

## Why is the annual report not yet extinct?

For Richard Carpenter, managing partner at London-based MerchantCantos, "A good annual report has a value similar to a one-on-one meeting with investors." While David Robinson, marketing professor at the Haas School (University of California) says: "No one reads that stuff... So the truth of the matter is that annual reports arrive too late to be useful, and in any case don't contain a lot of the information shareholders ought to know... I view annual reports as completely irrelevant." In a similar vein, in an article titled "The death of the annual report" (October 2007), James Guthrie wrote: "The annual report may not yet be extinct but it is certainly an endangered species."

For many listed companies, the primary purpose of an annual report is simply to meet legal requirements. Consequently, they only care about compliance and don't really invest much in corporate reporting. This trend is now most obvious in the U.S. - the place where the annual report was invented- where a vast majority of annuals have become, bar the numbers, interchangeable and unreadable 10-K forms (naming these interactive on the Web doesn't make a difference).

Questioning their relevance is indeed here far from... irrelevant.

Many others (including non-listed ones) still dedicate significant human and monetary resources, and seem committed to making their annual reports informative, communicative and attractive. Besides providing last year(s) figures and complying with regulatory demands, the report becomes a rendezvous with or even a beacon for investors and stakeholders, but also remains in best-practice examples a strategic document, a corporate communication vehicle, a reference book. Far from extinct, that is.

The Web has also given the good old annual report a new lease on life. New channels, new tools, new formats, new techniques, renewed accessibility. Renee Carter, coordinator at the Australasian Reporting Awards, says: "The annual report is definitely not dead. If anything it is alive and kicking. In fact, the report now just has more avenues for reaching people... The stats are showing that the annual report has a huge online audience and should be capitalized on by companies to communicate a strong message to attract

*investors and solidify shareholder confidence.*” Hold on a minute, though. Recently, Toronto-based IR Web Report reported that *“Investors spend just 5 minutes on (online) annual reports”*. Yet based on arguable statistics, this can be chalked up to the one-minute culture, and is not necessarily good news for wise investment decisions.

With a job incurring such essential questions and involving such a lot of work - online and/or in print- is the annual report still worth the effort? *“The fact that... investors on average don't read them for a long time, hides the fact that some investors, the ones that count..., may spend a long time reading them. Perhaps “who” reads the annual report and the number of times an annual report is viewed, provides more insight as to its usefulness.”* (Rob Stangroom, CEO, African Information Solutions for Companies Online). After all, how many readers read a newspaper or newssite from beginning to end?

By giving the broader and longer perspective through upswings or downturns, as well as through a number of distinctive

attributes, an annual report may prove to be an information antidote to short-termism and that *“instant culture”*; the herd instinct - remember Keynes's words: *“Investing is trying to predict how other investors will behave”*-; and blind stock-picking, three value-destructive flaws in today's global economy.

The *Annual Report on Annual Reports* is designed for those report teams and (internal and external) makers who commit themselves to doing a good job, for the ones who comply... and go beyond compliance, for the quick readers (hopefully spending more than 5 minutes) and for the ones who read carefully (before or after investing, for analysis purpose, or just out of stakeholder's curiosity). Any other reader is of course welcome!

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