



thinking **2012 trends in corporate reporting**

by Michelle Marks

The world of corporate reporting is evolving, and it needs to. Investors and other stakeholders demand more comprehensive and higher quality information to gain a better understanding of a company and its performance. Businesses need to create the most effective vehicles to satisfy the broadest range of stakeholders while communicating their value, in both the near and long term. And, everyone needs to keep budgets in check. Since there are still diverse views on the purpose of creating a report—who it is for, and what it is trying to achieve—we still see diverse solutions.

Looking again at the *Fortune 200* and a sampling of other companies, we see a continuation of some of our observations from last year. Although reporting requirements are limited to the 10-K financial piece, the vast majority of *Fortune 200* companies (77%) chose to use the annual report as an opportunity to communicate with shareholders and stakeholders beyond the minimum requirements.

This report updates the four major trends we identified last year and adds a new one, on apps.

Executive Summary

Our second annual review of *Fortune 200* and other leading companies reveals distinct trends in corporate reporting. Trends from 2011 continue to develop at a rapid pace. Interactive online reports are growing. Print continues to be a focus, albeit in smaller quantities and page counts. More companies are issuing responsibility reports, and more are looking to the GRI for guidance. And, integrated reporting is growing among leading corporations. New this year, we see the adoption of apps, particularly for the iPad, for reporting and broader communications.

About the Author

Michelle Marks is a founding Principal of the New York City-based design firm, Ideas On Purpose, and has worked on the strategy and design of corporate reports for nearly 20 years.



1. The interactive online report

Online reporting¹ is increasing with companies large and small embracing the web (see Coca-Cola, Stanley Black & Decker, Delphi Automotive and Airgas). 28% of the Fortune 200 created a truly interactive piece to accompany or augment their printed 2011 annual report. Leaders are creating original video content, or posting expanded detail on topics to satisfy a broad range of stakeholders. And, incorporating social media, usually through the ability to share the report, is becoming common.

Communications and IR teams are still working out what is best for their companies and stakeholders, given their time, resources and communication needs. However with more communication in general becoming web focused, the move to online reporting seems inevitable since that is where the audience is.

A few companies are fully embracing the online medium, translating their 10-K's or financials into fully interactive web documents. Kellogg's is in its third year of this practice, and Nielsen created an interactive 10-K in its inaugural year online. In general, European companies have taken up this practice more vigorously than US companies. (Examples include Shell, Volkswagen and Barclay's Bank.)

But challenges remain with online reporting. Unlike with print, you need to drive people to the site. Leading companies deploy various distribution strategies, including using a print piece with QR codes, email, social media, or some combination to direct stakeholders to their online content. (More on this topic [here](#).)

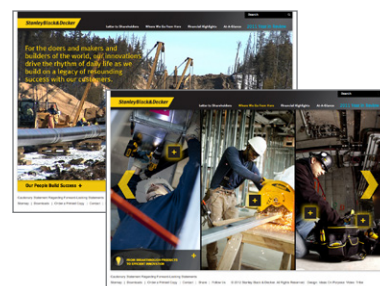
Even though they are not required to, many public companies still are printing some version of the report in order to meet their communication objectives, while also needing to build the capacity to do online reporting well. As a result, the hoped-for windfall in cost savings from taking the report online does not always materialize. Some leading companies have decided to forego a printed report altogether. For example, in 2011 Pfizer chose to create an online-only, purpose-built AR site with downloadable PDFs.

The PDF. Companies that create a printed report typically convert it into a PDF and post it online. (That alone does not make it an "online report" in the sense we are referring to here.) Many employ PDF 'viewers' provided with their IR packages from Thomson Reuters, Broadridge and others. The benefits of these viewers are questionable, as they provide a much compromised user experience and represent a lost communication opportunity.

The interactive PDF is another approach but continues to be more popular in responsibility reports (see Intel and Proctor & Gamble). This hybrid, web-enabled, printable document is usually formatted as a horizontal 8½" x 11" piece. Although it typically includes simple navigation, it lacks the functionality of a true web or micro-site so users cannot easily share in social media or link to specific information. While an improvement on the standard PDF, its utility is limited and it ignores much of the power of the online environment to engage the user and customize his or her experience. We are seeing a decline in its use as companies understand the benefits of a true website.

28%

of the **Fortune 200**
created an
interactive site



Stanley Black & Decker created a 10-K wrap Annual Report plus an online Year-in-Review with extended content and rich media.

