

## NINE TRENDS IN CORPORATE REPORTING:

# Corporate reporting meets new standards for stakeholder communication



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The game of corporate reporting has changed over the last 10 years. Companies are no longer just communicating for compliance purposes to a narrow group of investors and financial stakeholders. Instead, reporting is serving several management and communication purposes, and the target audience is getting still larger. This is evident looking at the annual reports of the companies in the C25 index at Nasdaq Copenhagen.

Annual reports are no longer just a document focusing on financial results of the year. Reporting tasks are much wider if you want to stay compliant. And management have also realized that creating the story on how the company creates value, strategize, manage risks and acts in a responsible way is a complex matter with several integrated elements playing a significant role. The annual reports of 2021 demonstrate a willingness among companies to tell and illustrate this is an open and transparent way.

Below is stated nine trends in corporate reporting which are present in the annual reports of the large Danish listed companies. Not all are evidently present in each of the reports but may serve as aspiration to management and IR professionals seeking ideas and inspiration for improvement of corporate reporting.

## **1. Corporate reporting as corporate branding**

Corporate reporting is a tool for corporate branding and for building reputation. Though reporting is also very much an act of compliance most companies seem to be quite aware of the potential communication and branding effect of reporting. Most reports are targeted the financial markets but are clearly also communicating to a broader group of corporate stakeholders, employees, partners, and customers. This is seen in the use of design, infographics, and photos as well as in the priority of communicating short and sweet through an AT A GLANCE or IN BRIEF section which works as an introduction to the company.

## **2. Integrated reporting**

A much-discussed trend has in the later years been the question on whether to do integrated reporting or not. Companies are increasingly integrating CSR/ESG/Sustainability in their businesses, and this is seen in the way they communicate their business model, strategy, value creation and results. E.g., a number of companies in the C25 index is presenting ESG data as part of the *Five-Year Results* overview. This is the case for A.P. Møller-Maersk, Demant, DSV, FLSmidth, Novozymes, Pandora and Ørsted.

But the scope of compliance rules and standards are also increasing, and most of the larger Danish companies have therefore chosen to communicate responsibility matters in a separate report and just recap this in the annual report. However, developing a separate report does not mean that companies do not balance and integrate more bottom lines in their total reporting and communication with stakeholders. It is just important for companies to be aware that different target audiences are also attracted to different kind of reports – and do not always see the full picture.

## **3. Equity story – why invest in our company?**

Many Danish savers have their money invested in Danish listed companies, and an increasing amount take an active interest in shares and companies. A concise and interesting equity story can be an important tool for communicating why potential investors should invest in the company. Questions to be answered include "what is our purpose?", "what makes our company unique?", "how do we create innovative products and services?", "how do we manage our company?", "which role does people and culture play?", "how do we integrate responsibility and sustainability in our business and products?"

Specific equity stories of this kind are not that easy to find in Danish annual reports. However, ISS, Jyske Bank, Netcompany, and Royal Unibrew are demonstrating similar ways of carrying out this communication.

## **4. Focus on value creation and strategy**

Annual reports have much focus on explaining and illustrating companies' business model, their value creation and strategy. This is not only due to compliance. Companies do also see the value in unfolding these core elements in an open and transparent way. Some years back management were often hesitant to disclose much in terms of targets, KPIs, plans and new measures. But in recent years this has changed. The strategy section is often a very comprehensive and detailed part of the reports. The reason is evident; the more stakeholders know about how the company

is managed and is planning to do, the better the evaluation of the company as a share, a company to partner with, to trust and to work for.

There are many great examples of this strong focus on business model, value creation and strategy. The annual reports of A.P.-Møller-Maersk, Chr. Hansen, Pandora, Lundbeck and Ørsted delivers inspirational content.

## **5. ESG highlights included in the annual report**

The current trend of reporting among the larger Danish companies seems to be to create an annual report and a separate report to cover ESG/CSR. Also, some of the companies are complementing this with reports on remuneration, risk management and/or governance. Midsized and smaller companies are generally trying to comprise all reporting in an (integrated) annual report.

