

A look

inside the black box

THE CORPORATE REPORTING MONITOR 2019

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Numerous studies analyze corporate reports – most of them examining the form and content of reports published in the previous reporting cycle. As a result, we tend to know quite a bit about lengths, formats or design elements of current reports. Little is known, however, about the reporting process: what are the strategies, resource allocations, decision-making processes and organizational settings that result in those reports that established studies tend to analyze?

To open this reporting “black box” and provide an innovative new benchmark for strategically managing the reporting process, the Center for Corporate Reporting has launched the Corporate Reporting Monitor. In cooperation with the Center for Research in Financial Communication at the University of Leipzig, this yearly study will take a look inside the reporting processes of Swiss, German and Austrian listed companies. A glimpse at the first issue of the study was recently presented at the Geschäftsberichte-Symposium 2019.

The Corporate Reporting Monitor 2019 is based on a survey of companies listed in the SMI, DAX, MDAX, SDAX, and ATX indices (30% return rate). The study is structured according to the strategic management cycle: it covers issues of planning, organization, resource allocation, leadership and evaluation. Thereby, the Corporate Reporting Monitor applies a distinctly strategic perspective to the annual report – an instrument that is still mostly regarded as a regulatory necessity rather than an opportunity for strategic communication.



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Reporting goals and formats

In terms of planning, the study addressed the primary reporting goals pursued by listed companies. Unsurprisingly, fulfilling regulatory requirements is regarded as the most important objective by those responsible for the reporting process (average of 4.4 on a scale of one to five). At the end of the list, we find classic Public Relations goals, such as maintaining the corporate image (3.7), positioning the corporation (3.3) and creating awareness (2.9). However, the survey also asked respondents for their estimation of goal relevance in three years' time. It turns out that creating trust in sustainability is seen as the issue gaining most in importance. Regulatory requirements are expected to become even more salient in the future – possibly some of them focusing on sustainability reporting.

Looking at the next step in the strategic management cycle, organization, the survey asked respondents about the report format their reporting process is geared towards. For 51% of listed companies, PDF is the primary format, 33% still follow a “print first” process. Only 16% have organized their process to result in an “online first” report. Similarly, the study examined, whether listed companies have set up their reporting process to produce separate or an integrated report in 2020. 41% of respondents list a combined report as their target report type (combining financial, governance and sustainability reports in one document), 34% will produce separate reports, while only 16% will have introduced an integrated report.

Synergies and resource allocation

The Corporate Reporting Monitor 2019 also delved into synergies between the reporting process and corporate communications. The full results highlight that companies tend to recycle reporting content in subsequent communications measures, but employ little communications content in their reports. This is in line with another key finding of the study: only 34% of companies have formally integrated the annual report into their communications strategy.

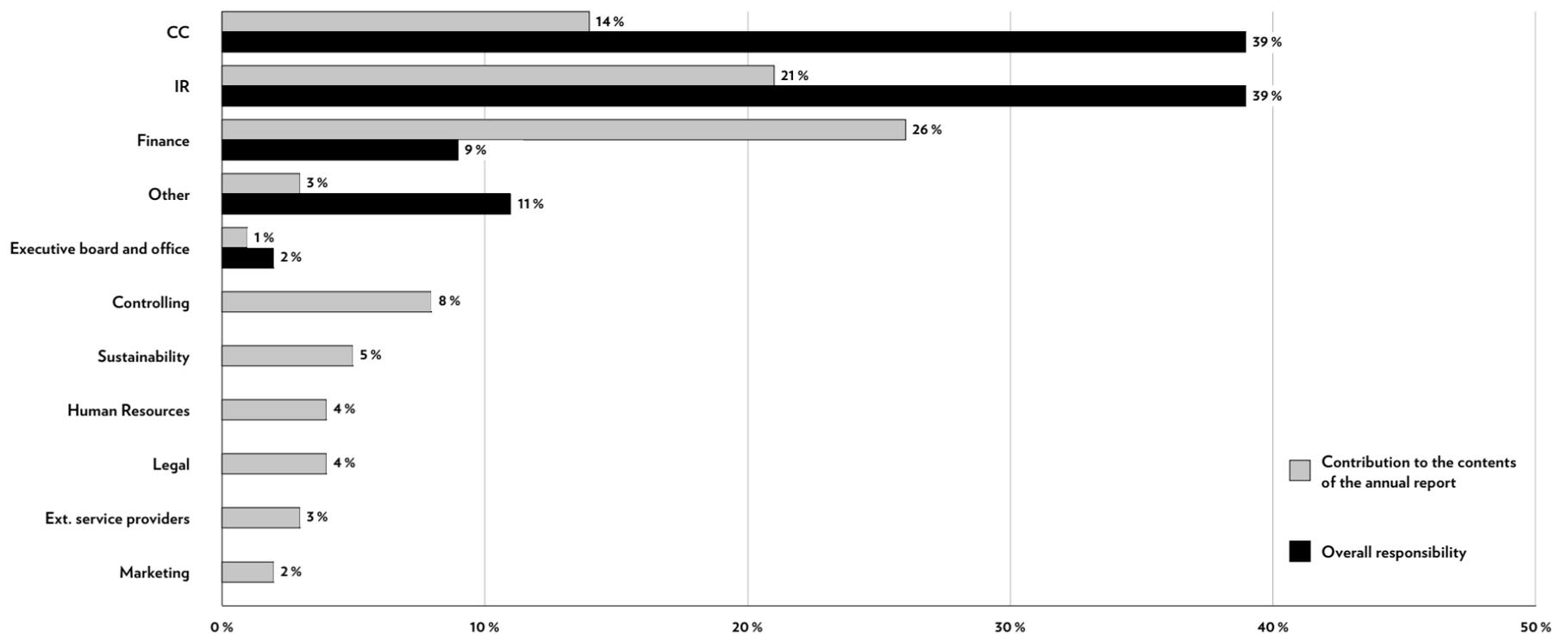
Following the strategic management cycle, the Corporate Reporting Monitor 2019 next examined various aspects of resource allocation in the reporting process, such as budgets, team sizes or personnel resources dedicated throughout the organization. One important aspect in this context is the cooperation with external service providers: the study revealed that companies commonly rely on agencies for translation, design, programming and printing services. However, when asked about their reliance



