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Our five findings from the Geschäftsberichte-Symposium 2018

1 Less and more is not a matter of either/or – "Better" is the key

While ABN AMRO follows a strategy of "more reporting, more reports", the Generali Group wants to dramatically reduce its reporting volumes. What's interesting here is that both companies subscribe to the same "core & more" philosophy and both follow a similarly clear reporting strategy: content that better aligns with target group needs, better coordination of internal processes and better integration of various communication channels – these are the keys to success in today's world of reporting. The annual report is no longer a standalone epic, but rather a puzzle comprised of various (publication) sections that come together to present the collective picture.

The strategy must also correspond exactly to investor needs. According to BlackRock representative Edouard Dubois, a clear, comprehensible strategy is the backbone of meaningful reporting. Not as much data as possible, but a reasoned choice for or against certain KPIs is critical for investment decisions.

"Less is more" is also not a question of either/or when it comes to the design. Instead, it's about following a consistent communication strategy. Different display formats, information and content have to complement one another, explains Augsburg's Professor Michael Stoll. Infographics are particularly important in conveying complex content. And thanks to a modular structure, they can also be useful in other areas too.

In future, stop thinking in terms of financial and non-financial reporting, and start thinking holistically about strategic reporting.

2 The dilemma of laws and trust – meaningful instead of controlling

Dishonesty is a reality. Cases of fraud are uncovered in one in seven companies. And that's just the tip of the iceberg, explains University of Zurich professor Alexander Wagner at the VIP lunch. A demand for more rules and regulation seems the logical consequence. But what makes them effective? Wagner believes it is the intrinsic motivation of the employees. When employees "want' to follow the rules" – rather than feeling as though they "have to" – they are automatically more likely to comply with them. Behavioural economist Professor Ernst Fehr from the University of Zurich agrees. He believes that a company's reputation is its most important asset. "Management through trust" safeguards this asset better than tight controls. If a company's employees trust in it, so too will the employment market and the capital market.

This is critical – because despite legislation and standards, it's not always obvious what's right and what's wrong. The new accounting standards IFRS 15 and 16 have changed key indicators such as EBITDA and debt, even though the economic substance of a company remains the same, explains Swisscom representative Peter Burkhalter.

Ideally, companies should combat more regulations with more employee independence, instead of simply adding more pages to their annual reports.

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Engage! –
When feedback drives the once one-way communication

Generali Group's Massimo Romano highlights the importance of a stakeholder-focused strategy with a wink: "It used to be only the authors, auditors and – perhaps a few years later – judges who read an annual report." Today, reports are tailored to a variety of target groups. Targeted stakeholder communication is also the top priority at both ABN AMRO and BASF. With a system of various publications, the two companies cater to different interests.

Behavioural economist Ernst Fehr notes that a company's internal feedback mechanisms are integral to cooperation. This point can also be applied to the relationship between a company and its stakeholder groups. Companies can expect goodwill only if they take their stakeholders' needs seriously and consider them in their strategic positioning.

From data point to data lake: big data and artificial intelligence make this possible, says Philip Fitz-Gerald. The Financial Reporting Lab (FRC) tries to systematise these efforts by "triangulating" information. Third parties and their needs are involved in creating a consistent story over the different channels. Company information can thus be aligned with the readers' non-financial, social and ethical values, and influence both investment and purchasing decisions over the long term. Stakeholders don't interact with companies, but rather with brands, experiences and values, explains Fitz-Gerald.

Give your readers the information they need and get regular feedback.

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4 The future is digital! – A PDF is not digital!

When you think about who reads annual reports, you don't tend to think of machines. But you should do in future. Currently, financial data is tagged using the XBRL format only when required by the regulators. However, in 2020 all EU companies will have to comply with this standard, says John Turner of XBRL International. Taxonomy in the annual reporting process offers some key advantages, as more structured data can be analysed and compiled more quickly. This is proven by the Novartis example, which is a digital report – and not a PDF, which prevents machines from reading the annual report.

New technologies are an effective way to optimise a target-group-oriented strategy. For example, the regulatory parts of the financial report can be managed extremely efficiently using XBRL, while other needs can be systematically queried and recorded using artificial intelligence and big data. As Fitz-Gerald so eloquently puts it: "The limits of reporting are not the paper edges, but the tools we use."

But the importance of physical communication should not be forgotten amid all of this. Christian Hoffman, from the University of Leipzig has come up with the following empirical rule of thumb: to convey high-level information quickly, choose digital media; to convey more detailed or complex information, give print a chance.

Combine your strategic considerations regarding target-group-oriented reporting with the possibilities offered by the tools available to you.

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5 Don't play safe – No risk, no reward

The familiar gap between what companies publish and what investors want still exists today. It's still far too common for companies to fail to include long-term-oriented investors as a separate target group in their strategy, says BlackRock's Edouard Dubois. It's not just about the numbers – a balanced view of different stakeholder perspectives is also necessary.

Amid the information overload resulting from increasing regulation, it's often difficult to identify what's important. But as SIX representative Reto Zemp explains, these regulations do not necessarily oblige companies to provide more information. A strict focus on materiality is far more important. If companies carry out this analysis carefully, they need not worry that they've omitted any mandatory information. A bit of courage pays off in the face of regulatory requirements.

Experimentation can come in handy here. According to Ernst Fehr from the University of Zurich, this is a company's most important management resource and can lead to systematic success. The key to this is for management to implement and support a culture in which it's okay to make mistakes.

**Materiality is the key to avoiding risk.
Even regulatory requirements can be summarised clearly and concisely – so why not give it a go.**

Interested in an in-depth exchange on these exciting topics?

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