Streamlining your global statutory reporting

How EY can help create efficiency and consistency in your reporting process
1 Global statutory reporting

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Global statutory reporting
Global statutory reporting
Reduce inefficiencies, increase control

► Global statutory reporting consumes a significant amount of time, effort and cost for what many organizations consider a non-core finance process.

► Statutory reporting is evolving as international organizations look to further streamline their finance function through finance transformation and other cost-cutting initiatives.

► We align our approach with your organizational structure and strategic objectives to assist in delivering:
  ► New levels of transparency and insights enabled by technology
  ► Cross jurisdictional comparative information
  ► Comparisons with similar-sized global corporations
  ► Continuous improvements in consistency of publically available statutory disclosures
  ► Leverage of company's investments in technology and centralization
  ► Reduction in company time required to support global statutory reporting
  ► Consistent global approach and structure
Global statutory reporting
Evolution of compliance

1. Limited or no global and regional visibility
   - Limited or no standardization in data collection
   - Variety of service providers globally and regionally

2. Global and regional governance
   - Visibility and control over workflow and processes
   - Single or few service providers
   - Some standardization of data formats and processes

3. Alignment with finance shared service centers and centers of excellence (CoE)
   - Streamlined data gathering process
   - Integrated approach to the record to report process
   - Leveraging technology and systems investment

- Local country approach
- Control, access and visibility over local process
- Optimizing control, efficiency and value

Streamlining your global statutory reporting
Global statutory reporting
Challenges of centralization

Easier to centralize
Transaction processing and accounting – common across many countries – easier to centralize and maintain in an efficient manner

<table>
<thead>
<tr>
<th>Transaction transactions and entries</th>
<th>Period close</th>
<th>Reconcile</th>
<th>Statutory reporting</th>
<th>Tax compliance and reporting</th>
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<tbody>
<tr>
<td>Transaction process</td>
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<td>Code</td>
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<td>Transaction recording</td>
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<td>Data entry control</td>
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<td>Transaction review</td>
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<td>Monthly processing</td>
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<td>Receive inputs from various departments</td>
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<tr>
<td>Input journal details in template</td>
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<td>Upload journals into Enterprise Risk Planning (ERP) for posting</td>
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<td>Approve journal entries in ERP</td>
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<td>Post journal batches into ERP</td>
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<td>Fixed asset accounting</td>
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<td>Verify journals with prior month depreciation journal</td>
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<td>Validate journals are correct and raise incident for incorrect journals</td>
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<td>Correct escalated financial accounts journal errors</td>
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<td>Run the final depreciation with period close</td>
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<table>
<thead>
<tr>
<th>Reconcile</th>
<th>Period close</th>
<th>Interim accounting</th>
<th>Financial and managerial reporting</th>
<th>Account reconciliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receive input tax computations (both direct and sales tax, withholding, etc.) into general ledger and other systems</td>
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<tr>
<td>Close sub-ledgers and balance them to the general ledger (GL)</td>
<td>Run Year-to-date (YTD) trial balance and multi-account analysis reports</td>
<td>Perform consolidations and prepare trial balance</td>
<td>Perform and prepare trial balance to trial balance comparison</td>
<td>Perform and prepare trial balance to trial balance comparison</td>
</tr>
<tr>
<td>Receive and input tax computations (both direct and sales tax, withholding, etc.) into general ledger and other systems</td>
<td>Match transactions of both reports and confirm the accounts are reconciled to ZERO balance</td>
<td>Prepare and profit loss and balance sheet reports</td>
<td>Prepare profit and loss and balance sheet reports</td>
<td>Perform and prepare trial balance to trial balance comparison</td>
</tr>
<tr>
<td>Close sub-ledgers and balance them to the general ledger (GL)</td>
<td>Prepare and profit loss and balance sheet reports</td>
<td>Prepare monthly close package</td>
<td>Prepare monthly close package</td>
<td>Perform and prepare trial balance to trial balance comparison</td>
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<tr>
<td>Receive and input tax computations (both direct and sales tax, withholding, etc.) into general ledger and other systems</td>
<td>Prepare and profit loss and balance sheet reports</td>
<td>Review and sign off on financial and managerial reports</td>
<td>Review and sign off on financial and managerial reports</td>
<td>Perform and prepare trial balance to trial balance comparison</td>
</tr>
</tbody>
</table>

