

Lab project report:

Digital present

Current use of digital media in corporate reporting

May 2015

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What is the Lab?

The Financial Reporting Lab has been set up by the Financial Reporting Council to improve the effectiveness of corporate reporting in the UK. The Lab provides a safe environment for listed companies and investors to explore innovative reporting solutions that better meet their needs.

Lab reports do not form new reporting requirements. Instead, they summarise observations on practices that investors find useful to their analysis and encourage companies to consider adopting the practices if appropriate in the context of their own reporting. It is the responsibility of each reporting company to ensure compliance with relevant reporting requirements.

Published reports and further information on the Lab can be found on the FRC's website:

www.frc.org.uk/Lab

Do you have suggestions to share?

The Lab encourages readers of this report to provide comments on its content and presentation. As far as possible, comments will be taken into account in shaping future projects. To provide comments, please send us an email at: FinancialReportingLab@frc.org.uk

Quick read

For many companies, the annual report and results cycle remains the focus of reporting to investors. However, increasingly this is supported by a wide range of other communication channels and tools. This report considers mechanisms for digital communication of corporate reporting information to investors, and investor views on them.

Annual reports

Most Investors prefer PDF for digital annual reports. They consider PDF not as a substitute for a hard copy, but a progression from it. PDF provides the best mix of attributes of paper and digital.

Attributes of the PDF annual report that investors say they value include that it:

- **Has a clear boundary** – Allowing Investors to have a clear understanding of the document, its scope and content.
- **Is assured** – The PDF benefits, in Investors' eyes, from the same level of assurance as the hard copy annual report.
- **Covers a defined period at a point in time** – Representing a report at a point in time that does not change versus web pages which could be subject to update.
- **Can be downloaded** – This provides comfort that the investor's copy will not be subject to manipulation or removal.
- **Is searchable** – As the search operates within the boundary of the single, clearly purposed document, Investors have more confidence that the results are relevant. This also allows them to quickly pinpoint areas of interest within that report.
- **Is (relatively) timely** – The PDF is available online prior to the hard copy arriving in the post, and can be accessed by investors as soon as it is released.
- **Is portable** – The PDF can easily be stored and it can be accessed across most devices.
- **Is ubiquitous** – Wide adoption by companies means that investors can access and analyse files across companies and years.

While Investors view PDF as their preferred digital annual reporting format, they suggest that companies could be making better use of the medium. Investors would like companies to:

- **Think about the screen** – Annual reports could be enhanced for the screen. Companies could consider using a landscape orientation or reducing their use of columns and double page spreads.
- **Keep it simple** – E-Books and interactive PDFs are not valued by Investors. A plain PDF which works in black and white is useful for those wanting to print (particularly private retail investors).
- **Optimise for searching** – PDF annual reports should be kept whole. Sectional downloads are not valued because they inhibit the ability to search.
- **Provide sufficient archive** – Investors want companies to provide historical annual reports and other supporting information on their website. Many Investors consider a five year archive fundamental, with ten years seen as useful. Investors would like the following to be included in the archive (as applicable to the company): annual reports, preliminary announcements, quarterly statements, half yearly statements, regulatory news and filings, and analyst presentations.

The fact that Investors value PDF as a communication mechanism for the annual report should be viewed by companies as an opportunity. Investors have already taken a significant step away from hard copy; this demonstrates that they are open to innovation when it better meet their needs (something that many attempts to innovate have not necessarily achieved).

Other communication channels and tools

Alongside the annual report, companies use a range of other channels to communicate information (such as social media and apps) and tools to facilitate analysis of that information (e.g. charting tools). Investors need to consume information on multiple companies in an efficient manner. However, company-produced tools, by their very nature, focus only on the individual company, and the multitude of channels leads to a significant proportion of them too, failing to gain traction with investors.

Investors have specific feedback for companies on the most significant channels and tools:

- **Delivery of annual results presentations** – Investors want multiple channels to be available (e.g. phone and webcast) preferably with supporting slides. Transcripts of the entire event, including all Q&As, is also deemed important.
- **Social media** – Investors do not currently view social media as a useful channel for company produced, investor-focused information. It is seen as repetitive of other channels.
- **Investor relations videos** – Many Investors are cynical about the use of video by companies. They consider them to be promotional in nature, and unfocused in aiming at many audiences. Those Investors that value them concentrate on nonverbal information such as body language.
- **Investor relations apps** – Apps are not popular with investors. Many Investors find the need to have an IR app for each company prohibitive; they are concerned that this uses up space and adds clutter to their devices, especially when following multiple companies.
- **XBRL** – Investors are not clear on what the benefits of XBRL are. They do not consider XBRL adds utility above current market solutions.

To assist companies, Investors who participated in this project suggest that companies:

- Reduce duplication and focus development towards tools and channels which provide new or additional information.
- Acknowledge that investors follow more than one company by making tools and channels more consistent in scope and operation with other companies, making them easy to access and locate.
- Make the purpose of each channel or tool clear to investors, and clarify its contents.

Hurdles to development

This report also identifies a number of factors that act as brakes on further development, which will be explored further in the Lab's next project on the *Digital Future*.

Project introduction

In June 2014, the Financial Reporting Council (FRC) launched its 'Clear & Concise' reporting initiative, which builds on the *Cutting clutter* report published in 2011. The initiative aims to ensure that annual reports provide relevant information for investors in an easy to locate and understandable format. This report forms part of the 'Clear & Concise' initiative.

The use of digital media by companies to communicate with investors is widespread. However, companies have adopted different approaches to this communication.

Project initiation – Following the Lab's first anniversary event in 2013, companies and investors expressed an appetite for a project looking at digital reporting. In May 2014, the Lab launched a phased project: [Corporate reporting in a digital world](#).

This first report considers the views of Investors on a range of digital communication mechanisms currently used by companies. The report seeks to offer practical guidance to companies by highlighting some areas where Investors consider improvements could be made to what currently exists.

Scope – The project's scope addresses the channels of communication used to report financial and non-financial information that would typically be found in the investor relations section of a company website.

The project focuses on communication channels for corporate reporting. In terms of content, the annual report remains of paramount importance to investors. Therefore this report focuses first on the annual report and then explores other channels that companies use.

The report covers:

- **Annual reports:** why PDF is considered by most investors interviewed to be the best digital format, and how the digital annual report could be enhanced.
- **Channels and tools:** what key features investors are looking for, and views on different channels and tools and how they might be improved.

Project participants – 8 companies (Companies), 15 institutional investors and 5 private retail investors (Investors) have been interviewed for the project. Further input was received through an online survey that produced responses from 151 retail investors (See the section *Project process* for more information).

