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METHODOLOGY
The annual reporting landscape is constantly evolving. The 2016 edition of the research, our third one, tells us a lot about how the top 800 listed companies in Europe are rapidly adjusting themselves to an on-the-move social, technological and regulatory environment.

The analysis of content structures and presentation formats of more than 1,000 annual reports gives evidence of two major reporting trends:

1. **THE RETURN TO THE PRODUCTION OF JUST ONE REPORT (COMPANIES MAKING THIS CHOICE INCREASED BY 27%).**
   After years of proliferation of Corporate Social Responsibility Reports, Governance Reports and Environmental Reports as complementary to the Financial Report, companies are going back to a “stand-alone” publication though completely transformed in comparison to 15 years ago;

2. **THE GROWTH OF SHORTENED, CONDENSED AND, LET’S USE THIS WORD, “MARKETING” VERSIONS OF THE ORIGINAL 300-PAGE DOCUMENT.**
   These summaries take the form of captivating scrolling web pages concentrating on company purpose, crucial events, strategic assets and vision. Companies adding an ANNUAL REVIEW to their Annual Report went from 110 in 2014 to 195 in 2016.

As the release of annual results is a key event in corporate life and involves the direct responsibility of CEOs and top management as well as full commitment by CFOs, IROs and Communication officers, the road that these two main directions (one report + one digital summary) are indicating goes beyond reporting:

- the one-report solution reflects a need for a stronger integration of social and environmental matters with economic and financial performance. “One long-term vision, one report” could be a good motto behind this choice. This push comes from civil society well before governmental or supranational EU institution directives. In this respect, many companies were faster than political and legislative bodies in conceiving their own organizations as social movements constantly interacting with citizens, communities, employees and partners;

- the rise in concise digital Annual Reviews reflects changing corporate communication strategies corresponding to a radical transformation in the ways in which new generations access and absorb information. Concise, to-the-point and visual are the main features of a brand new digital language more suitable to establish relationships based on transparency, trust and authenticity with stakeholders.
A first look at the following numbers would lead us into thinking that exactly the opposite of what we have just described is happening:

- in 2016 (FY2015), both CSR reports and Integrated reports dropped by approximately 24% compared to 2015 (FY2014);
- in 2016 interactive reports dropped by 22% compared to 2015.

However, the analysis of the editorial structure and the topics covered, the combinations between the various types of reports and the formats of publication highlights that the content integration process is going forward and that the implementation of digital annual report projects is alive and kicking.

Annual Reports can be Integrated even if the word “integrated” is not part of their name. Where to draw the line between Annual Reports and Integrated reports remains an open issue. Naming the stand-alone report either Annual Report or Integrated Report is the free choice of individual listed companies. Neither the European Directive 2013/34/EU on disclosure of non-financial and diversity information nor existing guidelines such as those produced by the International Integrating Reporting Council (IIRC) and the GRI have yet established what the minimum level of information allowing an annual report to be defined as Integrated should be.

On the other hand, although the presentation of non-financial data and content is central when communicating results, content is now migrating from CSR reports to Annual Reports, Annual Reviews and Sustainability sections of corporate websites.
Having to make space for social and environmental policies and strategies, Annual Reports are becoming increasingly more complex documents striving to simultaneously comply with national and international regulations and follow multiple non-financial reporting frameworks and principles. It is also due to this complexity that an ever-increasing number of companies are adopting clearer and more concise forms of performance presentations such as Annual Reviews.

With regard to the format of publication, the decreased number of companies investing in some kind of interactive digital solution is clearly due to the drop in interactive PDFs, a form of interaction that, though more effective than the simple PDF, is still too related to the sequential reading of printed documents. On the other hand, the research confirms that the presentation of annual performance in HTML has become common practice in corporate communication.