More challenging to centralize
Requires building and maintaining local country knowledge of rules and trends; more difficult to centralize

Corporate income tax
- Calculate tax accrual and preliminary tax payments on the basis of current year results
- Prepare and draft annual corporate tax return and provide support for tax audit
- Approve and review tax returns
- Secure funding for tax payments

Indirect tax compliance
- Codification of transactions
- Calculate sales and withholding taxes on the basis of sales revenue and qualified purchases
- Prepare and file sales tax returns with local authorities
- Approve and review tax returns
- Secure funding for tax payments

Tax information packages
- Prepare US tax accounting packages
- Prepare US tax compliance packages
- Tax controversy

Company and shared services center
Statutory auditor
We can help you address your challenges

EY’s approach to global statutory reporting was developed to align with our clients’ business issues. Our approach includes assessment and restructuring projects that have led to:

► Reduced cost through centralized and standardized execution of requirements and legal entity and management reporting

► Insights and leading practices to streamline the financial statement close process

► Improved governance used to manage filing requirements

► Comparisons across comparable organizations to review the efficiency of the statutory reporting process

► Increased visibility into the statutory audit support leading to the opportunity to assess statutory audit fees
Statutory reporting
Areas of emphasis

<table>
<thead>
<tr>
<th>Activity</th>
<th>EY services</th>
</tr>
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</table>
| Reporting operating model | ► Assist development of reporting operating model to align with international finance function  
                              ► Identify balance between insourced and outsourced reporting  
                              ► Help to drive alignment between finance and tax |
| Competency of finance personnel | ► Provide detailed, interactive training of finance personnel on local GAAP requirements  
                                 ► Support practical skills development  
                                 ► Provide annual GAAP updates, helping finance teams stay abreast of the latest changes |
| Reporting standard diversity | ► Help to reduce the differences between parent and subsidiary accounting policies and elections  
                                 ► Help you identify immaterial or unnecessary adjustments  
                                 ► Assist you as you develop standard statutory policies where possible, based on IFRS |
| Disclosure diversity      | ► Support development of consistent disclosures across multiple jurisdictions where possible  
                                 ► Help you leverage data from parent public company disclosures for statutory disclosures, where possible |
| Language diversity        | ► Provide cost-effective translation services into English for financial statements  
                                 ► Provide translated disclosure checklists and model financial statements  
                                 ► Identify opportunities to file financial statements in English |
| Key performance indicators (KPIs) | ► Assist in identifying appropriate KPIs for statutory reporting, achieving balance between quality and efficiency, and comparisons against peer comparators |
| Processes and controls    | ► Support as you develop consistent processes across jurisdictions for statutory reporting  
                                 ► Help standardize the reporting model and alignment with shared services centers |

The above highlights activities that can drive considerable improvement within statutory reporting, leading to lower costs and stronger governance.
# Statutory reporting

## Tracking your key focus categories

<table>
<thead>
<tr>
<th>Focus area</th>
<th>Basic</th>
<th>Developing</th>
<th>Established</th>
<th>Advanced</th>
<th>Leading</th>
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<tbody>
<tr>
<td>Governance</td>
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<td>Visibility and KPIs</td>
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**Leading class attributes**

- Ownership and sponsorship
- Accountability and KPIs
- Defined policies
- Defined controls
- Highly skilled labor
- Not compliance focused
- Greater development, training or competency
- Centralized processes
- Single or multiple providers
- Centralized finance team
- High visibility and control
- Defined processes
- Status-tracking capabilities
- Clearly defined KPIs
- Industry comparisons
- GAAP to statutory adjustments reduced
- IFRS used where efficient
- Consistent policy elections
- Consistent disclosures across jurisdictions
- Leverage parent company filings where possible
- Leverage ERP
- Maximum use of IT
- Automation of financial statement preparation
- One service provider across geographies
- High connectivity

The above represents common areas of focus for global compliance.