References made in this report to views of Companies and Investors refer to the individuals from those groups that took part in this project. The Lab uses the term Investors to cover collectively the investment community participants. This includes a broad range of individuals in their capacity as investors or their role in analyst organisations that work in the interests of investors. Furthermore, we break Investors into retail investors (representing individuals who trade on their own behalf) and institutional investors (trading, or analysing on the behalf of or servicing others) where this is pertinent to the analysis.

Context – The focus of this report is exclusively on the views of investors. It is not intended that this report represents the views of all stakeholders who may be interested in companies' communication. The report is not intended to form guidance and companies should consider whether the steps identified by the Lab are suitable to their own circumstances.

Next steps – The Lab will build on the findings from this stage of the project to inform the scope of the remaining phases. The second phase, **Digital Future**, will seek to provide leadership on the future of digital reporting. The Lab will work with companies and investors to develop ideas of how to use digital reporting in future to improve company communication with investors. The appendix to this report includes some of the ideas generated in this project on the potential hurdles to further development. They are included in this report as initial considerations in how opportunities may be realised. If you are interested in taking part please contact the Lab – FinancialReportingLab@frc.org.uk

Annual reports

The annual report is an important source of information for investors when considering stewardship and also when undertaking in-depth research and analysis.

For most companies, the principal mechanism for providing the annual report online is via a PDF (Portable Document Format) of the hard copy annual report. A small number of companies produce HTML (Hypertext Markup Language) / web-page versions of the annual report, or a HTML / PDF hybrid.

Companies' perspectives

For Companies participating in the project, PDF is the most used digital channel for annual reports, with only one producing a full HTML version in addition to a PDF. In all cases, the number of users accessing the PDF outweigh the volume of hard copy reports produced.

The majority of Companies treat PDF as an output of the hard copy annual report process, rather than as a digital channel in its own right. Companies use PDF because they feel it is preferred by investors. They consider that investors like PDF because it is a substitute for hard copy. For Companies, PDF also has the advantage of being relatively cheap, quick, and easy to produce.

Investors' perspectives

For the majority of Investors, PDF is their preferred digital format for annual reports. However, they prefer PDF not as a substitute for hard copy, but for the range of attributes it provides.

Investors articulate a series of qualities that they value in PDFs. These qualities are not unique to PDF; in fact they reflect a mix of attributes of hard copy and digital annual reports. PDF is seen as the format that presents the most beneficial blend of attributes.

Attributes identified by Investors include that PDF:

- **Has a clear boundary:** As a document with a defined boundary, it allows Investors to have a clear understanding of its scope and content.
- **Is assured:** The annual accounts, and certain other information published with the financial statements, are subject to audit. As a reproduction of the hard copy annual report, the PDF is perceived by investors as being subject to the same level of assurance.
- **Covers a defined period at a point in time:** Investors perceive that PDF benefits from a 'photocopy' like quality which gives them confidence that the PDF represents a report for a period and at a point in time, and does not change. This confidence is not shared for web pages which could be subject to update and change.
- **Can be downloaded:** As a single document, it can be obtained and held by Investors as a file on their systems. This provides comfort that it will not be subject to unwarranted manipulation or removal.

Background – How investors use information

Investors acquire a significant volume of information, due to the number of companies in which they have an interest. Investment analysts who took part in the project follow up to 50 companies, and investors (including retail investors) hold between 5 and 50 stocks.

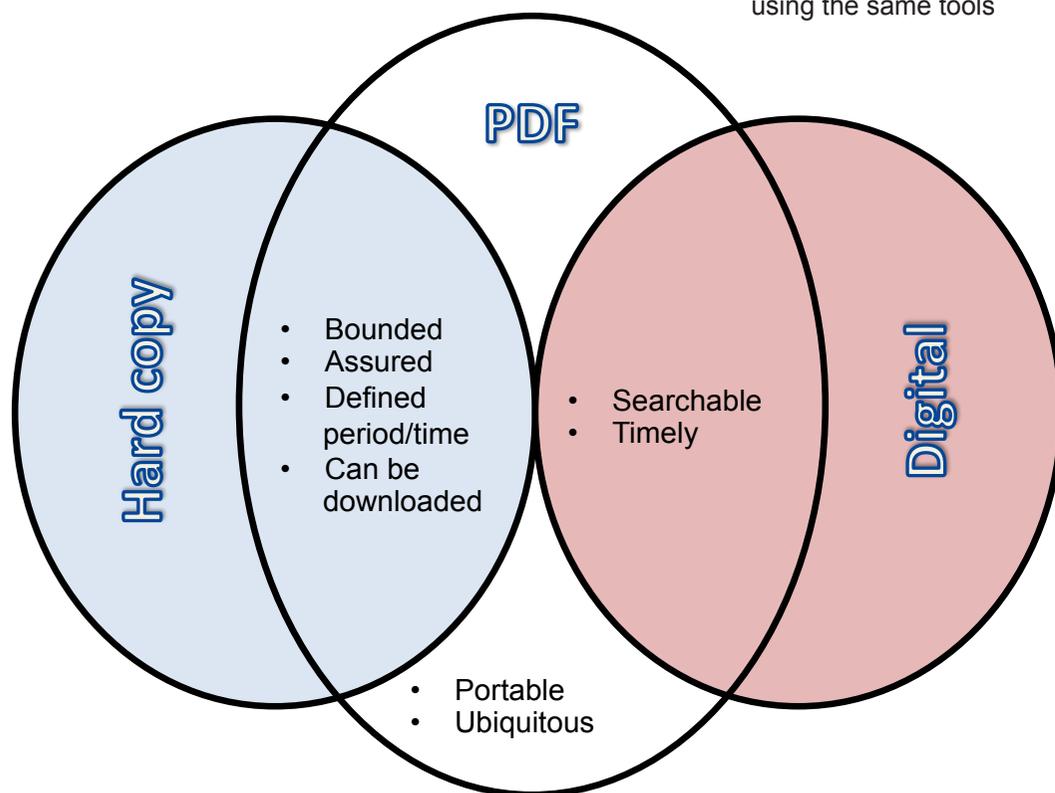
Investors identify two distinct uses of corporate reporting information: screening for new investments, and performance monitoring of their current investments.

When screening for new investments, Investors use data providers (either well known aggregators or websites focused on retail investors). Investors use data providers because they offer easily comparable information sets across companies and markets. Many offer both company reported and 'normalised' financial information.