The implementation of reports as websites, no matter whether including full content or a summary, is having interesting impacts across all managerial levels because it is:

- forcing CEOs and executives to improve their communication and presentation skills as videos have become a fundamental feature of online reporting;
- pushing content owners (Investor Relations, CSR and Marketing departments) to formulate more visual and dynamic representations of complex strategic issues such as business models, risk management or governance systems;
- making the traditional “comply or explain” approach of technical functions such as Finance or Governance live alongside story-telling formats and techniques of content promotion that are typical of marketing.
The research covers the companies belonging to STOXX® All Europe 800 Index representing the largest 800 companies in 25 countries. In order to have less fragmented statistics, 6 macro regions were created on the basis of similar culture, language and geographical proximity between countries.

### Macro Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Nr of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK and Ireland</td>
<td>235</td>
</tr>
<tr>
<td>Germany, Switzerland and Austria</td>
<td>154</td>
</tr>
<tr>
<td>Scandinavia</td>
<td>115</td>
</tr>
<tr>
<td>France and Benelux</td>
<td>150</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>95</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>51</td>
</tr>
</tbody>
</table>

The map shows the distribution of companies across countries in Europe.
COMPANIES HAVE BEEN CLASSIFIED BY INDUSTRY AND BY MARKET CAPITALISATION.

With regard to the industry, the research follows the ICB (Industry Classification Benchmark) standard and includes each company in 19 super-sectors:

1. Oil & Gas
2. Chemicals
3. Basic Resources
4. Construction & Materials
5. Industrial Goods & Services
6. Automobiles & Parts
7. Food & Beverage
8. Personal & Household Goods
9. Health Care
10. Retail
11. Media
12. Travel & Leisure
13. Telecommunications
14. Utilities
15. Banks
16. Insurance
17. Real Estate
18. Financial Services
19. Technology

<table>
<thead>
<tr>
<th>MARKET CAP (Euro)</th>
<th>2016</th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESS THAN 5 bn</td>
<td>371</td>
<td>331</td>
<td>387</td>
</tr>
<tr>
<td>BETWEEN 5 AND 16 bn</td>
<td>273</td>
<td>289</td>
<td>253</td>
</tr>
<tr>
<td>MORE THAN 16 bn</td>
<td>157</td>
<td>176</td>
<td>155</td>
</tr>
</tbody>
</table>
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MAIN FINDINGS OF THE RESEARCH
IN 2016 (FY2015), BOTH CSR REPORTS AND INTEGRATED REPORTS DROP BY APPROXIMATELY 24% COMPARED TO 2015 (FY2014).

Does this mean that companies are taking a step backwards with regard to reporting and integrating environmental, social and governance matters?

The answer is certainly «no»: the presentation of non-financial data and content is central when communicating results, but content is now migrating from CSR reports to Annual Reports, Annual Reviews and Sustainability sections of corporate websites.

Having to make some space for social and environmental policies and strategies means that Annual Reports have become increasingly more complex documents striving both to comply with national and international regulations and simultaneously to follow multiple non-financial reporting frameworks and principles.

This complexity is then re-balanced by clear and concise forms of performance presentations such as Annual Reviews (summaries of full reports) which in 3 years have almost doubled.
BACK TO ONE STAND-ALONE REPORT?

IN 2016 THERE IS A CLEAR RETURN TO THE ONE-REPORT FORMULA (+27%)

Companies publishing just one report, either an Annual Report or an Integrated Report, have increased by 27% which is consistent with the decrease of the number of companies doing two reports (-16%).

Where to draw the line between Annual Reports and Integrated reports still remains an open question.

Naming the stand-alone report either Annual Report or Integrated Report is a free choice of individual listed companies. Neither the European Directive 2013/34/EU on disclosure of non-financial and diversity information nor existing guidelines such as those produced by the International Integrating Reporting Council (IIRC) and the GRI have yet established what the minimum level of information that would allow an annual report to be defined as Integrated should be.

The Johannesburg Stock Exchange remains at this stage the only institution requiring the adoption of Integrated Reporting on an ‘apply or explain’ basis (for years commencing on or after 1 March 2010.)
Although in 2016 fewer companies have been investing in some form of interactive report (447 companies vs 573), a more detailed analysis shows that this decrease is due to a redistribution of the communication efforts and a change in digital strategies of the 97 companies who abandoned the iPDF rather than to a penalization of annual reports as specific websites.