Tracking capabilities helps you to focus on categories where you excel, as well as where significant improvement is possible.
Statutory reporting
Insource vs. outsource considerations in centralization

- Is centralization allowed?
  - No
    - Maintain in-country personnel
      - Yes
        - Does in-country personnel have capacity?
          - No
            - Outsource
          - Yes
            - Insource
      - No
        - Does reporting require local GAAP expertise?
          - Yes
            - Does CoE maintain that local GAAP expertise?
              - Yes
                - Does reporting require local language expertise?
                  - Yes
                    - Does CoE maintain that local language expertise?
                      - Yes
                        - Can translation services replace the need for local language expertise?
                          - No
                            - Outsource
                          - Yes
                            - Insource
                      - No
                        - Outsource
                  - No
                    - Outsource
          - No
            - Outsource
    - Yes
      - Does reporting require local language expertise?
        - Yes
          - Does CoE maintain that local language expertise?
            - Yes
              - Can translation services replace the need for local language expertise?
                - Yes
                  - Insource
                - No
                  - Outsource
            - No
              - Outsource
        - No
          - Outsource
How we work to provide you a customized service

► Conduct assessment of your current local statutory reporting environment
► Provide initial review to identify potential areas for improvement, overview of opportunities for cost and efficiency gains
► Work with EY people in local jurisdictions to develop initial findings and recommendations report, cataloging accounting and other compliance activities by jurisdiction
► Work with you to design a suggested future state
  ► Incorporate existing and future operation model to align statutory reporting with global financial strategy
► Co-develop customized way forward on the basis of specific data and analysis of potential costs and benefits

Certain of our services for an audit client and its affiliates may be more limited in order to comply with applicable independence standards. Please reach out to your EY contact for further information.
How EY’s proven approach can benefit your organization

We align our approach with your organizational structure and strategic objectives. We will work along with you to help you:

► Design an efficient and effective future-operating model tailored to your organization’s strategy for international finance
► Streamline data capture across disparate systems, improving visibility across jurisdictions and entities
► Reduce company time required to support global statutory reporting
► Provide comparisons with similar-sized global corporations
► Develop a consistent approach to publicly available statutory disclosures, standardizing language and reducing risk of inconsistency across jurisdictions
► Leverage investments in technology and existing or future centralization, reducing the time required to gather or manipulate financial data
► Develop increased levels of transparency and insights enabled by technology
Statutory reporting
Your framework for moving forward

1. **Understand current state and inventory of requirements**
   - Identify the company’s locations and entities, and the associated filing requirements
   - Understand current status, responsibility, timing, and key metrics

2. **Determine desired future state**
   - Identify what can and should be centralized, standardized or automated
   - Identify opportunities for efficient use of data to make compliance processes more effective
   - Design a model that anticipates and manages accelerating changes – regulatory, legal entity, finance, and business
   - Determine core competencies required, and the people and sourcing model for sustaining those competencies
   - Determine the optimal use and locations for resources
   - Determine the governance framework for managing compliance processes

3. **Implement new approach**
About EY
Financial Accounting Advisory Services

Contacts

**Myles Corson**
Markets Leader
Americas FAAS

myles.corson@ey.com
+1 212 773 3232

**Brad Krutsch**
Americas FAAS

brad.krutsch1@ey.com
+1 212 773 7216

**Masami Yamanouchi**
Japan FAAS

yamanouchi-msm@shinnihon.or.jp
+81 3 3503 1100
About EY

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