

TACKLING STRATEGIC ALIGNMENT -

The Corporate Reporting Monitor 2020



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The Corporate Reporting Monitor is the first yearly international study surveying corporations on their reporting strategy. It was launched in 2019 by the Center for Corporate Reporting and conducted for the second time this year in cooperation with the Center for Research in Financial Communication at the University of Leipzig as well as the FH St. Pölten. The study is based on a survey of heads of reporting from listed corporations in Switzerland, Germany and Austria. Aside from a range of questions on reporting strategy, resources and evaluation, this year's survey featured a focus on sustainability reporting. Also, for the first time, the Corporate Reporting Monitor 2020 included a survey of experts from the reporting services sector, focusing on reporting trends.

Study results clearly show that corporations are aware of the rising importance of sustainability reporting. Creating "trust in the sustainability and long-term perspective" of the corporation is the objective featuring the largest raise in ascribed relevance from 2019 to 2020 (jumping from fifth to third rank among all reporting objectives). As a result, internal audiences also noticeably gain in importance: current and potential employees are rated significantly more important as target audiences of the report compared to 2019.

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The surveyed experts concur. While in previous years a number of corporations toyed with creating more streamlined and slimmed-down reports targeted at capital markets, this year's study results indicate a turn towards a broader, public-facing stakeholder report. Only 29% of experts believe that in three years' time, reports will become more focused on fulfilling regulatory requirements. Instead, 58% expect that best practice reports will aim to engage diverse stakeholders, such as customers, employees or NGOs.

However, such a shift in reporting strategy presupposes that corporations do, in fact, have a reporting strategy at all. While last year's survey showed a noticeable lack of clearly defined reporting objectives, the Corporate Reporting Monitor 2020 reveals that 39% of surveyed companies report having defined a reporting strategy. A further 16% say that a reporting strategy is currently being developed (see Figure 1).

Sustainability has emerged as a key strategic challenge for corporate reporting in 2020. A large majority of corporations recognize the importance of the issue, strive to adjust their reporting practices, but struggle to ensure credible alignment on a strategic and governance level. These are some of the key insights of the Corporate Reporting Monitor 2020.

By Christian P. Hoffmann, Lea Knabben,
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The stronger focus on sustainability reporting and the emergent trend towards a stakeholder report imply a need for closer alignment between corporate communications and reporting. Corporate communications continuously engage in messaging and storytelling towards all stakeholders. A credible annual report addressing a similarly broad audience and focusing more on business models, products and social as well as environmental impacts needs to be in line with the corporate image and brand values, messaging and storytelling. In line with last year's study results, the Corporate Reporting Monitor 2020 shows that while only 30% of surveyed corporations have formally integrated the corporate report into their communications strategy, a further 58% strive to ensure at least some degree of coherence between communications and reporting.

However, a look at evaluation practices still reveals a lack of strategic communication management when it comes to the annual report. Reports are mostly evaluated informally, based on occasional stakeholder feedback. Evaluation is also largely reliant on operational measures, such as reach, costs or technical synergies, rather than the attainment of or contribution to strategic goals. Overall, the Corporate Reporting Monitor 2020 highlights both the need for and a shift towards more clearly defined reporting strategies, but a continuing lack of consistent management practices.

For all listed companies in the European Union, a new mandatory electronic format (ESEF or XBRL) will come into effect from 2020. However, 23% of surveyed corporations that are subject to the ESMA regulation have not yet decided on how to implement the required reporting format. Among those settled on a XBRL solution, the majority (27%) have chosen a comprehensive in-house tool, rather than relying on service providers (19%).