Investors consider a range of sources of information produced by companies, alongside third party data, when they undertake more detailed analysis of a company. Investors use the information to obtain extra insight into the company and its performance, often with the intention of improving their model or assessing likely future performance.

Investors value the annual report and the audit and assurance surrounding it. They view the annual report as the foundation upon which other sources of corporate reporting are generally based.

- **Is searchable:** The ability to search is one of the most significant benefits that digital documents offer over hard copy. Investors feel that PDF has a more reliable search function than that of corporate websites. As the search operates within the boundary of the single clearly-purposed document, Investors have more confidence that the results are relevant. The search function also allows areas of specific interest to be pinpointed efficiently.
- **Is (relatively) timely:** As a digital document, it can be accessed by investors (wherever they are) as soon as it is released, rather than having to wait for the hard copy in the post.
- **Is portable:** PDF can easily be stored and accessed across most electronic devices.
- **Is ubiquitous:** Wide adoption by companies means that Investors can access and analyse the files across companies and years in the same way, using the same tools



“The adoption of PDF was so revolutionary that I think that any other changes will not take us much further forward”

Analyst

Lab comment

The fact that Investors value PDF as a communication mechanism for the annual report should be viewed by companies positively. Investors have already taken a significant step away from hard copy, which demonstrates that they are open to innovation when it better meets their needs.

Because Investors value the mix of attributes offered by PDF rather than the format itself, further innovation that builds on those attributes is more likely to succeed. Innovation should enhance Investors' experience or provide additional functionality; however, other attempts have not yet achieved this. In the next phase of the project, the Lab will be looking at the future of digital corporate reporting and will build on the attributes that have been identified in this report.

Figure 1: Qualities that Investors value in PDF annual reports

Opportunities to enhance the PDF

While the future of digital annual reports may involve more complex or extensive innovations, there remains opportunity to improve PDFs in the short term. Investors identify some simple things that companies could do to improve PDF annual reports.

Think about the screen

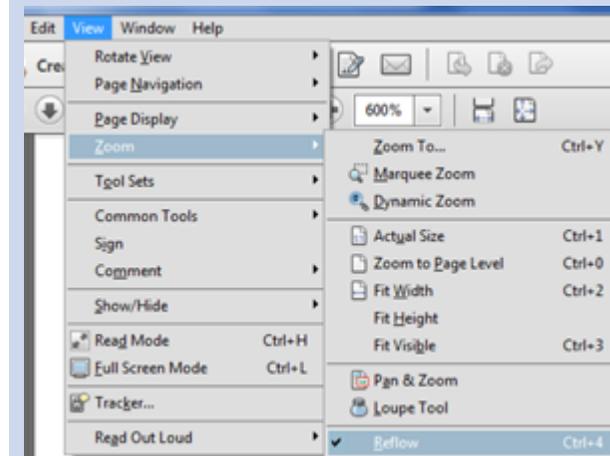
Investors read the PDF on-screen; some exclusively so – most still predominantly use desktop computers. Others adopt a hybrid approach (printing key pages or sections). However, their ability to read on screen is hindered by some design elements best suited to hard copy annual reports.

Investors consider that the PDF annual report format should not be dictated by a need to produce a hard copy annual report (and perhaps, that the PDF should dictate the look and feel of the hard copy document instead). The following small changes in the way that the PDF annual report is created (some of which are adopted in this report) may improve usability for investors:

- **Portrait vs landscape** – PDF annual reports are almost exclusively presented in a portrait format, reflecting the traditional hard copy annual report. However, this limits readability on screen. Presenting information in a landscape format (as adopted by the Lab) could provide enhanced clarity and provide an opportunity to innovate in layout (see illustration on page 9). Alternatively, ensuring that the PDF works with the reflow tool built into some PDF readers would also solve the issue (see box).
- **Use of columns** – Annual report text is often presented in a columnar format. While this works well in portrait hard copy documents, it does not work as well in portrait PDF, due to the need to scroll at a readable magnification on-screen. A single column format (or a landscape approach) would reduce investors' frustration with having to scroll up and down the PDF.
- **Use of double page spreads** – When reading on-screen, double page spreads often need to be split across two screens to make them legible. Companies could consider how these elements work better in an on-screen PDF.
- **Flat navigation** – Investors do not typically read the annual report from cover to cover unless required to do so as part of their analysis role, and even then, they generally do not do so in a linear manner. More typically, they scan for key information or specific items related to an element of their analysis. In hard copy annual reports, this type of review can be facilitated by flicking back and forth through the pages. However, this is not as easy in PDF. Basic contents pages can be enhanced with hyperlinks or side bar navigation and bookmarks, to allow quick access to each section.

Reflow and other accessibility tools

Reflow is an integrated functionality within some PDF readers, which changes the PDF document format into a single column.



This feature works at any level of magnification, allowing text to be as large as readers wish, and is not just useful for desktops, but also works with mobile devices. Reflow works with standard PDFs (dependent upon setup) however images, graphs and layout elements may be distorted.

