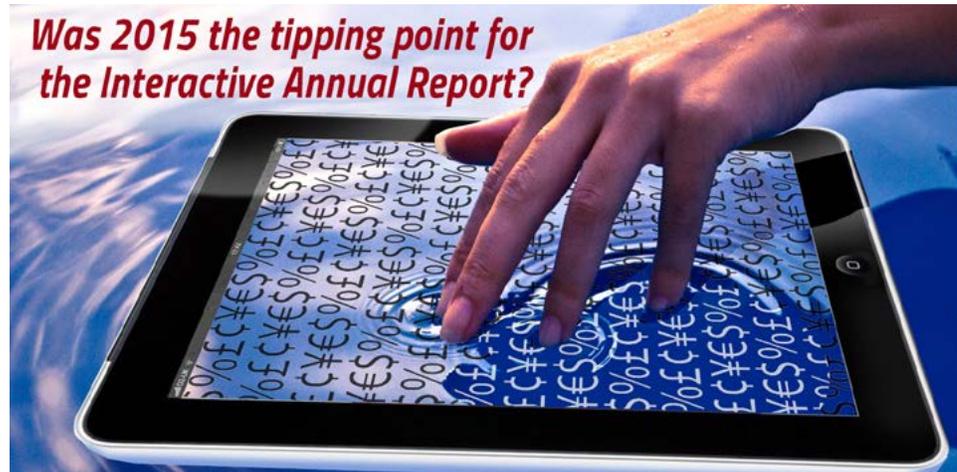




IDEAS, OPINIONS, INFORMATION
(& OCCASIONAL BALDERDASH)
FOR FRIENDS OF
BRANDBOOK LLC

Précis:

Investor Communications have been slower to embrace the possibilities of new media but FT 2015 saw a growing crop of exciting and creative new uses of interactive media. This issue of InBrief discusses the trend and shares links to 4 corporate reports that employ different strategies.



Was 2015 the tipping point for the Interactive Annual Report?

Annual reports occupy a unique role in 21st century

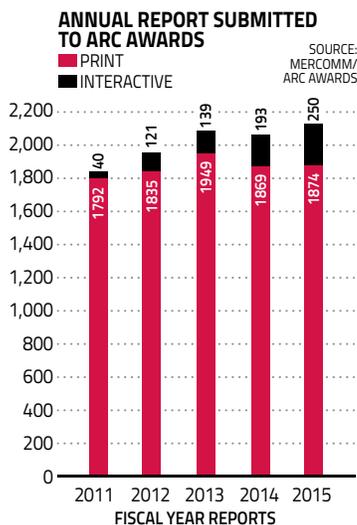
communications. The financials are—at least for many organizations—reviewed by outside auditors. For this reason, Annual Reports have a degree of credibility not accorded to any other forms of corporate communication. While the investment community has always been at the forefront of technology, Investor Relations professionals have often taken incremental steps. In 2015, though, interactive Annual Reports grew more numerous (see chart). They have really started to come out of the shadow of their printed predecessors, and the potential impact for investor relations is seismic.

Printed Annual Reports are still the most dominant form by the numbers. And there is still a lot of creativity and production fireworks being lavished on them. However, print runs for annuals have been falling steadily since the 1990's, as governments accept summary or electronic versions, and most companies have taken to posting PDF versions of their printed annual report on their web sites.

Hybrid Reports Many companies have begun experimenting with web and mobile versions of the type of content that traditionally inhabits annual reports. In general, Interactive reports take creative liberties with the "Romance" section but leave the financials in the static form familiar to the finance and accounting communities. This year, fully 12 % of annuals submitted to the ARC Awards were hybrid.

Electronic documents vs Interactive. What's the difference?

While nearly all companies now release electronic versions of their AR's as downloads from their web site, they are mostly static copies. A few take advantage of the interactive features available in Portable Document File format (PDF) such as searchability, hyperlink embeds, video and animation,



For more information on the ARC Awards, please see p.8



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Where are IR executives applying interactivity?

The most interactive sections are

- *Navigation*
- *Chairman's letter*
- *Financial highlights*
- *Mission*
- *Year in Review*
- *Sustainability*
- *Tie-ins with marketing and other marcom sites.*

but most don't. The real trend setters in interactive reporting are using web based content that gives the reader more choice in what to look at, and providing analysts with easier search functions.