"We see value in having strong annual communications both online, where the majority of our content resides, and in print. This blend helps us reach all of our audiences in the most effective way possible."

– **Kate Vanek**
Vice President, Investor Relations
Stanley Black & Decker, Inc.

¹ For the purposes of this paper an "online report" is defined as web-native pages/module or micro-site. This does not include PDFs and PDF viewers, which are merely digital presentations of materials designed for print.



2. The evolving use of print

Many companies still like the control that the print approach gives them, and even in this web-centric era, they continue to find intriguing ways to use print communications. Quantities are shrinking, but print persists and is still by far the most popular method of communicating. And, although no one likes to admit it, it is much easier to get your message to people when you give/send it to them. Digital media still relies on the reader to come to you—and that means marketing, such as with a teaser printed piece and other vehicles.

The 10-K Wrap. Our analysis and the research of groups like the National Investor Relations Institute confirm that many companies, including some of the largest, have gone to the 10-K wrap. The wrap is typically a presentation of the letter to shareholders and sometimes other strategic messaging, attached to the required 10-K. Companies such as Moody's and Target create a more cohesive experience by applying a design sensibility to the 10-K itself, so that it marries nicely to the narrative wrap.

Companies creating a 10-K wrap include Amgen and UPS, while Kellogg's and Stanley Black & Decker created both a 10-K wrap and extensive accompanying websites.

The Summary Report or Year in Review. The ability to separate the narrative from the detailed financials creates numerous possibilities to connect with investors and other stakeholders. The summary approach is especially useful for large companies that generally do not communicate widely about broad corporate strategies in a holistic way (save for the corporate website). A summary report tends to be used across many stakeholder audiences, including employees and recruits, and is less bulky than the 10-K wrap. This flexible approach gained traction this year with 10% of the *Fortune* 200 using it, up from 7% in 2010. Increasingly we see this type of streamlined summary produced in conjunction with an online version. This may or may not be an annual report site in name; it could be titled "year in review" or something similar in order to avoid the requirements of a strictly duplicated piece.

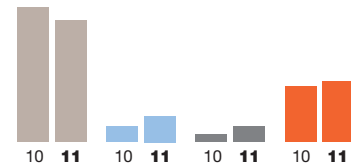
Companies creating summary reports and accompanying sites include Coca-Cola, Lowes, Nielsen and WellPoint; companies creating print-only summary reports include ConAgra and Dominion Resources.



“Creating a summary report has allowed us to leverage the document across numerous audiences including investors, current/prospective employees and our clients. We decided to create an online version to make the user experience more interactive and to include additional features such as a searchable Form 10-K and language translations of the Year in Review. The feedback has been very positive and both approaches have been well received.”

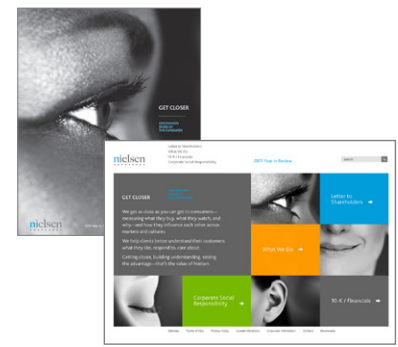
– Yaeni Kim
Director, Investor Relations
Nielsen

Fortune 200 trends 2010 vs. 2011



- Report with full financials or a 10-K attached
- Review or Summary Report
- Integrated Report
- Interactive Online Report

While reports with traditional financials or an attached 10-K are most common, some companies opt for other formats. Summary and integrated reports have nearly doubled in the past year and online reporting increased significantly.



Dominion Resources produced a summary report and **Nielsen** created a year in review in print and an enriched online version with an interactive 10-K.



3. Responsibility reporting

No matter what you call it—sustainability; corporate social responsibility (CSR); citizenship; environmental, social and governance (ESG); among others—responsibility reporting is clearly on the rise. Evidence is growing that high-sustainability companies outperform low-sustainability companies over time.² Many companies see it as tied to both revenue growth and competitive advantage—in the marketplace, in hiring and in retention. For the long term, these issues are clearly important to the health of the company. But, at nearly all companies the support system for sustainability reporting pales in comparison to long-established financial reporting systems.

