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Kiwi companies pack feel-good reports

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What does an image mean? This one is from the Fletcher Building annual report from 2017. At the company's AGM later in 2017, some workers would protest over pay. There were also protests over the Stonefields housing development in Auckland. Shareholders voiced anger over mounting losses. This image was not among those studied by Chong and Narayan.

Investors are being confronted with a massive rise in "sustainability" related photographs in the annual reports of NZX-listed companies.

AUT academics Anil Narayan and Sabrina Chong found a massive increase in the use of magazine-style glossy photographs in companies' annual reports between 2005 and 2015.

"Photographs are commonly perceived to represent reality, but can be used effectively to distort reality as well," the pair warned.

In the 10-year period they studied, Narayan and Chong found a 34 per cent rise in the use of sustainability-related photographs in annual reports.

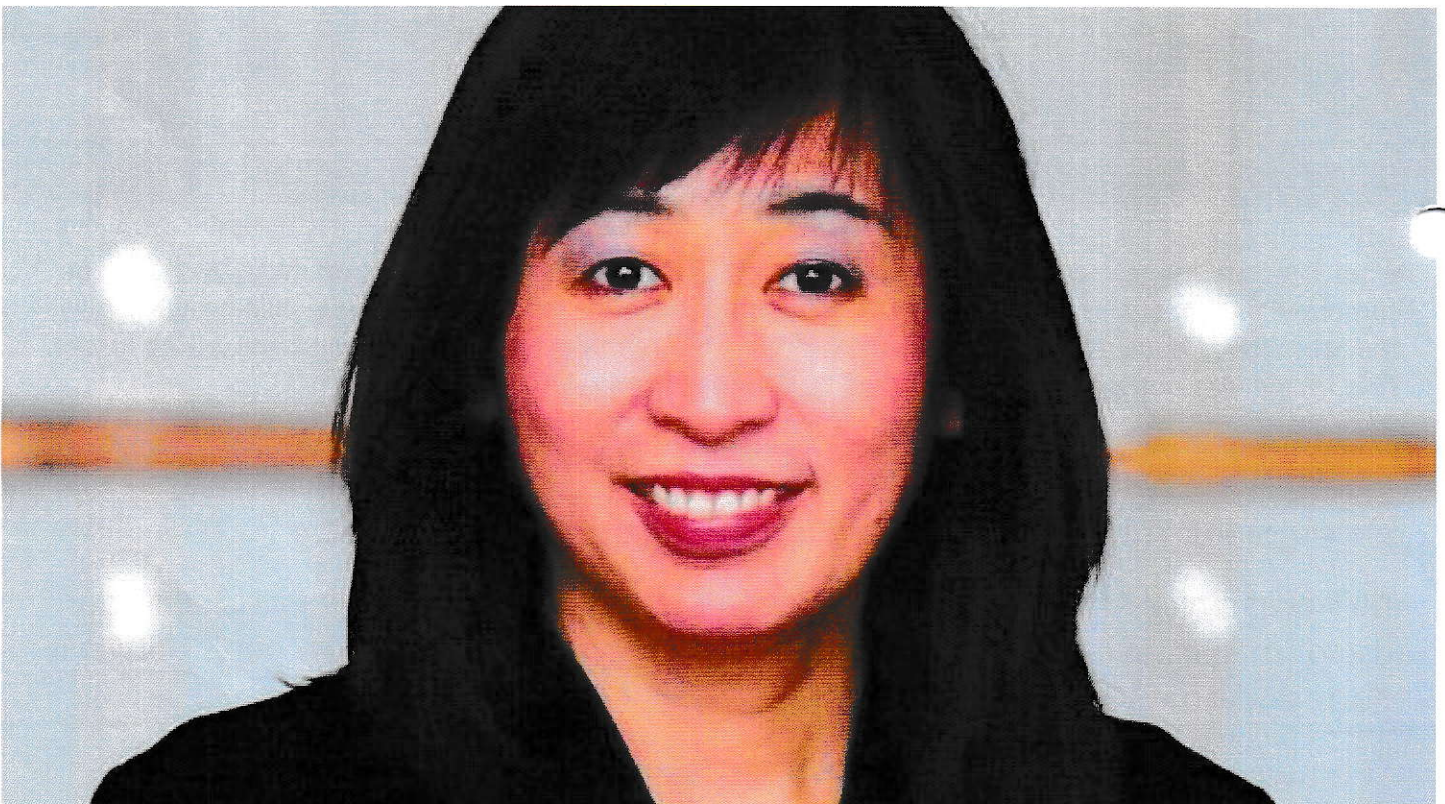
* Biggest fine yet in steel mesh investigation

The pair looked at the 2005, 2010, and 2015 annual reports of the top 100 companies by market capitalisation listed on the New Zealand stock exchange.

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It was an eye-watering project involving studying nearly 5000 images.

"Out of these photos 991 were sustainability related," Chong said.



AUT

Dr Sabrina Chong from AUT's Faculty of Business and Law.

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only a 10 per cent increase in the total number of photos."

They had become curious having noticed the ever-more attractive, glossy annual reports which listed companies were preparing.

"There was a total facelift, which got us curious. They have evolved into marketing documents," Chong said.

Chong said they wanted to know: "Was there a hidden motive?"

"What we find is that pictures are worth a thousand words," said Narayan. "Most of these companies don't produce stand-alone sustainability reports. They are still trying to communicate information via the annual reports."



AUT

Dr Anil Narayan from AUT's Faculty of Business and Law.

Standalone sustainability reports were costly to produce, compared with scattering positive images through annual reports.