Why are Interactive Annual Reports taking off?

1. Corrections: PDF's are easy to create and post. However, when corrections or restatements must be made, a web based interactive file is much easier as it lives on the corporate server. PDF's of course can be edited and reposted for download, but those already downloaded can't be updated.

2. Interconnection: The AR has always been valuable beyond its mandate as an audited financial statement. Corporations are seeing their AR move from a narrow focus on shareholder value to the much broader stakeholder value and even universal value. So, Interactive AR's offer a huge advantage—they can link the interested reader directly to marketing, sales, sustainability, and any other relevant corporate documents. Likewise, other corporate functions can feed readers to investor relations.

3) Brevity vs depth: Hyper media is a two edged sword. While a printed document gets more expensive with each page to be printed, interactive space costs are negligible. This allows for more depth, but the constraints of expensive space forces printed annuals to be brief—which encourages investment professionals to read them—not bail out midway.

4) Creative differentiators: Printed AR's have long been a place for creative communications. High production value photography, special printing, and unusual approaches to layout have been important vehicles for expressing corporate ethos and innovation. Interactive is a fundamentally different experience than print, but the technology is finally maturing enough to facilitate a new type of creative reporting. Highlighted on the following pages are four interactive annual reports that are especially exciting, though the complete ARC awards site details many others.

5) Narrative structure: Print is essentially a linear structure; the narrative is controlled by the writer. Interactive media has navigational structure, but the reader is much more at liberty to wander, and to curate his or her own experience. This makes the investor relations professional's job a bit more cerebral: "what teasers can I put up front that will draw them in? What questions will they bring to the report that I can use as hooks to engage the reader in the story we want to tell?"

6) Follow the money: Using analytics learned from online retailing, IR professionals can add the ability to track, engage, and encourage repeat engagement with interested visitors. Ability to observe user's clickthroughs and bailout points.

Here are four examples from the 2016 ARC awards entries (FY 2015 reports) that offer a glimpse of the future:

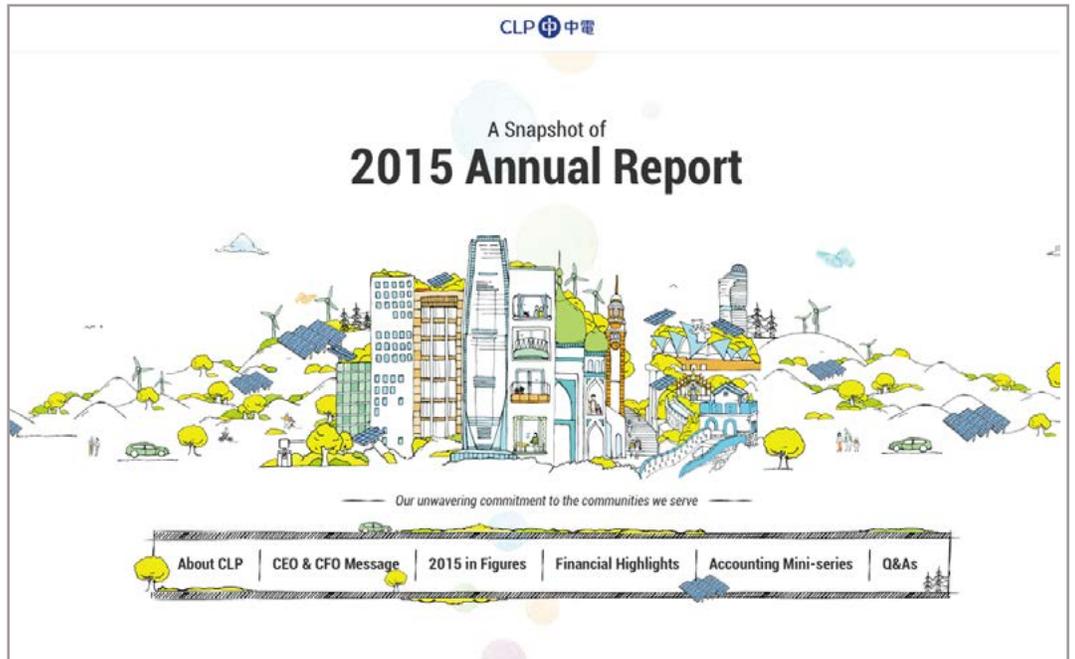
more>



Is 2015, the tipping point for the Interactive Annual Report?

