

Deekeling Arndt Advisors:

Investors' Perspective: No Outperformance without Reputation

Results of the DAA trend study regarding capital market communication (2015/2016)

Dusseldorf, June 21st 2016

Trend study: method & realisation

Participants: analysts, investors, lawyers, IR officers, investment bankers and M&A consultants in Germany

Survey period: fall 2015/spring 2016

Approach: in-depth interviews

Evaluation method: qualitative-quantitative

Number of participants: 25

Results (I)

THEESIS 1

**No outperformance without reputation –
investment decisions depend more and
more on social orientation**

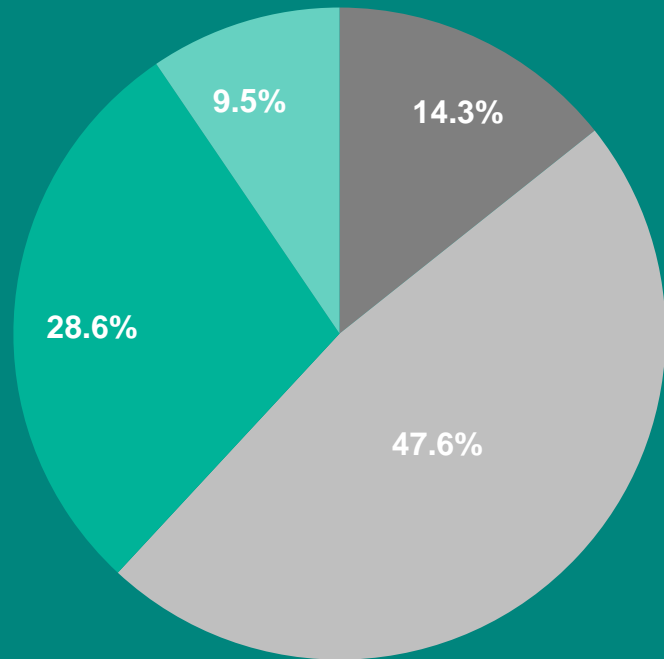
Capital market rates companies not only economically, but also with regard to socio-political issues

Reputation is equally important as good performance – a negative public evaluation is a growing barrier to investment

Reputation risks are increasing, but companies in Germany are not yet sufficiently prepared

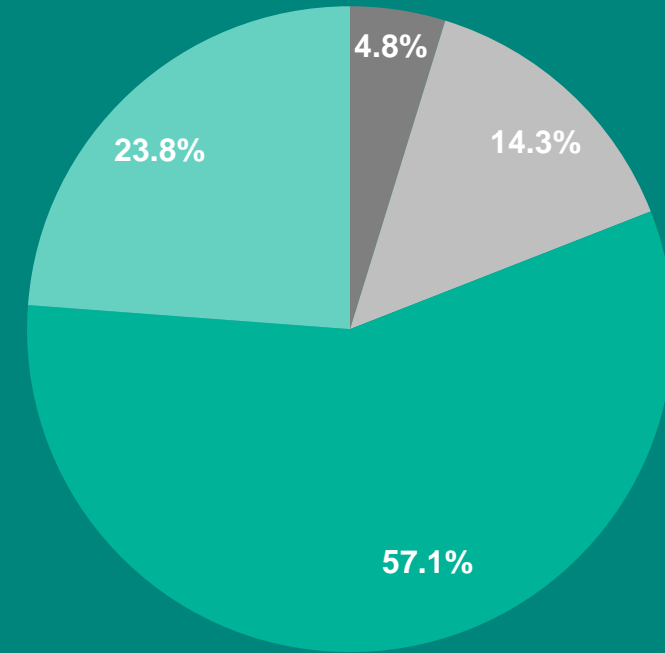
Reputation decisive for the company's value

How much does reputation matter for the company's value?



Very much Much Moderate Little

How well do companies in Germany manage their reputation?



