ Surfacing key content through well-balanced home and landing pages
 - ▶ Providing multiple navigation options
 - ▶ Integrating video communication with traditional text based format
 - ▶ Offering summaries, bullet points and box outs
- ▶ Future of online reporting
 - ▶ In 2011, a few companies also opted to produce iPad apps
 - ▶ Increasing use of smartphones and tablets likely to drive greater focus on these media over the next few years
 - ▶ Linking to social media sites?

Focus on the online reporting experience - example



Closing remarks



Understand the impacts of proposed changes and plan early to achieve optimal results

What should you ask yourself?

- ▶ How does your reporting compare to your peers – how transparent do you appear?
 - ▶ Grade your own annual report against the ASB's scoring mechanism
- ▶ Are you communicating business and financial information effectively through your online channels?
- ▶ Are looming reporting changes fully understood, evaluated and communicated to stakeholders?
- ▶ Have you undertaken an exercise to identify significant gaps between your current Annual Report and what this will look like in 2-3 years time?
- ▶ Do the impending changes to the UK financial reporting framework present risks or opportunities that require action pre-implementation?
 - ▶ Which accounting framework option is appropriate for your UK entities?

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Panel Discussion



Business Analytics Live 2012 for Finance

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Wrap up

Mark Fieldhouse

Business Unit Executive, IBM Business Analytics