CLP, a Hong Kong based energy company, blends a personable, even whimsical ethos with a very technical subject—and pulls it off. Their creative meld of illustration and photography just makes you want to keep exploring! Note they call it “A Snapshot of the Annual Report” to distinguish from the fully compliant legal document linked at the end.

Of special interest is their easy navigation, their bold, easy to understand financial highlights, and their quality photography. It's a very good illustration of how an annual report can use rich media to further its appeal not just to potential stockholders, but to all audiences.





Is 2015, the tipping point for the Interactive Annual Report?

Volvo's 2015 mobile friendly interactive Annual Report takes a 'one foot in each camp' approach, by making a very simple mobile friendly front end that ends with a link to download the PDF version of the printed AR. While it's not as immersive as CLP's, Volvo's does cater to a mobile audience—the main site is a single scrollable page—and stays on message.

Volvo confronts a key stakeholder question "How is Chinese ownership going to affect the essentially Swedish origins of these cars? They whisper reassuringly "Yes, we're global, and yes, we're still the Volvo you know and trust." The site is also linked to their sales, marketing and sustainability sites.

VOLVO CAR GROUP ANNUAL REPORT 2015

TRULY GLOBAL, PROUDLY SCANDINAVIAN

2015 IN BRIEF

8.0%

Volvo Cars retail sales up to 503,127 (465,866) units

CEO COMMENT

"We are in the most intense period of investment and transformation in our history."

I am pleased to report that in 2015 we sold more than half a million cars for the first time in the company's history. At the same time we trebled the profit to MSEK 6,620. Now, with a successful 2015 behind us, Volvo Cars is about to enter the second phase of its global transformation. Once completed, the company will take its place as a truly premium car company in all segments.

Håkan Samuelsson, President and CEO

[READ INTERVIEW](#)

[VIDEO: VOLVO CARS IN 2015](#)

6,620

Operating income (EBIT) of MSEK 6,620 (2,128)

7,234

Cash flow from operating and investing activities, MSEK 7,234 (-4,766)

NET REVENUE

MSEK

Year	Net Revenue (MSEK)
11	~120,000
12	~120,000
13	~120,000
14	~130,000
15	~160,000



Is 2015, the tipping point for the Interactive Annual Report?

Nielsen

For a peppy example how interactive can enliven the “who we are” aspect of an annual report, Click the visual at right to be taken to Nielsen’s interactive AR Like Volvo, it’s essentially a mobile overview to get you interested in either buying the products they offer, or downloading the detailed annual report in PDF form. It’s got a good vibe – embracing the challenge of suggesting that a “Big Data” company can also be creative, friendly, upbeat, and millennial.

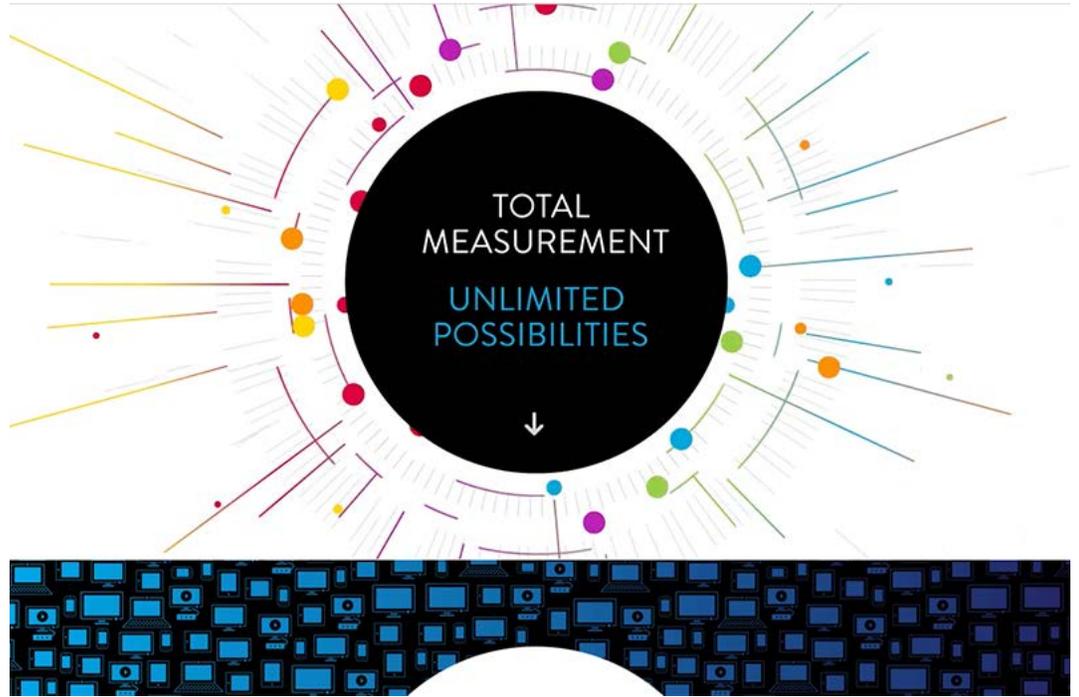
Note the navigation in this site - it’s essentially one long page that scrolls from one thought to the next. But unlike most long scrolls, Nielsen provides a series of dots at the lower right that float along with the user, so you know about how far you are into the site. It’s a welcome and thoughtful detail. The excitement factor of animation and video need to be balanced with ultra easy navigation and search functions.