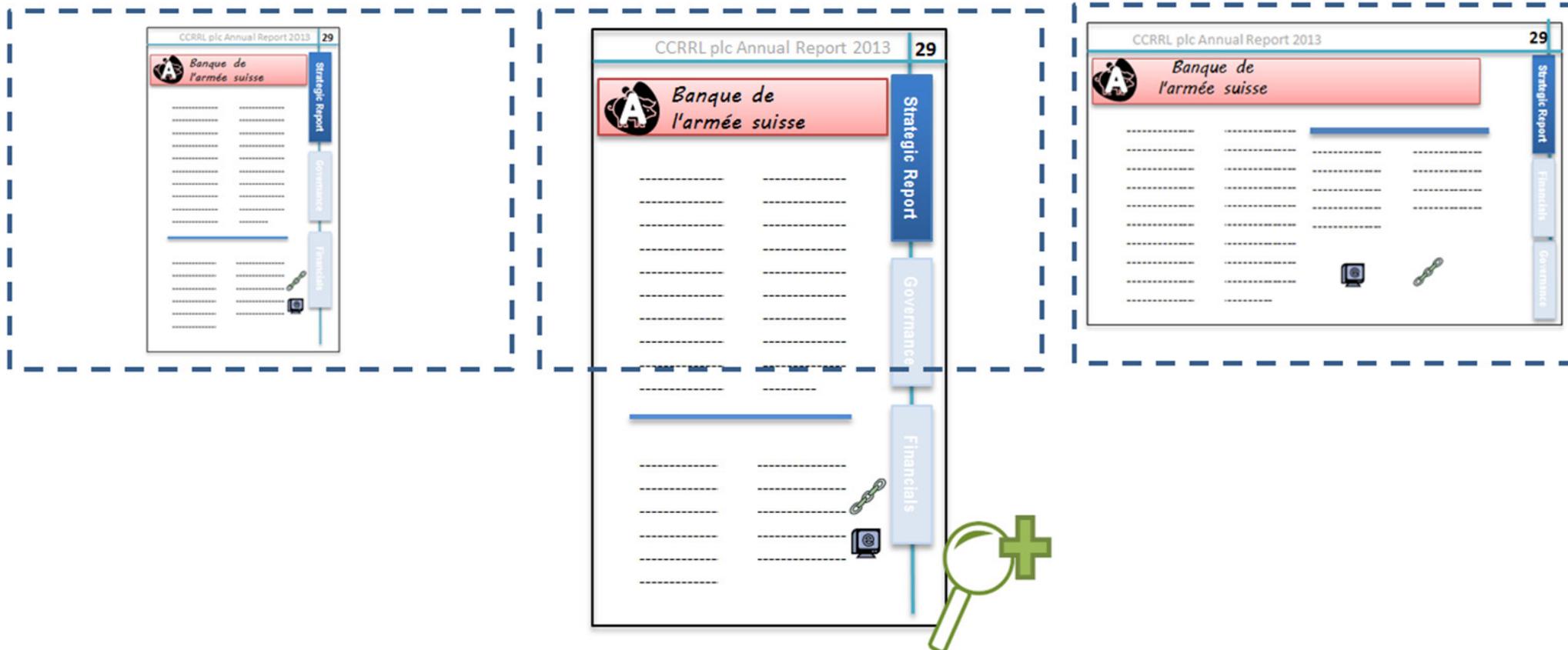
Other accessibility tools

Making PDFs accessible is best done right at the start, with the initiation and design of the document. AcceDe PDF is an initiative by a number of large French companies. It aims to ensure that PDF documents published are accessible. AcceDe has published a guide for companies which provides steps that companies can undertake to make PDFs open to all. See <http://www.pdf-accessible.com/en/>

1. Unreadable

2. Magnified

3. Optimised



Portrait PDFs are often designed with the printed page in mind. However, this may not work well when viewed on screen as magnification must be reduced to fit the page to screen.

Portrait vs landscape

By using the zoom function, the PDF becomes readable, but this creates the need to scroll, especially when columns are also used.

By designing the PDF for reading on screen in a landscape format, viewers get a much better user experience - that can still work on paper

Figure 2: Portrait vs landscape illustration

Keep it simple

When Investors do print, either the entire PDF or sections thereof, they prefer to do so in black and white. Investors find that few companies consider the readability of their report in black and white.

Investors (especially retail investors) express frustration with:

- Graphs and diagrams that need to be printed in colour to allow interpretation;
- Pictures and graphics that make heavy use of ink; and
- Light text on light background, which can be difficult to read.

PDF e-books and interactive PDFs with extensive pictures and embedded video, etc. are actively avoided by Investors as they often present reduced functionality (such as search and print) compared to standard PDFs.

"I want the most basic PDF. I find the e-Book versions frustrating"

Retail investor

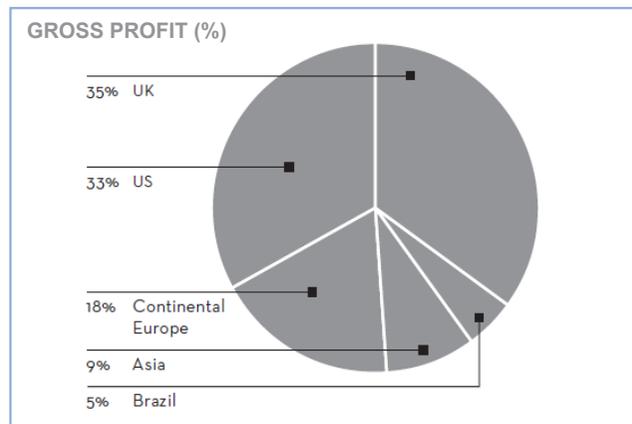


Figure 3: BrainJuicer annual report optimised for black and white

Lab comment

One solution adopted by some companies is to produce a black and white optimised version of the annual report document.

Some, such as BrainJuicer, have done this as the primary PDF; others have provided an optimised PDF (often the version sent to Companies House) alongside the more traditional colour PDF. BrainJuicer developed their black and white PDF following feedback from their investors. The company considers that this pared back approach also helps to focus the reader on their performance.

Optimise for searching

Investors use the PDF search function to look for information across the annual report. Because Investors want to search all 'relevant' annual report information at once, they prefer to have a full document rather than one split across separate PDFs. Investors believe that searching the full document reduces the risk of missing something important.

Companies can optimise for searching by using a single PDF for the annual report. Also, ensuring consistency in terminology across sections of the reports and years (and industry if possible) is helpful for searching, as it can assist Investors in identifying relevant search terms.

Lab comment

The Lab's recent Case study report, [William Hill – accounting policies](#), further supports the concept of presenting information for investors in one document. Investors in the case study preferred a full list of accounting policies (including non-significant accounting policies) to be included as an appendix to the annual report rather than being placed only on the company's website. This allows them to search and refer to the full list of policies on the occasions they needed to, while focusing on what management identified as the significant policies located within the financial statements.

Provide a sufficient archive

Investors want companies to provide an archive of historical annual reports and other supporting information on their website. Many Investors consider a five year archive fundamental (also being legally required for the annual report) with ten years seen as useful. Others however, do not think the number of years is critical, but argue instead that the archive should cover at least the full business cycle.

Investors would like the following to be included in the archive (as applicable to the company):

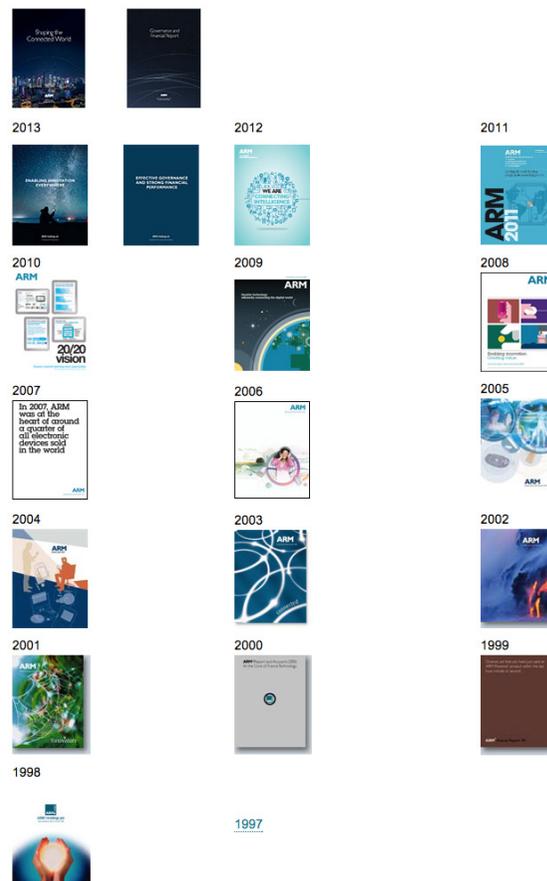
- annual reports;
- preliminary announcements;
- quarterly statements;
- half yearly statements;
- regulatory news and filings; and
- analyst presentations.