While companies seem to be much less confident in adopting interactive PDFs (-37%), the number of organizations amongst the top 800 listed companies in Europe who decided to build an HTML release of the annual report has only slightly decreased in 2016 (-5%).

The analysis of the three year period shows that html reports have become an acquired practice for approximately 40% of the undertakings.
Whereas in 2015 companies were inclined to publish a full Integrated Report in HTML where the content of the pdf version was poured completely into a dedicated website, in 2016 the predominant choice has been to do a more condensed version of annual results, either through one scrolling web page or through hybrid versions combining html pages and downloadable PDFs.

Out of the 324 companies doing an HTML report, in 2016 120 companies (37%) chose to publish an Annual Review as a stand-alone digital solution for performance communication.

Within these extremely summarized reports, creative design, interactive animations and video communication serve as a content marketing platform enhancing Ceo statements, strategic directions, business models, economic, social and environmental objectives and achievements.
COMMUNICATING PERFORMANCE THROUGH SUPER-SUMMARY DIGITAL REPORTS

IN 2016 DIGITAL ANNUAL REVIEWS HAS TAKEN THE LEAD

The trend towards merging Annual Reports and CSR Reports into one report, together with the objective of achieving higher levels of integrated representation of financial and non-financial aspects, is pushing companies into giving a holistic vision of their achievements and strategies through one concise, interactive and visually appealing website.

Compared to 2015, summarized versions of annual reports in digital version have quadrupled. In terms of communication, videos, infographics and animations seem to attract the audience more than a technical and compliant full html report.

This rapid growth of Annual Reviews reflects some of the ongoing changes in business communication such as:
• convergence of marketing and corporate communication: corporate content must be as engaging and attractive as product information;
• communication departments are broadening their sphere of influence while Investor Relations functions are focusing on protecting their niche;
• social, environmental and governance issues are moving higher in stakeholder evaluations and pushing companies to incorporate non-financial content in annual reports;

<table>
<thead>
<tr>
<th>Report Type</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Report</td>
<td>93</td>
<td>169</td>
<td>155</td>
</tr>
<tr>
<td>CSR Report</td>
<td>75</td>
<td>107</td>
<td>111</td>
</tr>
<tr>
<td>Integrated Report</td>
<td>67</td>
<td>136</td>
<td>134</td>
</tr>
<tr>
<td>Annual Review</td>
<td>154</td>
<td>40</td>
<td>32</td>
</tr>
</tbody>
</table>

Out of all companies making a HTML report, how many companies did:
In 2016, though less represented in the database when compared to UK & Ireland, the percentage (46%) of Southern Europe companies doing at least one HTML report was higher than the other macro-regions. In particular, Spain rose from 55% to 68%.
TELCS ARE MORE ACTIVE

In 2016, the Telecommunication sector shows a high percentage (75%) of transformation of annual reports into HTML projects followed by companies belonging to the Basic Resources sector (Forestry, Paper, Industrial metals and Mining).

The coloured bar indicates the number of companies doing a html report out of the total number of companies (white bar)
In 2016, the most capitalized companies confirm a stronger inclination to develop their annual results communication via digital platforms (56% of companies doing a HTML report).

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt;5bn</th>
<th>5-16bn</th>
<th>&gt;16bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>107 (28%)</td>
<td>130 (48%)</td>
<td>88 (56%)</td>
</tr>
<tr>
<td>2015</td>
<td>106 (32%)</td>
<td>135 (47%)</td>
<td>92 (52%)</td>
</tr>
<tr>
<td>2014</td>
<td>69 (18%)</td>
<td>109 (43%)</td>
<td>79 (32%)</td>
</tr>
</tbody>
</table>

The coloured bar indicates the number of companies doing a html report out of the total number of companies (white bar).
CONTENT INTEGRATION

PGE – Integrated Report

Integrated reporting turns the classic siloed structure (financial, social, and environmental performance) over to tell the company’s story in a more comprehensive and dynamic way.

