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Disclosure effectiveness in action: what strides are you making?

A recent analysis of SEC filings by EY and the Financial Executives Research Foundation (FERF) shows that many S&P 500 companies have taken notable steps voluntarily to improve their 10-Ks and annual reports.

When considering improvements to your filings and financial statements, take a closer look at these key areas, based on the report's findings. The report also illustrates examples from filed 10-K's.

How are you presenting MD&A?

Use charts, graphs and tables to summarize changes in key reported measures.

Employ infographics to simplify financial and nonfinancial information.

Use layering to share the more important information first, including an executive summary.

Incorporate bullet points to replace lengthy text and emphasize key information.

Eliminate redundancies by using cross-references.

Replace boilerplate language and accounting terminology with plain English.

Reorganize the MD&A to flow topically, rather than chronologically.

Does your Business section read well?

Revise this section to better align with the discussion of business strategies and portfolio composition.

How are you laying out the risk factors?

Organize risk factors by key themes or topics to make them easily digestible.

Eliminate irrelevant and generic risk factors to better focus on significant matters.

Use infographics or charts to outline risk significance and how risks are managed.

What are you including in the notes to financial statements?

Reorganize the sequence of notes in order of importance.

Combine related footnotes to more clearly share pertinent information in one place.

Reduce redundancies between the MD&A and the notes by cross-referencing them to direct readers to relevant information.

Eliminate immaterial disclosures, while maintaining meaningful and required ones.

Use charts, graphs and tables to summarize information for a clearer presentation.

Are you thinking about your financial reporting digital presence?

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Enhance your investor relations page on company websites.

Share interactive annual reports online.

Develop content around financial data that can be shared through social channels.

Embed videos and links to help present, relate and connect information.

Because when finance works better, the business works better.

To read the recent report from EY and FERF, Disclosure effectiveness in action: companies make great strides, and related research about improving disclosure effectiveness, visit ey.com/disclosures.

The better the question.
The better the answer.
The better the world works.

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Disclosure effectiveness: how are you embracing the call to action?

EY and FERF set out to determine if companies have been taking the necessary steps to improve their disclosures. What we found is that many are embracing opportunities to communicate more effectively, while satisfying increasing regulatory demands.

Our research showed that many companies are getting ahead of it.

74%

of the companies surveyed are taking action to improve their financial reports.

From our findings, we listed the **top 10 actions** companies should consider when evaluating the effectiveness of current disclosure processes.

1. **Start early.** Starting as early as possible in the reporting cycle is important, as most changes require time to design, review, approve and implement.
2. **Engage relevant stakeholders from the start.** Engage key stakeholders within the company, such as senior executives, controllers, heads of SEC reporting, investor relations, and in-house/external counsel, to ensure they understand the plan and provide feedback.
3. **Discuss your plans with the audit committee.** Increasingly, disclosure effectiveness is being added to the agenda. Discuss their views on matters they care about and share what other companies are doing to improve financial reporting.
4. **Challenge yourself and ask "how can our disclosures be more effective for investors?"** Taking a fresh look at opportunities to make disclosures more understandable, meaningful and effective can help improve the alignment of your vision and strategy across all of your communication channels, which, ultimately, can translate into greater market confidence.
5. **Addressing "low-hanging fruit" may provide a good start toward building momentum.** Removing immaterial information, redundant disclosures and outdated information may provide a good start for disclosure improvement, but consider plans for more robust efforts, including holistic changes across all financial communication channels.
6. **Consider content and the presentation of information.** In addition to improving the content of information, consider ways to improve the presentation of information through greater use of bullet points, tables, charts, graphics and infographics. Communicate, rather than simply disclose.
7. **Don't be afraid to consult.** Consider proactive communication with key stakeholders, including the SEC and your external auditors, so they understand the rationale for any changes made.
8. **Optimize the use of technology.** Investors are adapting to technological advances in how they consume information used in decision-making. Consider opportunities to leverage new technologies to enhance the content and messaging provided on your website and, specifically, the investor relations page.
9. **Remember that disclosure effectiveness is a continuous process.** Financial reporting improvements are a continuous process, as reporting constantly should adapt to changes in the business, regulatory environment, accounting rules and technology.
10. **Set the right tone at the top.** Empower management and proactively support efforts to focus on disclosure effectiveness.

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The better the answer.
The better the world works.

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To read the previous and recent report from EY and FERF, Disclosure effectiveness: companies embrace the call to action, and related other research around improving disclosure effectiveness, visit ey.com/disclosures.