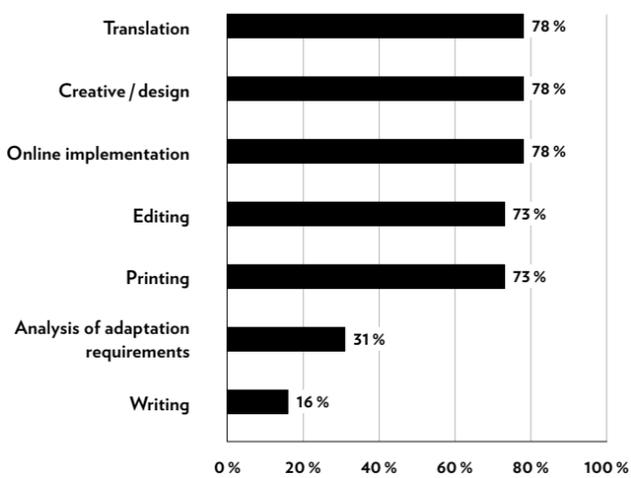
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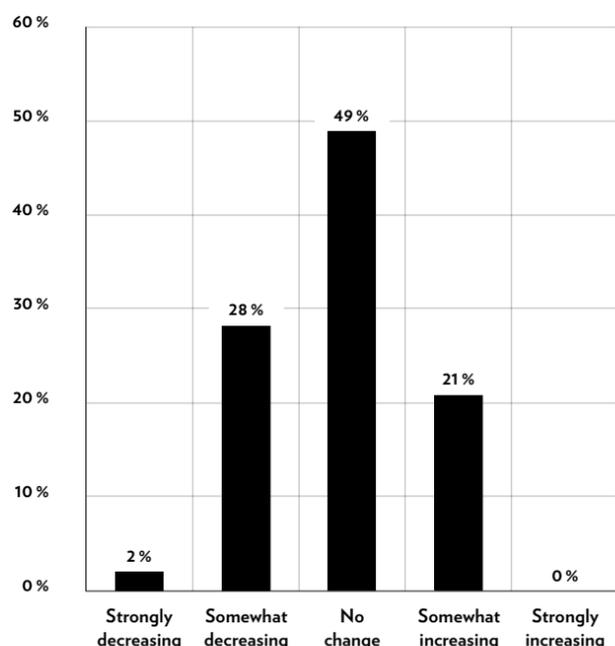
DEPARTMENTS' CONTRIBUTION TO THE ANNUAL REPORT



COOPERATION WITH EXTERNAL SERVICE PROVIDERS



RELIANCE ON SERVICE PROVIDERS IN THE FUTURE



on service providers three years down the line, about a third of survey respondents expect a decrease. This finding is in line with respondents' expectation that the report will have to focus even more on regulatory requirements rather than PR objectives in the future.

Leadership and evaluation

In terms of leadership, the study analyzed the role of the management and supervisory board in the reporting process. It also examined which corporate functions take responsibility for and contribute to the annual report. The corporate communications or investor relations tend to be in the lead for the overall project (39% each). However, the finance department actually contributes most in terms of content (26%).

Finally, the Corporate Reporting Monitor 2019 examined the evaluation of the annual report. Given that most companies have not integrated the annual report into their communications strategy, it is unsurprising that there is little formal evaluation of the report or the reporting process. The study found that informal feedback is the most commonly used metric of success – by target audiences, colleagues or corporate leadership (40-60% of participants).

Overall, the Corporate Reporting Monitor 2019 showed that the annual report is still primarily a matter of regulatory compliance. In most cases, it is not formally integrated into the communications strategy, objectives are set based on current requirements, the impact of the report is rarely analyzed in any systematic manner. This lack of strategic guidance is at odds with (a) the amount of resources dedicated to the project and (b) the level of corporate leadership involvement, which is relatively high for a communications project. Many of these issues will be examined in depth in future iterations of the Corporate Reporting Monitor. The survey for the next issue will be launched in May of 2020.

CCR MEMBERS GET THE DETAILED RESULTS

The full results of the Corporate Reporting Monitor 2019 are available to survey participants. In addition, CCR members receive a detailed report, complemented with a management summary, high-level interpretations and recommendations. Insights from the research team are also available in dedicated workshops upon request. Members have the opportunity to submit topics for consideration in future iterations of the study.



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