nielsen 2015 ANNUAL REPORT

MESSAGE FROM OUR CEO

OUR BUSINESS

CORPORATE RESPONSIBILITY



EXECUTION OF NIELSEN TOTAL AUDIENCE

GROSSED AND DE-DUPLICATED TOTAL REPORTING ACROSS ALL DEVICES, ACCESS POINTS, AND BUSINESS MODELS

	TV	CONNECTED DEVICE	PC	TABLET	SMARTPHONE
LINEAR					
DYNAMIC					
PROGRAMS & ADS	✓	✓	✓	✓	✓
CONTENT		✓	✓	✓	✓
ADS		✓	✓	✓	✓



Is 2015, the tipping point for the Interactive Annual Report?

CITIC

For an interactive annual report that goes deeper – click the visual at right for the 2015 AR for CITIC, one of the largest conglomerates in Asia. It is a bit more conventional from a visual standpoint than the previous three examples, but it does provide much more depth of information. Best of all, its organization and navigation is made for the serious investor—the side navigation is there no matter what page you're on. The layout makes it easy for the interested but skeptical stock analyst to drill down quickly. That builds trust. The search function is pretty good – could be better- but overall it's an impressive report—informative, businesslike, in depth.

Here again, good navigation is a differentiator. CITIC's design team uses arrows to indicate more depth is available in copy and in financial diagrams.

Navigation menu for CITIC 2015 Annual Report:

- Home
- CITIC LIMITED at a Glance
- Business and Financial Review
- Corporate Governance
- ESG
- Financial Statements
- Corporate Profile

Table of Contents:

- CONSOLIDATED INCOME STATEMENT
- CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
- CONSOLIDATED BALANCE SHEET
- CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- CONSOLIDATED CASH FLOW STATEMENT
- NOTES TO THE FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S REPORT
- MAJOR PROPERTIES HELD BY THE GROUP
- PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

Section: PAST PERFORMANCE AND FORWARD-LOOKING

Performance and results of the operations of CITIC Limited for previous years described within this Annual Report are guarantee of the future results of CITIC Limited. This Annual Report may contain forward-looking statements and opinions are involved. Actual results may differ materially from expectations discussed in such forward-looking statements. Directors, employees or agents assumes (a) any obligation to correct or update any forwardlooking statements or opinions (b) any liability arising from any forwardlooking statements or opinions that do not materialize or prove to be incorrect.

Navigation menu for CITIC 2015 Annual Report:

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Section: CHAIRMAN'S LETTER TO SHAREHOLDERS

“ In 2015, the volatility in commodity, currency and capital markets, together with China's slowing growth rate, were the headline themes preoccupying investors globally. However, we see that the absolute scale and opportunity of China's economy remains massive, with China in the midst of a structural transition towards a more service- and consumption-oriented economy. China's development may have entered a "new normal," but increasingly Chinese businesses are becoming more globally competitive as they focus on sustainable growth and innovation. ”

CHANG ZHENMING
Chairman

Section: YEAR IN REVIEW

HK\$ 416,813 MILLION	HK\$ 41,812 MILLION	HK\$ 6,803,309 MILLION	HK\$ 479,066 MILLION
Revenue	Profit attributable to ordinary shareholders	Total assets	Total equity attributable to ordinary shareholders



Is 2015, the tipping point for the Interactive Annual Report?