COMPANIES RECOGNIZE THE IMPORTANCE OF A REPORTING STRATEGY

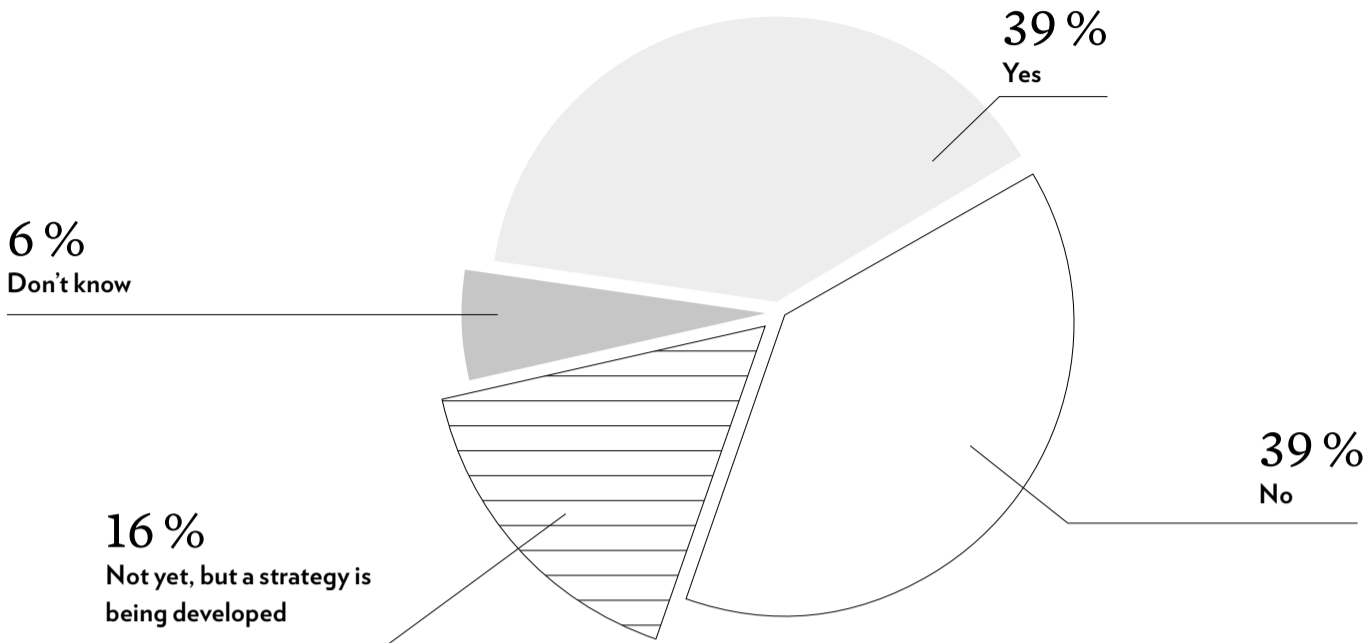


Fig. 1: Does your company have a formally defined reporting strategy?



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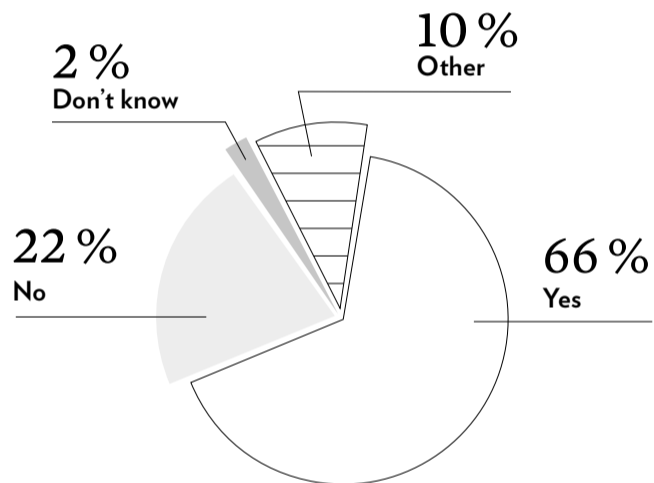
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The Corporate Reporting Monitor 2020 featured a focus segment on sustainability reporting. Results show that most companies (40%) provide a separate sustainability report, that is published some time after the corporate report. Only 14% have chosen to publish an integrated report.

While most corporations have defined their material sustainability topics (71%), only 57% have published long-term sustainability goals, only 55% publish a progress report, and even fewer, a mere 32%, offer a forecast on sustainability performance. Thereby, the quality of sustainability reporting varies widely – and there is significant room for improvement for many.

However, reporting quality may be encumbered by a lack of strategic and governance alignment (see Figure 2). While 66% of surveyed corporations say that sustainability has been integrated into their corporate strategy, only 20% say that it is also a factor in board compensation. As a result, internal alignment and credibility are listed among key obstacles for high-quality sustainability reporting. The full report of the Corporate Reporting Monitor 2020 features a number of best practice cases as well as expert recommendations for achieving strategic and governance alignment in sustainability reporting.

SUSTAINABILITY IS WIDELY INTEGRATED INTO CORPORATE STRATEGY



BACKLOG IN THE INTEGRATION OF SUSTAINABILITY INTO REMUNERATION OF THE EXECUTIVE BOARD/MANAGEMENT

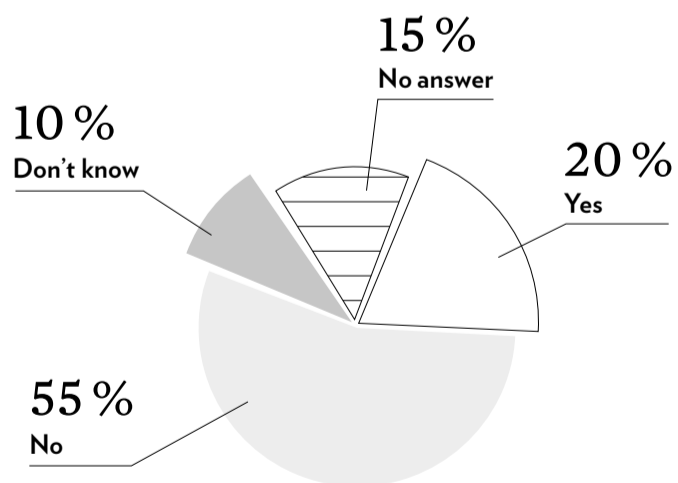


Fig. 2 Strategic alignment of sustainability in corporate strategy and governance

The full results of the Corporate Reporting Monitor 2020 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. An Executive Summary can be ordered at info@corporate-reporting.com.



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