Investors also highlight the importance of having access to, and an archive of, other events and presentations that management make publicly. Events such as strategy days, investor conferences or industry events, are seen by Investors as providing an important source of information. Having transcripts, slides and webcasts (where applicable) was identified as key.

Some Investors are of the view that for significant acquisitions, an archive of the acquired companies' annual reports should be available covering the five years prior to the respective acquisition.

Investors consider that the fall in storage and data transmission costs has removed these as barriers to providing full and detailed archives.

Annual Reports



Annual Report archive covering more than 10 yrs.

Results Centre

2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001

2015	Q1	Q2	Q3	Q4
Roadshow Slides:	2.29 mb			
Earnings Release:	0.80 mb			
Financial Data:	0.42mb			
Webcast:	Online			
Infographic:	0.21 mb			

Supported by archive of key material.

Figure 4: ARM plc provides an extensive archive

Other channels and tools

While annual reports remain important for companies, a diversity of other mechanisms has developed to support companies in their communication with investors.

Companies use a range of channels to communicate content to investors, and tools to enhance use and understanding. The content communicated through these channels includes information that supplements the annual report content (either in nature or timing), and content sourced from the annual report.

While the content of the channels may be useful, the way that the information is disseminated may well cause issues. A significant proportion of tools and channels fail to gain much traction with Investors.

Different perspectives

Investors (both retail and institutional) hold shares in significant numbers of companies within their portfolios. They are using, analysing and comparing information from many different companies at once.

Investors feel compelled to review every iteration of company information as they are searching for new or additional information. However, the repetitive nature of the information disclosed via different channels can serve to dull Investor interest and make it difficult to identify which information is new or different.

Investors find that company-produced tools, by their very nature, lack comparability and consistency across companies. This limits Investor use as they consider it an inefficient way of accessing company information. For example, Investors reflect that each company tool requires them to develop an understanding of its scope and limitations.

Key ways to improve usability include:

- Focusing effort on the tools and channels that provide investors with the most benefit, and through this, reduce duplication.
- Remembering that investors follow more than just one company. Making the information presented by the tools or channels easy to access and locate, and making tools and channels more consistent in scope and operation with other companies would help reduce the learning curve; and
- Making the purpose and content of each tool and channel clear to investors.

Importance of annual results presentations

Companies consider that annual results presentations and preliminary announcements are key to communicating results and strategy to the market in a more focused way than in the annual report. Webcast annual results presentations are provided by all of the participant Companies.

Investors agree. Both institutional and retail investors consider results presentations to be key sources of information. Presentations are useful to investors not just because they are one of the first (alongside the preliminary announcement) sources of information that a company provides in a year end reporting cycle, but also because they present relatively succinctly the way that management itself views the business and its results.

Communication channels

Delivery of annual results presentations

Given the importance of the annual results and other presentations, choosing the most effective channel for delivering access to the presentation and its supporting media is crucial.

Investors like to be able to view remotely the event, and want multiple channels to be available (e.g. phone and webcast). Where the presentation is webcasted (either live or recorded), having the slides presented is considered beneficial by Investors. Investors consider that the ability to ask unscripted questions is important, indicating that on some webcasted events, it is not possible. A number of Investors note that IT security policies of their own organisations prevent access to webcasts when a software download is required.

Where Investors cannot attend the presentations (or call / webcast), or want to undertake a more detailed analysis of what is said, providing an archive of the event and related materials is seen as important.

Having a transcript of the full presentation (including any analyst questions and answers) available is seen by Investors as useful. Investors consider that the transcripts should be verbatim (rather than for example, the script) and if possible, provided by a third party to avoid bias. Those companies not providing archives (of a number of years) or full transcripts are suspected by Investors of “looking to hide something”.

Lab comment

Companies may wish to consider making annual results presentations as widely available as possible; not just by delivering these through multiple channels, but also by keeping a full archive, including transcripts.

Social media

All participating Companies have some form of social media presence, often focused on Twitter. Companies use investor relations (IR) Twitter to support the overall results cycle. One company uses Twitter to drive traffic to the annual report after it has been released. Two of the companies have active CEO Blogs. Companies consider that social media channels are aimed at a wider stakeholder group than just investors.

However, Investor use of IR / company social media is limited, as they consider that IR / company social media is a channel for “extra spin”. Their perception is that social media is not providing further information but simply leading to repetition.

The limited use of social media is mirrored in our wider retail investor survey, as it is rated as the least useful source of company information by retail investors.

“Why would you look at Facebook for companies’ information? Anything material should be on the website.”

“There is a presumption that using social media isn’t work: it is social”

Analysts

Lab comment

Many Investors do not see that social media (as used by companies) is delivering significant benefits to them although it may do so to other groups. Social media may present an opportunity to drive traffic to useful content; however, companies need to consider if this is the most suitable channel to use for the investor audience.

Companies should also consider that DTR 2.3.3 requires that inside information must be published via the Regulatory Information Service before, or at same time, as on its internet site. This rule limits the opportunity for companies to use social media platforms such as Twitter, as a primary channel for price sensitive news.

Investor relations (IR) videos

Video and animation are increasingly being used to support the presentation of results. Many companies produce results videos, which are released in conjunction with the press release or presentations. Some companies are also experimenting with the use of animation. Animated video is used to highlight key performance headlines, strategies and business models.

Company participants see videos and animation as providing useful and rich content. They often use the videos in multiple places across their website, not just the investor relations (IR) section. Videos are aimed at a wide range of stakeholders with investors being only one of these groups. One company indicated that a key reason for using video and animation is to communicate with staff in an efficient manner, as it allows everyone to hear the same message.

Many Investors are cynical about the use of video by companies. They consider them to be sales pitches that can present a one-sided picture of the company or topic. Others feel that they are “dumbed down” as they are trying to serve multiple audiences.

