How important is the annual report today?

“Corporate annual reports often tell us more than their authors know or intend.”

Robert J. Samuelson, Newsweek, April 21, 1997
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We have asked a few report makers, advisers, designers, specialists, users from all around the world how important they find the annual report today; if it is still relevant, to what extent and how; and what their expectations are when they open a report, whether in print or online—and how digitalization impacts. In addition, we have compiled viewpoints from company officers, analysts and investors over the last decade.

“If I were to invest in company X (big or small), for example, then reading the annual report is my first priority.”
An equity manager

“Reporting is not just about complying.”
Tony Comper, then CEO of BMO (Montreal, Canada)

“An annual report is the most important single piece of information – externally but also internally. When flicking through an annual report I expect to find the company’s targets, its outcome, as well as the strategy of how to outperform going forward. The messages should be inevitable to miss by skimming. After the skim I should have a feeling of what kind of company this is expressed by both the messages and the graphic design. I still prefer a PDF version.”
Cecilia Ketels, Head of Investor Relations, Axfood (Stockholm, Sweden)

“The annual report remains a powerful tool to communicate a company’s strengths and strategies to key stakeholders, even in today’s world of instant information. Much more than just a snapshot of a company’s performance for the past year, the annual report is an opportunity to highlight a company’s key achievements, expectations for the coming year and overall goals and objectives, all in a format that is easily accessible by a wide range of audiences. Through a combination of compelling visuals and eloquent text, the annual report can tell a company’s full
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**Story**, from its products and growth prospects to the talents of its people and commitment to sustainability.

Additionally, the **letter to shareholders** remains a great opportunity for the CEO and/or chairman to communicate directly to investors and other constituencies about a variety of subjects, from current market trends to the company’s long-term vision for the future.

In regard to format, we believe that HTML (properly **optimized** for viewing on phones, tablets, etc.) is preferred by investors and other key stakeholders, and it allows companies the opportunity to extend the marketing reach of their messaging through video and other interactive web elements and tools. Posting the annual report as a PDF file also continues to be an acceptable format, but it is not as engaging for the user.”

**Kellie Friery**, Vice President, Dix & Eaton (Cleveland, Ohio, USA)

“The Annual Report is still a pivotal communication piece in the investor communications calendar. It is an opportunity to communicate the company message, convey achievements and set expectations on the outlook.

There have been some **positive trends** in annual reporting recently, with an overall move to simplifying the report and enhancing its content to result in a more engaging connection with investors. This has included a focus on strategy, removal of duplication and addition of new features.

Online there has been a recognition of the ways people consume information and therefore the introduction of online reports which summarize **key information** up front and provide an at a glance review are increasingly being provided by companies. Interactive features, video and infographics are more prevalent to further assist in engaging readers. The use of smart phones and tablets to read information has meant that online reports need to be adaptable for each medium – not just responsive, but taking into account the **amount of information** that can be read easily on these devices and the manner in which they will be read.”

**Renee Carter**, Managing Director, Designate Group (Sydney, Australia)

“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**.”
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David Robinson, marketing professor, Haas School of Business (California, USA)

“Today’s reporting does not really help explain the dynamics of the business model and the key risks and relationships to which it is exposed.”

David Phillips, senior corporate reporting partner, PwC (London, UK)

“Annual Reports keep rising from expected death. Despite a huge number of supposed innovations, ranging from CD-Roms to online reports full of extra features, the standard printed version is still preferred reading for both investors and the general public. It’s still a lot easier to browse through paper than on screen. That’s why PDFs are very useful for those seeking to locate information quickly. However, to really taste the substance of a company, reading the printed version is irreplaceable.

I personally expect an annual report to be pithy and convey a message quickly. Most of the time, I’m disappointed. Most annual reports are self-centered and boring. The rare exceptions are cherished.”

Kaevan Gazdar, Corporate Reporting, HypoVereinsbank - Unicredit (Munich, Germany)

“I usually deal with reports in PDF. I’ve never used the reports, especially financial statements, in HTML format.”

