

Value Reporting in Switzerland – status and perspectives

IRF Communications asked Prof. Dr. Alexander Wagner, Assistant Professor of Finance at Zurich University’s Department of Banking and Finance and Chairman of the “Value Reporting Jury” of the annual Swiss Annual Report Rating, and Florian Eugster, Project Leader “Value Reporting” at the Department of Banking and Finance, University of Zurich, about their views of the current status and future prospects of value reporting by Swiss companies.

Value reporting refers to enhanced and improved reporting and disclosure with the objective of sharing information about how value is created and distributed in a firm. Companies practicing value reporting provide additional data and information regarding their business model to institutional and private investors and other stakeholders, for example financial analysts or creditors. Thus, they go beyond offering those pieces of financial information that are required from a regulatory perspective. Academic studies show that value reporting can help companies reduce the gap between the internal and external perceptions of company value, allowing them to tap financial markets at lower costs of capital.

The Department of Banking and Finance of the University of Zurich has compiled an annual value reporting rating of Swiss companies since 1999. In doing so, it examines the value reporting quality of most publicly traded companies using an index with over 100 questions aggregated into 35 items in 9 categories that are important for investor decision-making processes. Overall, the good news is that the quality of reporting has improved over time, but there are still opportunities for further development, based on the rating of 2011.

Areas of strengths

More than 75% of the companies obtained a passing score in the following areas:

- Accurate background information is offered and the general impression is good.
- Information on risks/risk management and corporate governance is presented in detail.
- Important products and the positioning of the company in its particular market are described.

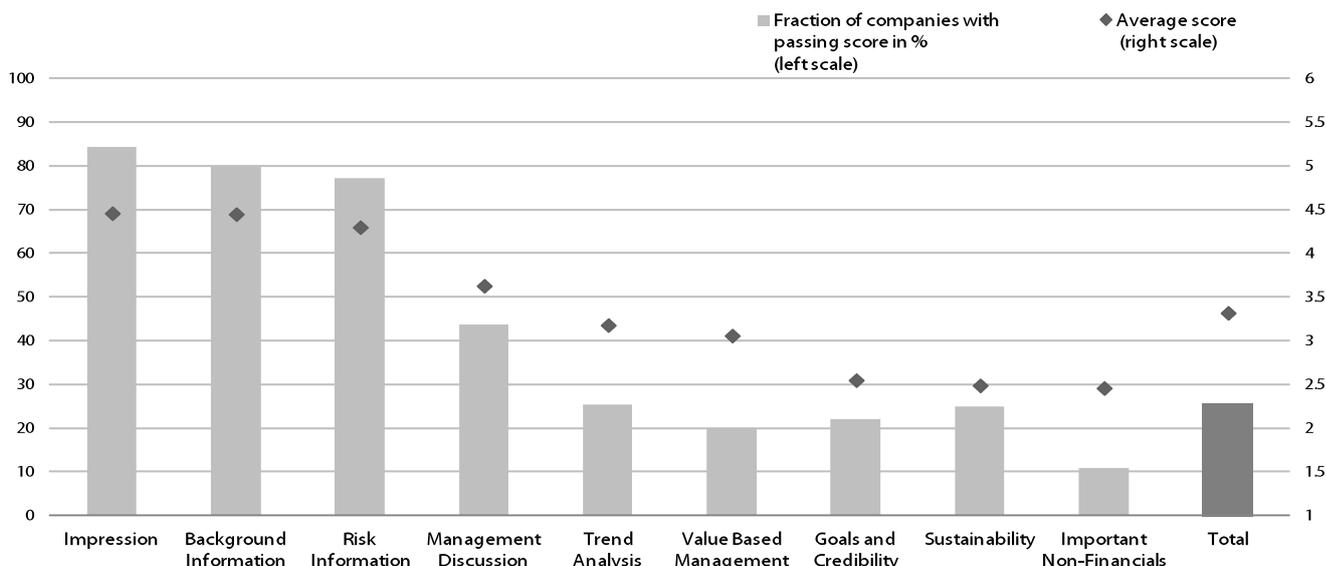
Areas for improvement

More than 75% of the companies obtained an insufficient score in the following areas, where the experts therefore recommend that companies consider improvements:

- A more explicit and more easily understandable link between the management compensation structure, the level of pay, and performance is often needed.
- With regard to targets, credibility, and non-financial information, more transparent information (e.g., regarding future investments) could be provided (of course, subject to certain limits for competitive reasons).
- Sustainability issues and reporting deserve more attention.

Furthermore, the experts note that online value reporting offers challenges as well. For example, only 5% of the companies explain their “value proposition” on the corporate website to their (potential) investors.

Expert report



Summary data on the Total Value Reporting Score and the 9 Dimensions of the Value Reporting Scorecard, based on data collected by the Department of Banking and Finance, University of Zurich, 2011

Of course, the scorecard applied here is, ultimately, subjective and not the only possible mode of evaluating the quality of value reporting. The scores should also not be taken too absolutely. On a more general level, however, the issues raised here should be of interest to companies independent of the particular rating system employed. In light of the current economic crisis, many investors have lost faith in corporate reporting practices and financial markets are still unstable. Value reporting can help (re)build trust and confidence, two basic requirements for the smooth functioning of markets and the sustainable success of companies.



Alexander Wagner is an Assistant Professor of Finance at the Department of Banking and Finance, University of Zurich and the chairman of the annual “Value Reporting Rating” Jury. He is also an Independent Counsel for PricewaterhouseCoopers in the area of Executive Compensation. He holds a Ph.D. from Harvard University and degrees in economics and law from the University of Linz.



Florian Eugster is a doctoral student and the Project Leader “Value Reporting” at the Department of Banking and Finance, University of Zurich.

Please visit www.bf.uzh.ch for further information. The website also presents several additional articles that deal with value reporting in more detail.