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# CUT TO THE CHASE

Annual reports have become much more than the CEO and chair's letters and a review of operations.

Investors are demanding higher-quality information from annual reports, and companies are responding with detailed commentary, engaging visuals and micro sites. The annual report headlines a growing reporting suite of sustainability, annual review, corporate governance statements and community reports and is often the first point of reference for stakeholders before engaging directly with the company.

## Integrated reporting

Six years after integrated reporting was introduced, about a quarter of ASX 200 reports now endorse its principles, explaining how the company creates value for every stakeholder through business, financial, social, human and behavioural contributions.

This growing trend has seen a shift from the traditional focus on the chair's and CEO's reports. Now, investors are also looking into new metrics, including external environmental and governance information, as well as insights into the company's business model, risks, opportunities, strategy, capital allocation strategy and outlook. They also want to understand the basis on which this information has been prepared, instead of an all-encompassing review of operations.

Companies are striving to show transparency, build trust and demonstrate how they are driving change through diversity and sustainability. Annual reports now anticipate future change and how business strengths are being harnessed to achieve strategic goals and create sustainable value. This recognises the income statement and statement of financial position alone are not a company's full story. Reputation has never been more important. There is renewed emphasis on culture and values, and demonstrating

## Do's and don'ts

### Do's

- Develop a clear theme. This should reflect the company's current position, enabling it to stand out from peers.
- Rethink your report. If you were starting from a blank canvas, how would you structure it to make the most important points stand out more clearly?
- Make financial highlights and key performance indicators stand out. Infographics, dynamic colours and fonts engage readers and help them remember your story.
- Continue your design through the report. A clean layout will help analysts read the financial pages. Investors benefit from a clear discussion of terms, providing assurance of best practice.
- Cater for investors who access your report on mobile phones.

### Don'ts

- Use your annual report as a data dump. An annual report should express an authentic 'voice' that builds a positive perception of your company.
- Aim for comparability with peers. Instead, differentiate your company and show how its value can be sustained.
- Forget the value of photography. Sometimes, one picture is worth one thousand words.
- Load your pdf or website with high-resolution images. The bigger the file, the longer it takes to access.
- Neglect keywords for SEO and analytics.

high standards of business conduct. Some examples of companies that support integrated reporting include ANZ, BHP Billiton, Lendlease, NAB and Woodside.

## Guiding investors

Investor demand for greater transparency and heightened levels of compliance has led to more content creation as companies seek to establish their social licence to operate. The narrative is becoming longer, particularly for companies with broad, publicly-held registers. This has led to more detailed front sections of annual reports, compared to the financials, and annual reviews which are more cost-effective for mailing.

Strong design, diagrams and well-directed photography help to tell a company's story succinctly. Increasingly, the design of the report flows through to the financial section, using visuals to headline sections and break-out boxes explaining key concepts. Interactive approaches such as Crown Resorts' report provide links between sections, allowing investors to navigate documents more easily. However, where the primary message is economy, a black and white report remains in vogue.

Greater focus on remuneration and governance has resulted in comprehensive information on how performance is linked to outcomes. One example is Woolworths' report which provides diagrams and explanations making key points stand out.

## Capturing attention through microsites

Digital platforms free annual reports from the boundaries of the printed page, and companies are taking advantage of customised online annual reports, or microsites, to excite investors with animations, infographics and full screen video. Interactive graphics draw in the reader, helping to excite audiences. The microsite brings a new order to presenting messages and Qantas, for example, has used chapter headings to highlight messages, integrating scrolling screens and video. Online reports also provide statistics that offer insight on investors' priorities and can link to other content.