Elena Moskvina, Deputy head of international accounting, O’stin (Moscow, Russian Federation)

“If there’s a sudden drop or sharp rise in an important item like cash flow or debt, then I would expect the company to provide detail about this change, put something in writing, at least a line or something just to flag the main changes.”

A credit rating specialist
“In my view, the annual report is still the most coherent picture of a company. It presents a solid basis of the financial situation.

However, there is a lot more involved. Hard information (i.e. financials), but also a lot to read beyond them and between the lines. What is important to the company leadership, what is their focus, how they want to achieve their strategy, how long is their horizon, what is their attitude towards us (readers and interested parties), what are the difficult issues… More difficult, and not always visible at first glance: what do they learn from other companies? How do they measure -and report- progress year over year?”

A report can tell a lot in a few words or… hide major aspects between hollow words.” Erika Marseille, financial reporting consultant and researcher (Utrecht, Netherlands)

“I still find the Annual Report very important. Naturally, I prefer the HTML format. For me, the key question remains about how accessible the content is.

On various screen widths (smart phone, tablet, desktop). For smaller screens than a laptop screen a PDF is hardly usable!

Via web search, nowadays users expect that Google can answer all sorts of questions with a direct link to a web page. An accessible report needs to be one of the top 10 hits for any key question, if not the AR misses the main point!”

Thomas Rosenmayr, founder and chief executive officer, Nexxar (Vienna, Austria)

“I don’t see the low usage statistics of proxy materials or annual reports as an issue. Having a legal requirement to prepare an annual report is key part of governance. It’s a key part of strategic marketing too. The fact that it is not used or read is irrelevant –people are just busy.

Is the preparation of online annual reports a waste of time? The fact that retail investors on average don't read them for a long time, hides the fact that some investors, the ones that count i.e the top institutional investors, 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 (from a governance and marketing perspective respectively) given that annual reports serves so many purposes.”

Rob Stangroom, qualified accountant and African capital markets specialist (Zimbabwe)
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“The Annual Report remains at the core of stakeholder communications for many companies. In Russia and other markets, we’ve found both companies and their stakeholders paying more attention to the report content these last years (10 to 25% rise in report audience in 2015-2016). As a potential investor or if the company is new to me, I’d like to have a clear understanding of the business model, the market environment and the company strategy, of course. It shouldn’t take more than ten minutes to grasp that. As a shareholder or if I know the company quite well I’d like to learn more in the report about least year results, management comments, strategy delivery. I’ll pay special attention to the consistency between the previous outlook, guidance and results achieved. Ideally, companies should deliver the report both in PDF and HTML formats, each having their advantages. HTML reports, interactive features and XLS data sheets deserve praise. A PDF or print is still convenient on travel or in remote areas.”

Andrey Kozhevnikov, co-founder and chief executive officer, Zebra Corporate Communications (Moscow, Russian Federation)

“Over the twenty years we’ve spent in helping companies publish their annual reports, almost every year we’ve been facing a new challenge. In the coming years, we’ll see more profound changes. The many report audiences demand contents which are more complete, transparent and relevant. Visuals and infographics must be more accessible and richer. Support has to be adapted to each stakeholder category. It is no longer just about telling something about the past year, how and to whom but also setting up a dialog and using digital tools to give insights and monitor feedback. Those who say the report is dead as soon as it’s published are wrong, it’s livelier than ever! Basically, it’s about listening and listening again to interpret, answer and then re-adapt. All channels must therefore be used: web, PDF, paper, social media… Financial correspondents need a summary of key figures on the annual results release date; analysts want a link from where they can download Excel files; investors expect a PDF they can use all year long; NGOs like links to sustainability updates; etc.”

Ana Santamarina, Head of Corporate Reporting Products, MRMWW (Madrid, Spain)
"How important is the annual report today?"

"With a copy of an annual report in their hands investors can weigh investment decisions with the benefit of the full picture, rather than just racing through quarterly (or daily) figures."