Even with the hurdles, our research found that 94 of the *Fortune* 200 created responsibility reports or integrated reports, with 71 of those using the GRI reporting framework.³ That is an increase from 86 reports with 40 using GRI in 2010. And, it is fairly standard to include some responsibility content in a traditional annual report or review even if no separate piece is produced. Understanding of responsibility reporting and its relationship to financial reporting is evolving. (We wrote previously about it [here](#).) But what is clear is that this type of communication is growing.

Leaders in responsibility reporting are using the web to its full advantage, creating robust sites that support corporate strategies and goals. Providing the context is essential, so readers can understand the issues and implications. Often we see a summary or highlights piece in print, with far more robust content online. Some excellent examples include Ford, Nike, Qualcomm, Starbucks and GE.

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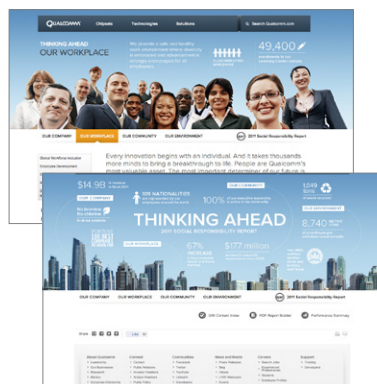
of the *Fortune* 200 created responsibility reports or integrated reports.

² www.hbs.edu/research/pdf/12-035.pdf, *The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance*, by Robert G. Eccles, Ioannis Ioannou, George Serafeim

³ The Global Reporting Initiative (GRI) is a multi-stakeholder-governed institution collaborating to provide global standards in sustainability reporting. The Reporting Framework sets out the principles and performance indicators that organizations can use to measure and report their economic, environmental and social performance. Read more [here](#).



Ford's 2011 Sustainability Report consists of a robust website and a printed summary report. The site is data rich, includes third party voices and uses the GRI.



Qualcomm's 2011 Social Responsibility Report is online-only and mobile optimized. The site offers a custom PDF report builder and uses the GRI.



Starbucks' 2011 Global Responsibility Report is a video laden website with a PDF download available. The company also offers a PDF scorecard showing progress against their goals.



4. Integrated reporting

The integrated report, combining required financial reporting with responsibility reporting, is growing in popularity. Of the *Fortune* 200 nine had integrated reports, more than double the previous year. These included repeaters Pfizer, United Technologies, Southwest Airlines and American Electric Power.

Full integration, as promoted by the new International Integrated Reporting Committee (IIRC), is still rare in the US, but that is changing. Coca-Cola, Prudential and Clorox are among US companies that are participating in a pilot program along with over 70 international companies to share learning and help develop international standards. And, there is a push from academia to mandate integrated reporting.

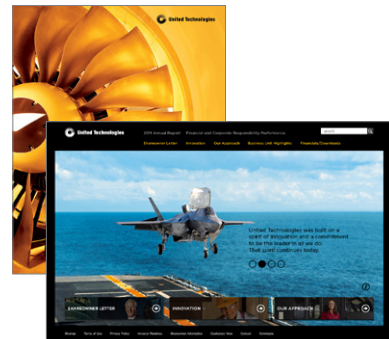
“Good companies will see integrated reporting as an opportunity to communicate on and implement a sustainable strategy, which I define as one that creates value for shareholders over the long term while contributing to a sustainable society. But accomplishing this at a global scale means that integrated reporting needs to be a mandatory, not voluntary, exercise. It also needs to be done to a set of standards. Think of financial reporting. We wouldn’t have the capital markets we have today if companies didn’t have to do it.”

– Robert G. Eccles⁴
Professor of Management Practice
Harvard Business School

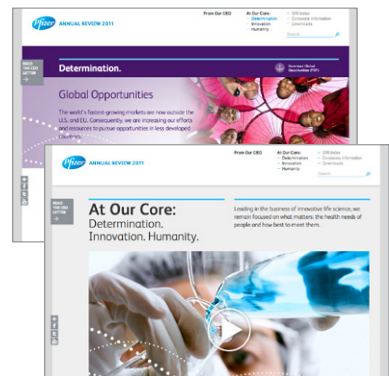
Some companies opt to streamline reporting as a cost savings measure, while others demonstrate how sustainability is intertwined with their bottom line. With no true standard, both are fine approaches. Three examples: Pfizer uses a robust website that integrates the GRI and 10-K; United Technologies creates a robust printed report with full financials and a website to support it; Southwest uses the triple bottom line structure with a 10-K, the GRI and CDP,⁵ as well as external assurance. It is notable that all integrated reporters are making use of the web with an interactive component to their reports.