"Sustainability photographs are a low-cost and easier option for companies to enhance visibility so as to appear as good corporate citizens," the academics said.

And research showed people perceived photos as a representation of reality, Chong said.

"Researchers have shown that if you have a biased photograph with an unbiased text, readers tend to believe the photograph more than the text."

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photos), human rights/non-discrimination (diverse workforces, ethnic minorities), community engagement (families/children), and product responsibility (products being used/produced).



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Who wouldn't want to work at a place this happy? An image taken from the Sanford 2015 annual report, which was heavy on sustainability images.

"An overwhelming 64 per cent of the photographs were product responsibility-related ... showing the manufacturing process, very sophisticated and hygienic to impress upon the readers that they put the utmost importance on the customer's health and safety," Chong said.

"We saw a lot of images that showed a diverse workforce, or diversity among the consumers using their products."

That carried the implication that diversity was embedded in the company.

"Some pictures were there to create a positive image and legitimacy," said Narayan, and in some cases the images had little to do with the business.

"You might have clear blue skies for energy-related companies, projecting that we are conscious of the environment. Smiling families, pictures of kids, and without any textual information it was difficult to tie that to these companies."



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This image showing an impressive image of engineering power is from the Steel & Tube's annual report for 2017. In June 2017, the Commerce Commission laid charges against the company for misrepresenting its steel mesh, which is used in earthquake-strengthening buildings. The company eventually pleaded guilty. This image was not among those studied by Chong and Narayan.

Neither Chong nor Narayan would name companies they felt had a disconnect between the images and the reality.

"Readers have to be aware, and very careful in believing what the photos say," Chong said.

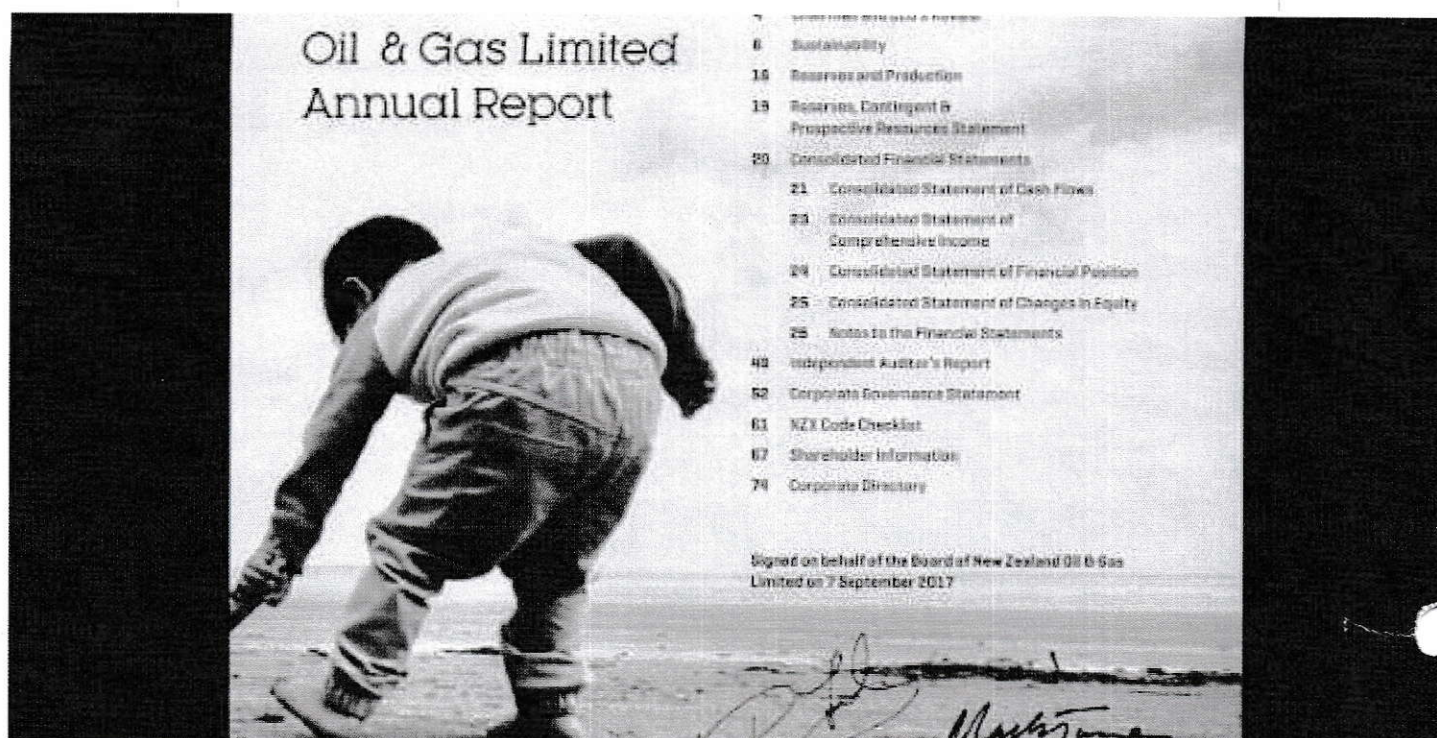
"Regulators and policy makers could promote sustainability reporting guidelines to help improve the quality of annual reports. Currently, there are no mandatory reporting guidelines or audit requirement for sustainability reporting."

The preparers of annual reports needed to be much more accountable, Chong said.

"They have got to make sure that the photos represent reality, and not being utilised for a strategy such as greenwashing."

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This image of a child playing on a beach was used in the New Zealand Oil & Gas annual report 2017. This image was not among those studied by Chong and Narayan.

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