Ken Lever, former annual report supervisor, Tomkins (London, UK)

“The Annual Report remains - assuming it is well-structured and informative - key in getting to know a company better. All formats do work well, since they cater for different moments and different ways of usage.

Good old paper still does the job, especially for flipping through the entire report, allowing for notes in the AR and in-depth study of financials. A PDF is preferred by me for specific chapters, e.g. the supervisory board report, market overview or SWOT analysis. HTML does well for scanning, getting a better feel for how the company likes to position itself. Naturally, it also has to do with the available budget in time and money, especially for midcaps, reckoning that in many cases choices have to be made due to these budget limitations."

Carl Hoyer, corporate communications and investor relations professional (Amsterdam, Netherlands)

“I have found annual reports less relevant for companies, as we live in a constant content age. However, I know they are still expected by some -especially investors- and therefore difficult to phase out.

One possible future evolution would be compilations of ongoing content and reporting from throughout the year. This could be collected and reformatted as an ‘Annual Report’ for those still needing one. This would be more cost and time effective, as marketing now requires constant content creation. Plus it would avoid any end of year rush."

Katie Holcomb, content manager and communication consultant, Education Dynamics (Philadelphia, Pennsylvania, USA)

“Annual Reports are getting too long and too complicated. As a result they are losing the importance they once enjoyed. This is sad; for if done well, the annual report could become a compelling piece of communication not just for investor relations but for a wider audience."
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The financial reports are more relevant than ever. Yes, they give mainly a view of the past but yet, that it a very significant view. Non-financial reporting has a lot of catching up to do. We see a lot of box ticking in the name of sustainability reporting, integrated reporting, governance...and so on. However, rarely do we see a coherent story that makes sense. 

When I open a report and flick it through, I would like to get a quick sense of the storyline. Very often, what we encounter is a lot of disparate information.

A PDF can never replace a very well developed HTML on-line annual report. I can't understand why companies cannot yet understand this. The so called hybrid annual report where parts are in HTML and others are in PDF is neither here nor there. This is a classic example that companies don't seem to understand the digital space and how much they are losing by not having a proper HTML annual report.”

Ananda Jagoda, Chief Creative Officer, Smart Media (Colombo, Sri Lanka)

“Among AEX/AMX firms in the Netherlands, reporting is as important as ever and has been re-invigorated by trend towards integrated reporting. The majority have either applied the IIRC Framework in full or are gradually doing so. As a result, reporting budgets are slightly bigger than in recent years. This ‘integrated thinking’ is also trickling into other forms of corporate communications. No doubt because CC and marketing are more involved with annuals these days too.

Despite this, many ARs do not strike a good balance of information. There is a tendency to overwhelm with non-financial information that isn't meaningful to readers. For example, it isn't unusual to have an environment chapter that's 15 pages long, while a description of market trends in that company’s most important segment of business may be little more than a paragraph. Clearly, this isn't what the <IR> Framework prescribes.

It is preferable to shift non-financial information that either isn’t material, or is simply too detailed, to the website. The flipside to this is that there are two places where ARs are often not robust enough. First, they could be more granular about segment-level information, including descriptions of risks and opportunities that affect value creation. Second, they could offer more on market dynamics unfolding at a segment/country level, and how the business is responding. I don’t feel strongly about HTML versus PDF, but I tend to use PDF.”

Matt Gower, founding director, CitySavvy (London, UK)
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“The annual report still plays a big role because, first, it gives a significantly more descriptive information about the company. You get a significantly better understanding of the business risk and trends….In an interim report it can look very dark one quarter and very good the next. What matters for us is between years, because we are after the default risk: is default becoming more likely or less likely compared to how things looked last year or two years ago? And if things are looking worse? What is management doing? Ideally, you find the answers in the annual report.”

A buy-side analyst

The above text is an extended version of the one published in the Annual Report on Annual Reports 2016 (available on www.reportwatch.net/annual-report-on-annual-reports-2016/). A few analysts’ viewpoints are excerpted from “An investigation of capital market actors’ use of financial reports” (supervised by Anja Hjelström, Stockholm School of Economics, 2014).

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