The report by PGE, the largest power utility group in Poland, integrates a navigation path that combines the content pillars of IIRC framework (Organization, Business model, Strategy, Outlook, Risks, Performance) with Capitals.
FORTUM – Annual Review

A forerunner in clean energy, as the company defines itself, Fortum is very straight-forward in their creation of value. In a concise and visual mode, value springs from every info-graphic and chart of this scrolling sequence.

This digital summary is a perfect example of how companies can integrate business, stakeholder expectations, industry trends, performance and vision in one web page. The review is also effectively connected to the corporate website.
EFFECTIVE NAVIGATION

DHL – CSR report

For both the Annual and Sustainability reports, DHL used various entry points to directly guide visitors to the most valuable internal information.

In its CSR Report, DHL designed two itineraries: the standard, operational and re-assuring drop-down menu at the top and the more purpose-driven one taking the audience inside the website through 7 key words.
RENAULT – Annual review

Renault’s Annual Review is just one of the numerous examples of how digital reports can be creative and innovative without having to disorient visitors.

The content is structured around the big 4 sections of the report. Users can go from one section to another by means of the horizontal scrolling feature in the home-page or by opening the hamburger menu.

The 4 sections are very well connected one to another by a consistent content plan always starting with an interview, bridging the content elements with effective transitions while scrolling and ending with an invitation to enter the next page of the journey.
VIDEO AND VISUAL DESIGN

AIRBUS– Annual report

An Annual Report to be flown - not to be read. An invitation to enter a virtual cockpit for a true flying experience through Innovation, Disruption, Operations and Engagement.

A “flying-ahead” journey that stops over the strategic aspects of the company. Even when accessing the most “traditional” sections of the report such as Business, Governance and Figures, visitors are not disappointed because videos, animations and emotional pictures are fully integrated with content.
SEVERN TRENT—Annual review

Clear, transparent, essential and vital: water as a key natural resource is the protagonist as well as the creative connecting thread of the report.

From the big pictures in the homepage introducing the topics of environment, responsibility and trust to the simple, white and neat background of the “What we do”, “Our performance” and “Our strategy” pages, the British utility manages to merge its business purpose and social mission with its digital identity.
STORY-TELLING

KPN – Annual Review

There cannot be a better way to underline the central position of the human factor at KPN than that of engaging visitors with one of the largest uses of videos in a report.

100 1-minute stories of people of different ages, sex, professions, experience and aspirations, all connected by the Dutch telecommunication group. The stories are not just a bright idea to introduce the report but are also integrated in the internal pages.
An annual report is not the story of the past year. It is just a step, a transition between yesterday and tomorrow. That is why Wienerberger opens its annual report with success stories and projects showing “next generation” material and technologies in the construction industry.

The parallax effect in the home-page is undoubtedly a well-chosen technique which takes visitors by the hand and smoothly accompanies them through stories and an engaging content experience.
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METHODOLOGY
The research process included the following activities:

- visiting each single corporate website of the companies belonging to the STOXX All Europe 800 index;
- assessing the types of annual reports they published: Annual Report, Integrated Report, CSR report and Annual Review;
- analysing in what formats the reports were published: PDF, iPDF and HTML.

All data was collected in a database where each company is classified by 17 parameters*.

The database now contains three years of data (2014, 2015 and 2016, for reports referring to fiscal years 2013, 2014 and 2015) allowing us to spot annual reporting trends with regard to:

- number of reports published by each company;
- type of reports;
- format of the reports;
- combinations of reports;
- result communication behaviour filtered by country, macro-region, industry and market capitalization.

As companies publish Annual reports at different times of the year, the research process started on 2nd February and finished on 31st of August 2016.