Even those Investors who do find the videos useful state that they are not reviewing them for the content. Investors highlight the non-financial insight they pick up from the CEO or CFO’s body language, presentation style and the way they answer questions.

Some of the institutional investors feel compelled to watch the videos in case they have any extra information. They would prefer transcripts to be available in order that they could quickly assess what the content of the video is.

Views in our wider retail investor survey are more mixed. 52 percent of respondents indicate that they sometimes watch IR videos, indicating that they remain a useful way of reaching retail investors.

Lab comment

Companies may wish to consider who the target audience is for the videos, and focus on that group as their primary audience. Where videos are provided for investors, companies could consider having transcripts available to ensure that the content and timeframe of the videos are clear.

“Regarding videos, these are clearly not just for investors and therefore they don’t focus on what I need to know. However, what can be interesting is to see how they are using them for communications with customers and employees.”

Analyst

Investor relations apps

Many companies produce apps for delivery of IR content. These IR apps are often freely available for Android or iOS and provide content optimised for tablets and smartphones. The content of IR apps varies between companies, but commonly focuses on annual report and share price information.

Of the companies taking part in the project, three produce IR apps. Company participants using IR apps consider the audiences to be media and investors. One company noted that their IR app is used internally by senior management and other employees.

Investor participants do not regularly use IR apps. Many find the need to have an IR app for each company prohibitive; they are concerned that this uses storage space and adds clutter to their devices, especially when following multiple companies. Investors see benefits in having portable information but achieve this by downloading PDF copies of annual reports. Some Investors would like a more standardised format for IR apps or even a single app covering all their companies.

The limited support for IR apps is echoed in our retail investor survey. 88 percent say that they never use IR apps, and only 2 percent say that they always use them.

Lab comment

The case for IR app use by companies to communicate with investors is not strong. While apps may be of benefit to other stakeholders, companies wishing to focus IR apps on investors need to overcome significant inertia.

Providing a summary on the website of what is included in an app assists users in understanding what they would be downloading.

"No I don't use IR apps. I try to keep the iPad clear and clutter free. I follow 100 companies so this would be too many apps."

Analyst

Mobile-geddon

The Lab's retail investor survey noted that 82 percent of retail investors 'never' accessed corporate reporting information from a mobile device.

However, a significant proportion of overall traffic to websites now comes from mobile devices. To reflect this long-term change in usage, many of the search engines (including Google) have altered their search algorithms to favour mobile friendly websites in search results (from mobile devices).

The impact on searches for PLC websites is as of yet unclear. However, companies may wish to consider how their site works on mobile devices, and how important it might be to their own shareholder base.

Tools

Charting tools

Company generated charting tools take a number of forms. At the most basic, they provide details of the company’s share price over a defined period. More complex tools provide customisable representation of key metrics (both financial and non-financial).

A number of the companies participating in the project provide charting tools on their IR sites or as an element of the main corporate website. Others consider that third parties provide better tools than they could offer and therefore do not provide any.

Both Companies and institutional investors consider that charting tools are primarily aimed at retail investors.

Many Investors (retail and institutional) consider that the tools provided by companies offer insufficient benefits compared to third party data providers. Investors like to compare key metrics across their portfolio of investments or across industries, something that they consider individual company tools do not offer. Some Investors also feel that third party tools avoid the issue of presentational bias that company tools could suffer from.

One element Investors deem useful is having the current share price and day’s movements clearly displayed on the IR site.

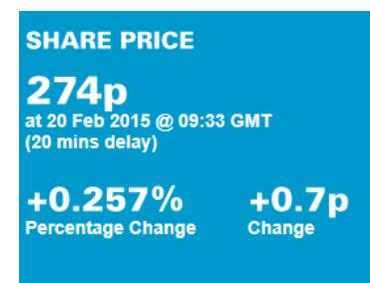
Our retail investor survey broadly supports these findings. 65 percent of respondents indicate that they never use charting tools; however, this leaves 35 percent who do. This remains a sizeable number of users, and is supported by the assertion from one Company participant that charting is one of the most popular features of their IR website.

Lab comment

Companies may wish to consider the complexity and positioning of their charting tools. Straightforward tools appeal to some retail investors and therefore do have an audience.

For example, Legal and General, one of the participant companies, provides a straightforward share price tool, which prominently displays share price and movement.

Provision of additional complexity such as customisable date and data ranges may not significantly increases utility for investors.



Clear price with movements prominently displayed on the home page

Figure 5: L&G share price information

XBRL

XBRL is a financial reporting language, which many bodies globally have identified as a key element in the future of financial reporting. However, participant Companies are not positive on XBRL. Of those aware of the technology, it is mainly associated by them with Inline XBRL filings made to HMRC. A number of companies feel that there is not clear demand from investors. None of the Companies participating link to XBRL tagged versions of their statements for their own websites.

None of the Investors are aware of having used XBRL, although they may have used data sourced from XBRL filings through third party products. Some Investors feel that the expected end user benefits of XBRL over products currently delivered by data providers are not compelling. Investors consider that data providers already deliver financial information that is searchable and comparable across industries, with a level of accuracy that is sufficient for their needs; Investors are unclear what XBRL would add.

Other Investors recognise that the possible benefits of XBRL lie in improving the quality and accuracy of company information they obtain indirectly via the data providers (and the fact that providers may already be using XBRL filings for UK and US companies). These Investors express a view that more accurate and standardised data would be desirable.

Investors consider that there are practical barriers which inhibit their more direct use of XBRL. Some consider that XBRL needs several years of reliably tagged information to be available.

Others consider that XBRL will always miss the importance of nuance and context in interpreting financial information, something they gain through analysis of the footnotes.

An alternative view expressed by one investor, is that other technology may soon overtake XBRL. This investor points to the developments in big data that has evolved from being built on databases of structured data, to being able to pull sense and order from unstructured data.

Lab comment

It is clear that for Investors and Companies taking part in this project the case for XBRL has not been made. However, the qualities that XBRL represents, in theory: timely, consistent, comparable and open data echo overall the demands of investors. XBRL should also align with companies' interest as it better ensures that the data they publish is identified appropriately by third parties.

The Lab plans to look further at how digital reporting may develop in the future in its next report. XBRL will be one of the areas that the report may explore more fully.