Despite this separation of reports most companies still highlight essential parts of the ESG/CSR complex in their annual report. Some in a very brief form that primarily refers to the web or a separate report for substantial information, and some as a form of "extended highlights" of policies, targets, measures and results in responsibility matters. Good examples of this last approach can be found in the annual reports of Danske Bank, DSV, Tryg, Demant, Jyske Bank, ISS and Lundbeck.

## **6. People and culture highlighted**

Many companies are battling for highly skilled employees, and in recent years corporate reporting has taken an important position as a communication tool for employer branding. As such many annual reports are communicating how companies develop employee relations and build company culture. In relation to COVID-19 this trend was especially explicit as this affected organizational structures, ways of working and cooperating, and the role of management.

This area also includes communicating targets, measures, and results from a number of standardized analyses and evaluation on management-employer relations and employee satisfaction. There is room for improvement from most companies in this section, but inspirational examples can be found at Chr. Hansen, ISS, Pandora, Royal Unibrew and Vestas.

## **7. Trends in society, industry, and markets**

No company is an island, and businesses and brands are very much affected by the outside world. They are affected by political and economic changes caused by events such as COVID-19 and the war in Ukraine, and they are affected or even managed by meta and macro trends in the world, regions, society, markets, industry or in customer and consumer groups. The purpose, strategy and operation of companies cannot be explained alone by describing internal processes, decisions, and results.

This considered, it is thought-provoking to see that only few companies make the effort of describing the larger trends that affect their company – or that they affect by their operations. A few examples are given by Pandora which describes its response to trends like data-driven personalization, e-commerce and sustainability, and by Netcompany which states platforms, Govtech, Composable Enterprise and Data Ethics to be significant trends affecting the company.

## **8. Extended use of infographics**

The visual appearance of the annual report contributes greatly to the reader experience and to the corporate branding of the company. But the use of photos, infographics, illustrations, symbols, and icons is also an integrated part of the content and the communication of strategy, value creation and results.

Some years back the "cutting clutter" regime resulted in a setback for the design of annual reports. But looking at reporting from Danish companies today those days seems long gone. All large companies are using a lot of efforts to create an annual report that is both appealing, serves as a branding tool, and contributes to the storytelling of the company. Great examples of companies that use a large pallet of design elements is found in the reports of A.P. Møller-Maersk, Carlsberg, Chr. Hansen, DSV, Novozymes, Lundbeck and Vestas.

## **9. Format 16:9 – but very few web reports**

Many companies have chosen not to print the annual report to distribute it as a physical document to their stakeholders, and they have also realized that most stakeholders read their reports online anyways. With this in mind, the trend in recent years has been to design and publish the annual report in a horizontal format that match the horizontal format on most desktops. Many have even gone all the way to design in 16:9 format which is the common format of screen reading.

It is quite surprising to learn that only a few companies have taken the full step in developing and publishing an online report using the possibilities of the internet. Novozymes has prioritized the online report at the expense of the printed report for many years, but it is also inspirational to see how Netcompany is using video to communicate strategy and results in their online annual report.

## **The future of corporate reporting**

Some years back I suggested corporate reporting to become a continuous process of communicating data, results, and processes with a wide group of stakeholders. I still believe in this vision as a beacon to management, IR and communication professionals striving to have an open, transparent, engaging, and relevant dialogue with their stakeholders.

Many Danish companies are well underway. If we consider corporate reporting to be a broader term for communicating the current health condition of a company, many existing forms of communication and platforms are supporting this task. This includes publishing news, magazines, and quarterly reports, communicating on social and digital media, doing PR, plus holding seminars and capital market days, and meeting with stakeholders. Corporate reporting may easily be defined as integrated cross media communication.

This also means that the annual report must be considered a report of the year, containing content and stories that have already been communicated in the specific year. And you could even imagine an annual report to a dynamic digital document with data that are updated (automatically) through the year in which the events are taking place. In this way the concept of corporate reporting is an ongoing task bringing transparent, relevant, immediate, and updated information on company results and value creation.