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Conclusions: Tipping point or no, the 2015 crop of interactive reports offer much to be admired—and many creative possibilities for IR professionals to put to good use:.

Begin with nav: The most exciting part about interactive AR's—to the investment analyst—is the ability to drill down to their area of interest quickly. Don't automatically assume that the table of contents of the print annual report is the nav for your interactive AR. Think 'Information Architecture.'

Information Architecture: Your AR is a cascade of choices. From the single words of your top line navigation, set up links to many summaries about major subjects. From the summaries, create links to greater detail on those subjects—including detailed links to the financials. If you just create a few whizzy pages and a link to a static PDF for the financials, the serious investor will start bypassing your interactive. Time invested in navigation early in the process pays big dividends. Once the reader gets interested, they may still download the PDF version for deeper analysis.

Design: The more things change, the more they stay the same:

Sanity Check on your AR's line spacing legibility:

Under the big tent in front of Murphy's **too tight except for big headlines**

Under the big tent in front of Murphy's **Ok for text less than 45 characters wide**

Under the big tent in front of Murphy's **Good for text more than 45 characters wide**

- Bad typography in interactive scares off readers as much bad typography in print. Keep line lengths under 85 characters, keep line spaces to open. You would be appalled at how many AR's are still setting *painfully* tight line spacing, a proven method for driving away readers. Use the sanity check at right for minimum line spacing.
- Everything is more visual Always ask: How does this photograph support the key message. No logical explanation? Ditch the visual! In interactive, a photo with a 1 line caption can be hyperlinked to greater detail on the subject.
- Walk a mile in the analyst's shoes: Their success depends on spotting minor inconsistencies, avoiding companies whose messages don't seem to add up. I won't name names, but one 2014 AR had a photo of the board of directors toasting with champagne—even though the income statement showed a significant loss! That's an extreme example, but lots of lesser inconsistencies can creep in. Good design is appropriate to the context and content. Obvious, but not always observed!
- Design Thinking 101: Start by imagining the change you want in the world! In an annual report, the Key Message always drives the design, the photography, the choice of topics, the financial highlights. Even more than print, Interactive demands that you pare away the inessential. Even more than print, interactive can touch the imagination.
- Company Ethos is an important differentiator. Courting and educating patient investors—the holy grail of Investor Relations—requires differentiating your company based on its core values. Interactive gives you a new set of tools.

Content and media: Inserting video, audio, and hyperlinks are all exciting and worth considering—but remember every reader is short of time. Resist the urge to add a lot of media 'because it doesn't cost any extra'—it could cost you readership. The old writer's admonition "Eliminate unnecessary words!" applies to media, too."



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The ARC awards are the longest running of all the international Annual Report competitions—now in their 30th year—and certainly one of the most prestigious. Your correspondent was been honored to serve on the panel of ARC's 60 worldwide judges for several years, and hence to spend time with more than 300 reports from all over the globe and many different industries. 250 of the 2016 entries (FY 2015) were interactive—12% of ARC entries. This is more than a 5 fold increase since the 2012 (FY 2011) when only 40 interactive reports were submitted (2.2%)



David Laufer

is Managing Partner of [BrandBook LLC](#), an Atlanta based design firm specializing in investor communications and branding. He's a past president of the National Investor Relations Institute Atlanta, and currently serves as a design consultant to the government of Indonesia. He has more than 100 branding programs and dozens of Annual Reports to his credit. His multi-year engagement with PGN (the Natural Gas company of Indonesia) has helped PGN's investor relations team garner more than 40 awards, including a Global #1 ranking from the LACP. His book [Dialogues with Creative Legends](#), published in English by Pearson in 2013, also debuted in a Chinese edition in spring 2015.



Short video excerpts from *Dialogues with Creative Legends* are on [Brandbook's YouTube channel](#)

Read a longer excerpt on [Design Intelligence](#)

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