

# INVESTOR RELATIONS

Annual Reports

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# Importance of Annual Reports

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**“Investors want a story that helps them understand the company and its future” (George Stenitzer, Tellabs)**

- **At most elementary level, informs shareholders of the company’s performance**
- **Helps provide an overall picture of a company**
- **Often represents an integral part of the due diligence process**
- **Can facilitate decision to hold or buy additional shares, esp. individual investors**
- **Read by other key audiences—media, employees and customers**

**Sources: Investor Relations Update, September 2006; Business, The Ultimate Resource**

# Popular Content in Annual Reports

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- **CEO Letter (96%)**
- **List of Directors and Officers (96%)**
- **MD&A (74%)**
- **5 years of financials (67%)**
- **Auditor Opinion Letter (64%)**
- **Stock Price History (57%)**
- **Mkt Segment Info (48%)**
- **Competitive Landscape (41%)**
- **Subsidiaries, brands and addresses (38%)**
- **Subsidiary activities (29%)**
- **New Product Plans (29%)**
- **Future Quant. Objectives (28%)**
- **R&D (24%)**
- **CSR Info (24%)**
- **Employee Recognition (16%)**

Source: NIRI Annual Report Survey 2008

# Annual Reports: General Best Practices

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- **Makes a clear/compelling investment case**
- **Tells a concise, credible and complete story**
- **Has a logical organization**
- **Uses plain language, set in easy to read type**
- **Has a consistent message throughout the report and with your other communications**

Source: Investor Relations Update, September 2006

# Annual Reports: General Best Practices

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- **Addresses, does not gloss over, bad news**
- **Has an impactful cover**
- **Uses charts, graphics, photos to contribute to visual learning**
- **Positions financial highlights prominently in report**

Source: Investor Relations Update, September 2006

# Annual Reports: CEO Letter Best Practices

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- **Photo of the CEO**
- **Brief Review of the previous year's results including total shareholder return**
- **Forward looking strategy for the company**
- **News on major developments such as M&A, share buybacks etc.**
- **Key challenges facing the company and steps taken to address**
- **Straightforward talk using first person pronouns (I or We)**

# Best Annual Reports - IR Magazine

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- **U.S. (Microsoft, Walt Disney)**
- **Canada (PotashCorp)**
- **Brazil (Vale)**
- **China (China Merchants Bank)**

**“PotashCorp's annual report goes beyond the mandate of full disclosure to provide stakeholders with insight into our company and industry. We publish our strategies, goals and the results we have experienced striving to achieve them, in order to provide an accurate picture of our progress. We are convinced this approach strengthens our reputation and value.”(Denita Stann, PotashCorp's Senior Director, Investor Relations)**

# Trends in Annual Reports - Online Reports

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- Numerous options for annual reports: summaries, reviews, 10-K wraps, overviews using print, online and video formats
- No matter the format, your message and audience should always be considered
- Most common online report is the PDF. HTML is the other general type
- Popular features of online reports--photos 50%; searchable index 45%; interactive HTML 45%
- IR Department usually has ultimate responsibility for the online version of the annual report
- Sources: NIRI Annual Report Survey 2008; Investor Relations Update September 2009



# Trends in Annual Reports - 10K Wrap

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## Most popular form of annual report in NIRI survey

- Limited narrative wrapped around SEC information
- NIRI survey:  
Among those printing an annual report:  
53% printed a 10K wrap  
35% a traditional annual report  
12% a summary annual report
- Popular due to potential cost savings and ease of production  
More direct, focused on disclosure based information, contains more financial information with narrative targeted to institutional investors and financial analysts
- Not as much attention to nonfinancial drivers, fewer pages devoted to narrative

Sources: NIRI Executive Alert October 28, 2008 and September 5, 2006

# Trends in Annual Reports - US Notice & Access Rule

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*SEC rule permits companies to mail shareholders a card informing them where and how they can access proxy materials on the web. Responsibility is now on the investor to ask for paper.*

- No longer have to mail out large packages of annual reports and proxy materials
- Might save money and help the environment. Presentation opportunity for companies. Companies are able to creatively work with online versions of the annual report and proxy statement
- Concerns about losing the retail investor vote. 2008 statistics indicated only about 5% of retail holders at companies using e-proxies submitted ballots, versus 21% the year before. Takeover fight ramifications.

Sources: NIRI Annual Report Survey 2008; Corporate Secretary August 2008, IR Magazine July 2007

# Annual Reports: Additional Results from NIRI Survey

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- **Companies printing fewer copies of their annual reports. 35% printed less than 10,000 copies**
- **Downward trend in print budgets**
- **Page counts vary depending on needs of the companies. 18% are smaller books while 14% are 151+ pages**
- **IR team is usually responsible for the annual report narrative (77% of respondents)**
- **MD&A preparation: CFO, finance/treasury and IRO are often the most involved**

Source: NIRI Annual Report Survey 2008



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