Very good Good Moderate Not good

Quotes (I)

“Reputation matters. Otherwise there is no outperformance possible.” *IR manager*

“Companies acknowledge more and more that the lack of public reputation is an increasing business risk.” *DAX 30 manager*

Results (II)

THESIS 2

CEOs and chairmen are subject to critical public scrutiny – influence on reputation will grow even further

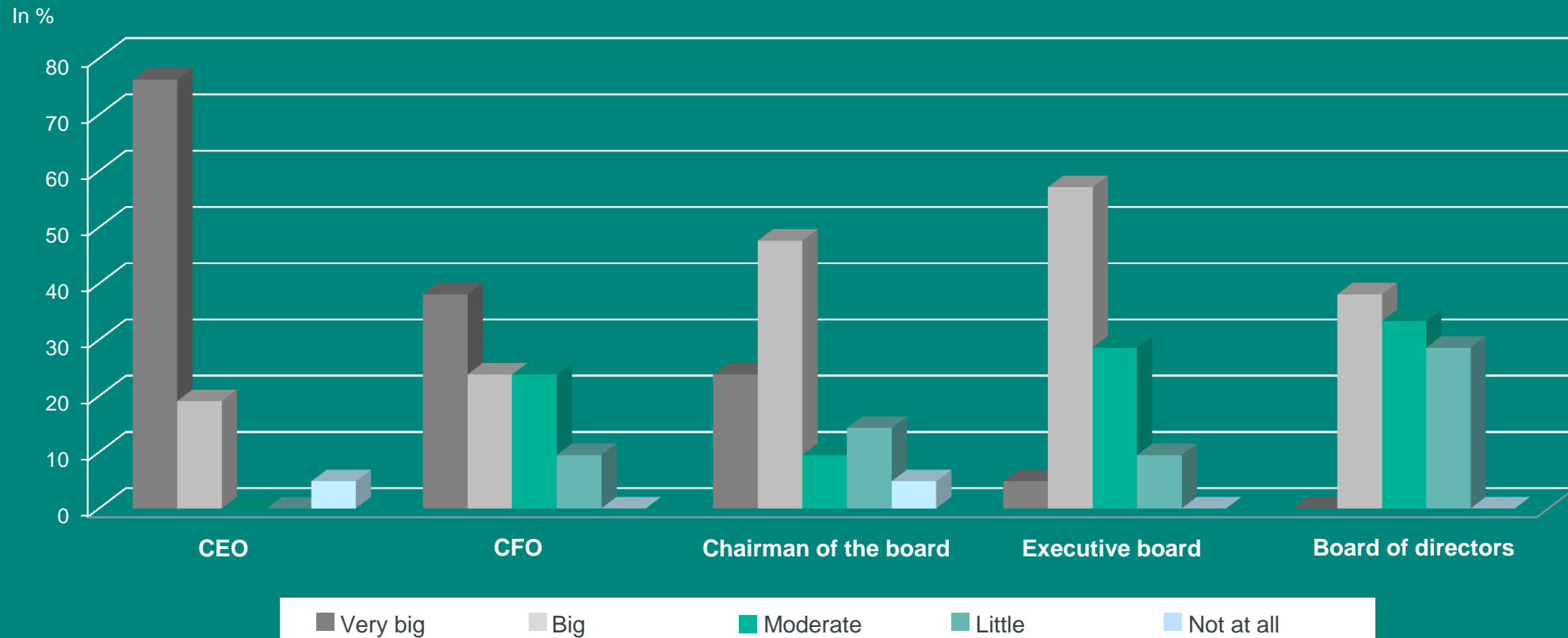
The leadership team's conduct is decisive for the company's reputation – the CEO appears as the representative figurehead