The data analysed was for reports published in 2016 for the fiscal year of 2015. Reports published after 31st August 2016 are not included in the database.
TYPES OF REPORTS

ANNUAL REPORTS

The Annual report is a report on a company’s activities throughout the preceding year. Usually, Annual reports include General Corporate Information, Accounting Policies, Balance Sheet, Cash Flow Statements, Non-audited Information, Profit and Loss Accounts, Notes to the Financial Statements, Chairperson Statement, Operating and Financial Review, Auditors Report and other features such as governance and sustainability often defined as non-financial.

We classified as Annual Reports all those reports, which, regardless of their formats, are referred to on corporate websites or investor relation websites as Financial reports, Consolidated reports, Management board reports and Business reports.

CSR REPORTS

Corporate Social Responsibility reports refer to non-financial policies, procedures and results. CSR reports give evidence of “the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others” (source: GRI). Often these reports are based on international standards and frameworks such as GRI (Global Reporting Initiative), ISO 26000, OECD (Organisation for Economic Co-operation and Development), UN Global Compact.

Under the “CSR report” category, this research includes all those reports that were “labelled” by companies as: Corporate Social Responsibility report, Environmental report, Social report, Responsibility report, Added value report or Corporate Citizenship report.

INTEGRATED REPORTS

Integrated reports aim at giving a cross vision of company life by restructuring the content organisation of an annual report according to the following pillars: organisational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance and outlook (source: IIRC).
Reports classified as “integrated” were those published by

- companies who clearly referred to the report as an Integrated Report, following the integrated reporting framework (IIRC);
- companies who kept calling the report an Annual report but officially declared integrating all sustainability and ESG information in a new format, changing the classic annual report content structure;
- companies who kept calling the report an Annual report, but “de facto” included all sustainability and ESG information and expanded the content coverage to non-financial issues, even if they did not go as far as to refer to their report as an Integrated Report;
- companies responding to country regulations that require the integration of economic and financial performance with social and environmental aspects (i.e. France - Registration Document; UK - Strategic Report).

ANNUAL REVIEWS

Annual Reviews are more concise versions of Annual Reports including a summary of the most important events of the year, the main financial highlights, messages by the President or the CEO, the pillars of company strategy and storytelling materials often presented, in their digital formats, with videos and infographics.

Annual reviews are a component of a broader result communication strategy which can vary from company to company:

- some companies publish a PDF version of their Annual review;
- others provide an Annual Review in HTML (often referred to as Annual Report website although presenting only some abstracts) and attach the full Annual Report in PDF for download;
- other companies publish a full digital version of the Annual report but create a paper format summary (Annual Review) to distribute to shareholders and investors, for example during Annual General Meetings.
FORMATS OF THE REPORTS

STANDARD PDF

PDF stands for “Portable Document Format” and is a multi-platform file format developed by Adobe Systems. A PDF file captures document text, fonts, images, and even formatting of documents from a variety of applications.* This is still the most popular format for Annual Reports.

INTERACTIVE PDF

Interactive PDFs, also referred to as digital flipbooks, are software applications which add interactive features to the standard Adobe PDF reader. Interactive features may include checkboxes, buttons, comb boxes and text field type widgets and can embed sounds, videos and even other files or URLs. Interactive PDFs for Annual Reports have become popular in recent years as a sort of upgrade of the standard PDF format.

HTML

By HTML report we mean the publication of an Annual Report, a CSR Report, an Integrated Report or an Annual Review in the form of a website.
MESSAGE is an Italian company which works on online IR and digital Corporate Communication. MESSAGE helps its customers, mostly industrial and financial groups with international operations, to effectively address their stakeholders and communicate their brand through the digital environment.

MESSAGE

- designs and builds listed company corporate websites and investor relations websites;
- designs and builds annual report websites;
- develops Investor & Media mobile applications;
- provides video communication and social media strategies.

Clients can benefit from a professional team equipped with:

- corporate communication knowledge and financial markets culture;
- project management skills;
- creative approach;
- editorial skills;
- IT competence;
- web-writing and content production capabilities.

MESSAGE’s headquarters are in Milan while a subsidiary was opened in Warsaw three years ago.
ANNUAL REPORTING IN EUROPE

Research - 2016