For more information on the FRC's XBRL activities see <https://xbrl.frc.org.uk/>

XBRL in the UK

Extendable Business Reporting Language (XBRL) is a system that has been developed with the intention of allowing easy identification and analysis of financial information. XBRL was adopted by the SEC in 2009 and is required for reporting by US listed companies. The IFRS Foundation continues to publish the taxonomy for IFRS financial reporting (the IFRS Taxonomy™). The Board members have recently become more directly involved in the development of the IFRS Taxonomy. Digital reporting is considered by the IASB's technical staff throughout the project lifecycle. The IFRS Taxonomy is available in XBRL format.

UK companies already have to submit their accounts to HMRC in Inline XBRL format and many also voluntarily do so when they submit them to Companies House. Inline XBRL enables financial statements in their normal format to be presented alongside the electronically tagged format, enabling analysis of tagged data and visibility of untagged data.

The FRC has responsibility for the update and maintenance of the Inline XBRL tagging conventions in the UK. Since the issuance of new tagging conventions last year, financial reporting will be more fully tagged. In the last year, Companies House has begun making electronic information freely available, and over time this will build to provide information over a number of years.

Excel downloads

A number of Companies in the project provide Excel downloads (downloads). Downloads are often focused on the primary financial statements and some supporting tables presented in the notes, and are generally released alongside the annual report PDF.

Company participants indicate that downloads are not well used. However, they are simple to produce and are often an output of the annual report process.

Many Investors do not use downloads. They cite two key issues:

- **Inconsistency in what is covered.** Companies provide different levels of detail. Investors have to edit and align the data before use. Some Investors also need to remove formatting from the downloaded tables.
- **Timing.** Downloads are often released too late for many Investors as they will have already manually entered information from the preliminary statement into their models.

However, in our wider retail investor survey, 40 percent of respondents stated that they use downloads “sometimes” or “always”. There therefore exists a large retail user population.

Lab comment

Companies could release downloads with preliminary announcements. This would help investors for whom timing is an issue.

Additionally, providing a plain format Excel document would be welcomed by some Investors. A plain download could be produced to sit alongside a more traditional formatted version.

Email alert services

All of the Company participants provide email alert services (services) on their websites. These services allow anyone to subscribe to emails from the company. Emails are triggered when the company releases key information, often as part of the regulatory news releases. Companies frequently include a link within the emails to a fuller text of the event on their website.

Institutional investors sign up to these services for the portfolio of companies that they follow (even when not invested in the company). They follow the links within the emails to the underlying document on the website (if needed). Institutional investors note that the information provided often reflects information that they are aware of from other sources, but they check to see if the alert contains extra information. Some want the ability to select types of information included or excluded from the alerts (e.g. so they could exclude daily Net Asset Valuation calculations).

Retail investor views are more mixed. Some do sign-up to the email alert service but, a significant proportion use Regulatory News Service (RNS) aggregator websites to alert them to company information. Retail investors use these websites to provide a single efficient solution for coverage of all UK companies of interest. They use these RNS aggregators with other search and filtering tools to highlight key information in the RNS release.

Lab comment

Email alerts are well used by institutions and some retail investors. Adding the ability to pick and choose types of information may be beneficial to investors.

Build report function

Some companies in the project provide disaggregated downloads, often called a build report function. This function allows users to select specific sections of the annual report and either combine them into a single PDF. Companies consider that this allows users to tailor the report to their specific interests.

Most Investors do not see this function as being of value. Splitting the report may have been useful in the past when bandwidth and storage was limited, but is no longer an issue. Most consider that having the complete document is crucial as it facilitates effective searches.

This view is also supported by the Lab's retail investor survey; 75 percent of respondents note that they do not use disaggregated downloads.

However, some Investors do support better separation of content. They describe this as 'wanting to be able to access the information they want' and 'not that which distracts'. Unfortunately Investors do not have a consistent view as to what the appropriate split would be as the roles of individuals differ.

"If we moved to a model where financial and non-financial reporting was more separate, then I am concerned information could be missed if I only download one of the documents"

Analyst

Lab comment

Investors struggle to understand what information they will find in disaggregated reports. This limits investors' use. Companies could consider providing more information on what will be found in each section. This would allow investors to have more confidence that excluded sections did not contain information they were interested in.

As disaggregated downloads are unlikely to replace full PDF as investors' favoured option, companies should provide the disaggregated download only as an addition to the full PDF.

Other tools

Investors identify tools and functions which they consider could be useful for companies to provide. The most consistently identified items are:

- **Better free text search function** – A number of Investors consider that search functions on companies' websites could be improved. One investor has lost faith with the site search function as it provides non-relevant or outdated content. Some Investors prefer to use Google search to find information they want within companies' websites as information they seek features higher on the list of results. Investors would like a better quality search function that prioritises more relevant results.

- **Consistent terminology / layout** – A number of Investors identify that the way companies have laid out the investor relations sections of their websites is inconsistent. One investor equates the process to learning a new language for each company, and then having to keep up to speed with changes as it evolves. Investors consider that this lack of consistency limits their use of information that companies produce. Consistency in layout and information is one of the perceived benefits Investors cite with regard to third party data providers. Investors would welcome greater consistency in the layout of investor relations sections of websites (although it is unclear how this would be achieved).
- **Improved electronic IR calendar** – A number of Investors consider that the electronic IR calendars could be improved. Issues that Investors raise include limited detail of future events (including dial in details, etc.) or concerns that information is not up to date. One investor suggests a more market-driven calendar that aggregates all FTSE 100 companies' calendars would be useful (if freely available). Our retail investor survey concurs that calendar tools are important, with 75 percent of Investors noting that they sometimes or always use them.

- **Articles of association** – One investor considers that the provision of articles of association by the larger listed companies is often poor. They believe that it is difficult to find a PDF or webpage of articles or that they are not provided at all. They consider that smaller Alternative Investment Market (AIM) listed companies are better at this due to AIM Rule 26 that requires this information to be provided (see side box).
- **Tax tools** – A number of respondents to the retail investor survey indicate the importance of share price tools that provide the relevant information for calculation of UK capital gains tax liabilities. The calculations are based on adjusted share price, therefore being able to report share splits / consolidations, etc. over time is important to some investors.

Company information disclosure

Under AIM rule 26, each AIM company must, from admission, maintain a website on which the certain information should be available, free of charge, including:

- a description of its business and whether it is an investing company;
- the names of its directors and brief biographical details of each;
- a description of the responsibilities of the members of the board of directors;
- its country of incorporation and main country of operation,
- its current constitutional documents (e.g. its articles of association);
- the number of AIM securities in issue;
- its most recent annual report and all half-yearly, quarterly or similar reports published since the last annual report;
- all notifications the AIM company has made in the past 12 months; and
- its most recent admission document together with any circulars or similar publications sent to shareholders within the past 12 months.