The CEO's external impact is equally important as his management skills

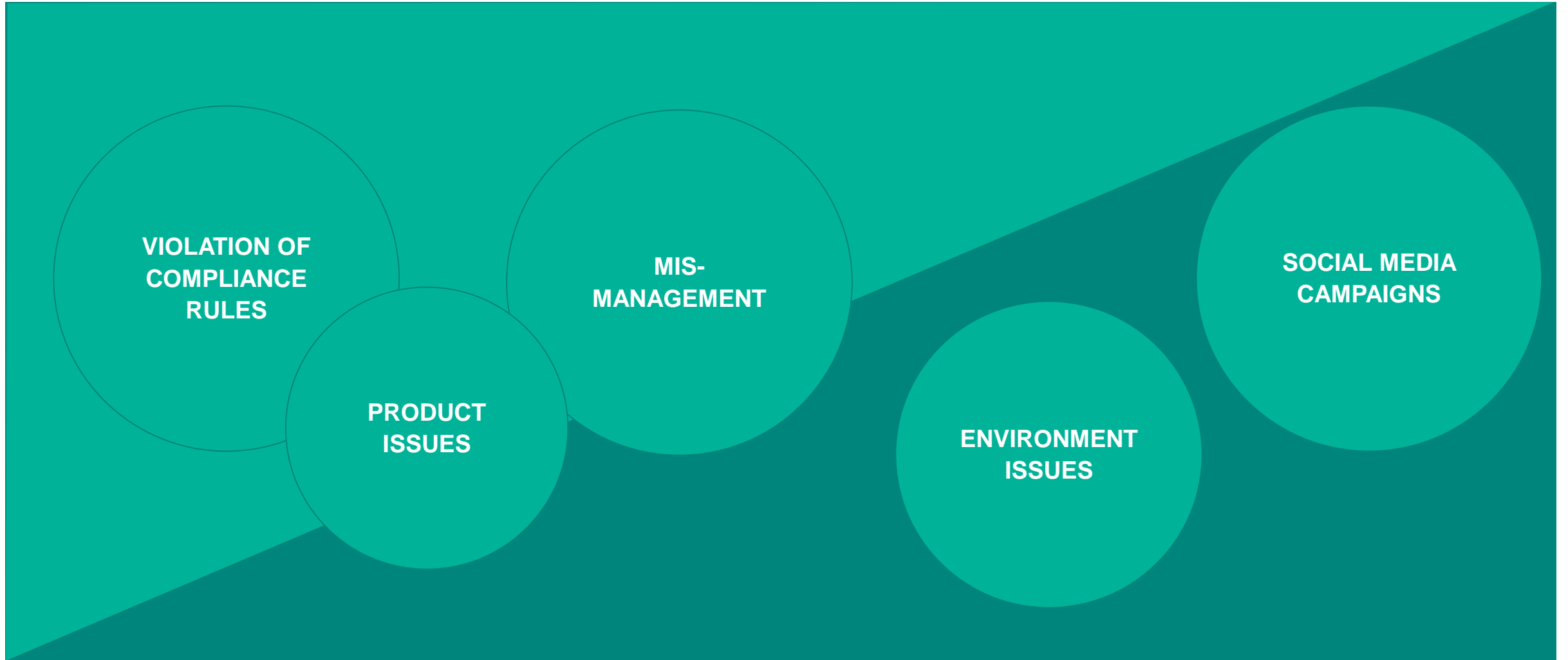
Public attention for the CEO and the chairman of the board are increasing, at the same time tasks become more complex and stakeholder demands are growing

External impact of CEO decisive for reputation

How big is the influence of a committee or a person on the company's reputation?



Top 5 risk issues



Quotes (II)

**“Today the CEO is the company’s ‘anchorman’
in the public eye.”** *Banker*

**“Activities have grown enormously.
A considerable professionalization has
taken place, which will continue.”** *Banker*

**“The days of board meetings with a
tea party character are over.”** *IR director*

Results (III)

THESIS 3

**CSR reporting is overestimated –
open stakeholder dialogues
and critical self-reflection are more important**

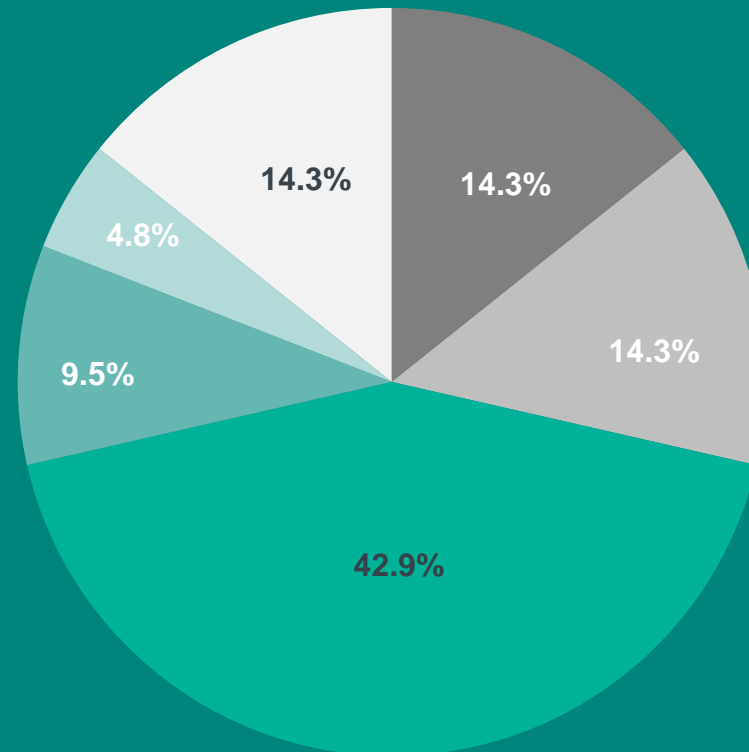
CSR reporting is expected by stakeholders, and it becomes mandatory for listed companies from the end of 2016