Clorox is participating in a pilot program to help develop international standards for integrated reporting.



United Technologies’ 2011 integrated Annual Report consists of a traditional printed report as well as a robust website. They were among the first US companies to adopt integrated reporting.



Pfizer’s 2011 Annual Review is a robust online-only integrated report with videos and the GRI.

⁴ Get Ready: Mandated Integrated Reporting Is The Future of Corporate Reporting
Robert Eccles (Harvard Business School), interviewed by David Kiron.
<http://sloanreview.mit.edu/feature/get-ready-mandated-integrated-reporting-is-the-future-of-corporate-reporting/>

⁵ CDP is the Carbon Disclosure Project, an organization focused on reducing greenhouse gas emissions.
<https://www.cdproject.net/en-US/Pages/HomePage.aspx>



5. Apps

A few companies are taking the next step and creating their annual report as an app for the iPad (and sometimes iPhone). Dedicated annual report apps are not common on the Android platform. Europe leads the way, with more companies adopting this approach, but leaders in the US are participating as well. Examples of companies that created dedicated annual report apps are GE, 3M, Volkswagen and Caterpillar.

We see a greater presence of broader iPad apps for investor relations or corporate communications that include the annual report as well as other investor and company information. This trend is likely to continue as long as the need for offline browsing and presentations persists. Eventually, there may be some convergence with mobile optimized websites but at the moment the cachet and possibilities of the iPad are still a big draw, not to mention its rapid adoption by C-suite executives.

An app is exciting and useful when it goes beyond what is found on the corporate website or presents the information in a different, tablet-native experience. Examples of companies creating robust investor relations apps, some of which also contain corporate responsibility and corporate communications content, are Unilever, Nielsen, Stanley Black & Decker, Walmart, PepsiCo and Nestlé. A handful of companies also developed apps for Android devices, including Shell and Nestlé who developed apps for both iPad/iPhone and Android.

Investor Relations App with Enhanced Annual Report



Nielsen created a unique investor relations app that delivers corporate reports including a fully interactive 10-K, the latest news, rich media and original content. The annual report is represented, but the majority of the content is broader.

Dedicated Annual Report Apps

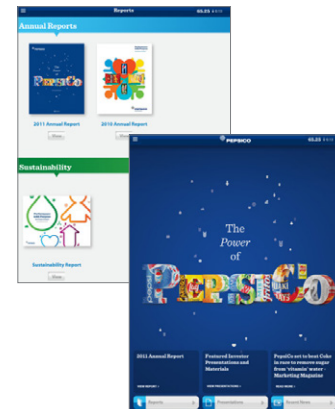


GE created a complete 2011 annual report app mirroring the content, videos and rich media on their annual report website. This is their second year releasing a report app.



3M created a simple annual report app that uses a PDF conversion. Enhanced navigation makes it tablet friendly.

Investor Relations Apps



PepsiCo created a robust library app that delivers the latest news, presentations, reports and more. The annual and corporate responsibility reports are converted PDFs with enhanced navigation.



With the ultimate goal of bridging the gap between management’s business value story and shareholder/stakeholder assessment of the business, effective corporate reporting is a critical tool. And, in this social media age, the influence of stakeholders is growing.

Looking at the spectrum of reporting, we see the diversity of formats and channels continuing to increase. There are many ways of doing year-end reports, all of them legitimate, and to reach an ever more fractured audience many companies opt to pursue more than one strategy. Corporate communicators and investor relations leaders need to determine what kind of reporting, in what mix of media, serves their company and stakeholders best. Even with all these changes and additional media to consider, annual reporting is in the strategic position it has always occupied: as a communication opportunity that can be made more powerful and more useful with the right attention to how one frames and sets the terms for the ongoing, necessary conversation with shareholders and stakeholders.

No matter the approach or vehicle, the key remains a consistent story and presentation, communicating business value. Delivering a single, coherent message to all stakeholders improves disclosure and transparency, and gives stakeholders of all stripes reason to invest in your company and brand. The annual report or review—in print, online or both—remains a potent vehicle for your company to tell its story, clarify its point of view and purpose, and engage all key stakeholders in a meaningful way.

This report features the work we did for several of our clients: Stanley Black & Decker, Dominion Resources, Nielsen, Pfizer and United Technologies. It also features other good examples that we did not create. All examples are hyperlinked for your convenience.

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