Project process

The Lab has been set up to bring companies and investors together to develop solutions to the reporting challenges they face. A key requirement for a successful project is to attract sufficient support from companies and investors.

Project participants join Lab projects by responding to a public call or by being approached by the Lab. An iterative approach is taken with additional participants sought during the project to obtain input from the various types of investors and ensure a range of company examples and input.

It is not intended that participants represent a statistical sample; results should not be extrapolated to the entire population. The range of views of participants should be considered by companies in the context of their own audience for reporting.

Involvement of Companies

The following companies volunteered to participate in this project. Each company was interviewed by the Lab and provided detail about their reporting process and the different digital formats and mediums that they use. They also provided key questions to ask investors.

- ARM
- Ashmore
- BP
- BT
- BrainJuicer
- Legal & General
- Tesco

Involvement of Investors

There has also been a considerable amount of support for this project from the investment community. The Lab held mainly face-to-face interviews with individuals with the following roles and from the following organisations:

Governance and equity

- GO Investment Partners
- Hermes Equity Ownership Services
- Invesco Asset Management
- RailPen
- Allianz Global Investors
- Primavenue
- Cannacord Genuity
- Fidelity Worldwide

Retail investors

- Three retail investors representing ShareSoc
- Two retail investors representing UK Shareholders' Association (UKSA)
- 151 members UKSA

Credit analysts

- Fitch Ratings

Investor Associations and other participants

- CFA Institute
- CFA Society of the UK
- Bloomberg

Project process

Between June and October 2014 the Lab held meetings with the participant Companies. Those representing the Companies were a mix of Investor Relations, Financial Reporting and Communications teams. At these meetings, participants discussed the strategy behind their approach to digital media including company motives and processes and discussed their views on each of the areas in this Lab report. This helped the Lab project team to refine a set of questions for Investors.

Between November 2014 and January 2015 members of the investment community were interviewed in relation to their views on each topic area. Interviews lasted approximately 60 minutes and were conducted either over the phone or in person.

A qualitative online survey was also developed to obtain retail investor views. In total, 151 members of UKSA completed the survey.

Survey results were combined with interview results to reflect investor views in this report. The report distinguishes results when retail shareholder views differ from institutional investors and analysts. The full results of the retail investor survey are available on the Lab's webpage.

Appendix – Hurdles to development

When the Lab initiated its [Corporate reporting in a digital world](#) project, it was felt that barriers to use of digital media would likely form an important element. This view was based on initial discussions that the Lab held with various parties.

As part of developing this project report, the Lab spoke to Companies and Investors about barriers that they see in the development of digital media for corporate reporting. While hurdles that slow down the adoption and use of technology do exist, no significant legal or regulatory barriers were identified.

The perception of barriers, may impact adoption of digital, however, the work thus far implies that the UK already has the legal framework in place to allow innovation.

Brakes on innovation

Companies and Investors do not see significant external barriers that stop companies reporting using new media. However, they do identify a number of factors that act as brakes on innovation. Factors include:

- **Disincentives for innovation** – The qualities of consistency and comparability in financial reporting are very important. The benefits for companies that innovate in corporate reporting are often limited because uniqueness is not widely appreciated by many Investors. This limits innovation. However, developments such as the push for long termism, environmental reporting, and integrated reporting are leading to dialogue between companies and investors. Innovation that improves the usefulness of information is desired.
- **Lack of Clarity** – Linked to this, is that it is difficult for Investors (or companies) to articulate what they may want from a coherent development of technology without having experience of it: you don't know what you want until you have it.
- **Co-operating across multiple regimes** – Many companies have listings in multiple countries. Each country has its own rules for the provision of financial statements and wider corporate reporting. Innovation by a company could lead to having to produce multiple versions of reporting to meet each set of requirements. However, moves towards more regulatory convergence, for example through the EU Capital Markets Union, could offer opportunities to reduce duplication in the future.
- **Limited benefits** – Many Investors see that PDF has already provided what they see as the key benefits to digital reporting; any further developments need to be clearly of benefit to investors if they are to support the changes. By recognising this, companies and investors can work together to develop pragmatic solutions.
- **Internal procedures** – A number of companies participating described their process for producing the annual report as being focused on producing a paper document, partly due to their view of regulation. Governance within companies is often focused on the paper annual report. Adapting to a digital environment presents challenges to companies and also presents reputational and other risks. Some leading companies have a more joined up approach that focuses on the whole suite of communications and this allows them to address the risks and leverage the digital content throughout the organisation.

Regulation and hard copy

One issue often cited by commentators as a barrier to development of digital reporting is the requirement that companies have to produce a paper set of accounts.

Section 1145 of the Companies Act generates the requirement that annual reports must be provided on paper:

(1) Where a member of a company or a holder of a company's debentures has received a document or information from the company otherwise than in hard copy form, he is entitled to require the company to send him a version of the document or information in hard copy form.

(2) The company must send the document or information in hard copy form within 21 days of receipt of the request from the member or debenture holder.

Investors see this right to access information as very important. Our retail investor survey noted that as a group, they particularly value paper (with it being seen as the most important source of information about performance).

However, the law should not be seen as a barrier to optimising digital reporting. The accounts should be capable of being printed on to paper (something that most web pages are) but do not have to be prepared with a printed page in mind. The law in this respect does not constrain innovation, but rather seeks to guarantee access for all.

Some believe..



However in reality..



Figure 6: How some see the impact of regulation

Lab reports

The Lab's reports provide practical suggestions on reporting from our work with the corporate and investment communities.

Each of the following publications suggests reporting that is focused on meeting the needs of the investment community, for consideration by companies.

Thematic:

 Towards Clear & Concise Reporting

Governance:

 Reporting of Audit Committees

 A single figure for remuneration

 Reporting of pay and performance

Financial Reporting:

 Accounting policies and integration of related financial information

 Debt terms and maturity tables

 Net debt reconciliations

 Operating and investing cash flows

 Presentation of market risk disclosures

 William Hill – accounting policies

Reports and information about the Lab can be found at:

<https://frc.org.uk/Lab/Reports>

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The FRC is responsible for promoting high quality corporate governance and reporting to foster investment. We set the UK Corporate Governance and Stewardship Codes as well as UK standards for accounting, auditing and actuarial work. We represent UK interests in international standard-setting. We also monitor and take action to promote the quality of corporate reporting and auditing. We operate independent disciplinary arrangements for accountants and actuaries; and oversee the regulatory activities of the accountancy and actuarial professional bodies.

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