Reporting is not sufficient as the only instrument for reputation building, instead an integrated approach is needed

Sincere and long-term oriented stakeholder dialogues and the ability to carry out self-critical review are more important

CSR reporting not decisive for reputation building

How important is CSR reporting regarding reputation building?



■ Very important ■ Important ■ Moderate ■ Less important ■ Not important ■ No answer

Quotes (III)

“CSR reports are too comprehensive. Furthermore, there is a lack of self-critique.” *Scientist/financial expert*

„A CSR report on environmentally friendly paper is not enough.“ *DAX 30 manager*

“During bad times it becomes clear who has understood what reputation management is about. It’s about transparency, honesty and getting to the point quickly.” *DAX 30 manager*

Results (IV)

THESIS 4

**Complexity is growing dramatically –
open and transparent communication
is key in times of disruption and social media**

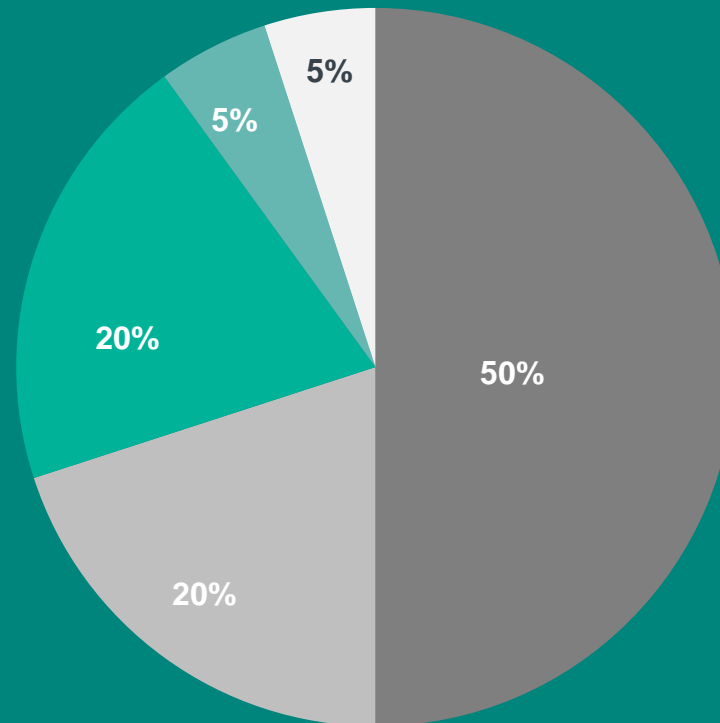
Communication becomes faster and less controllable due to social media, as a result reputation risks are growing

Target-group-specific communication through own channels is necessary; if useful, also in social media

The business decisions' benefits have to be addressed to the opinion-forming public, especially because of the disruption of business models

High expectations with regard to companies in times of business renewal

How important is social-political positioning in times of disruptive change?



■ Very important ■ Important ■ Moderate ■ Less important ■ No answer

Quotes (IV)

“Small transgressions can become a major reputation issue on Twitter, Facebook and Blogs in no time.” *Lawyer*

“Most companies’ use of social media is pretty backward. They need digital strategies.”
DAX 30 manager

“In disruptive situations the need for explanation is even bigger. Everyone who wants to change something has to explain the benefit – for the customers and for society.” *DAX 30 manager*

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