

H R I Z O N
S E R I E S



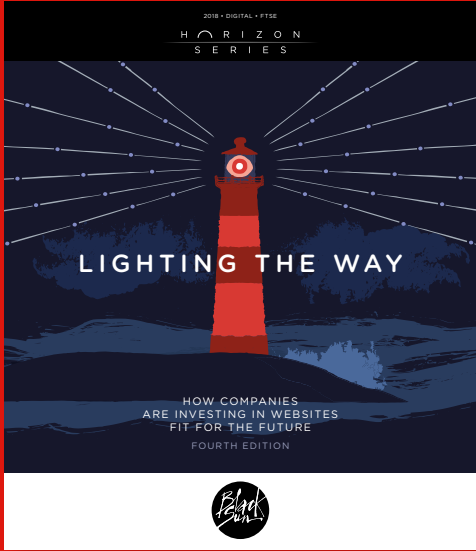
VALUE
CREATION INDEX

COMMUNICATING A COHERENT AND
CONSISTENT VALUE CREATION MESSAGE
ACROSS MULTIPLE CHANNELS

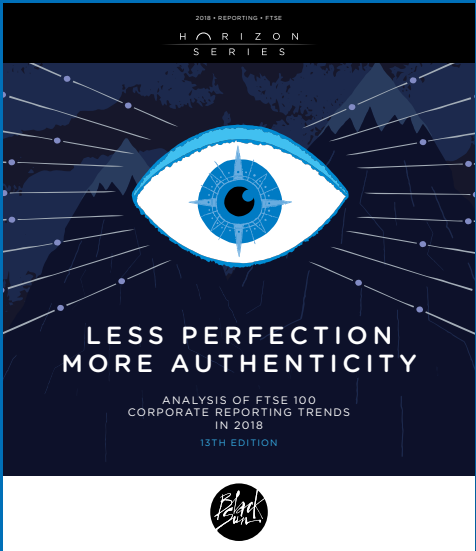


Horizon Series Research

The Horizon Series is Black Sun’s annual research programme that identifies best practice and emerging trends in corporate communications across key channels and geographies – providing as a truly holistic measure of companies’ communication across their key ‘storytelling’ channels.



Our 4th annual edition of analysis of how FTSE companies are evolving their corporate websites and investing in content and technologies to create a compelling user experience.

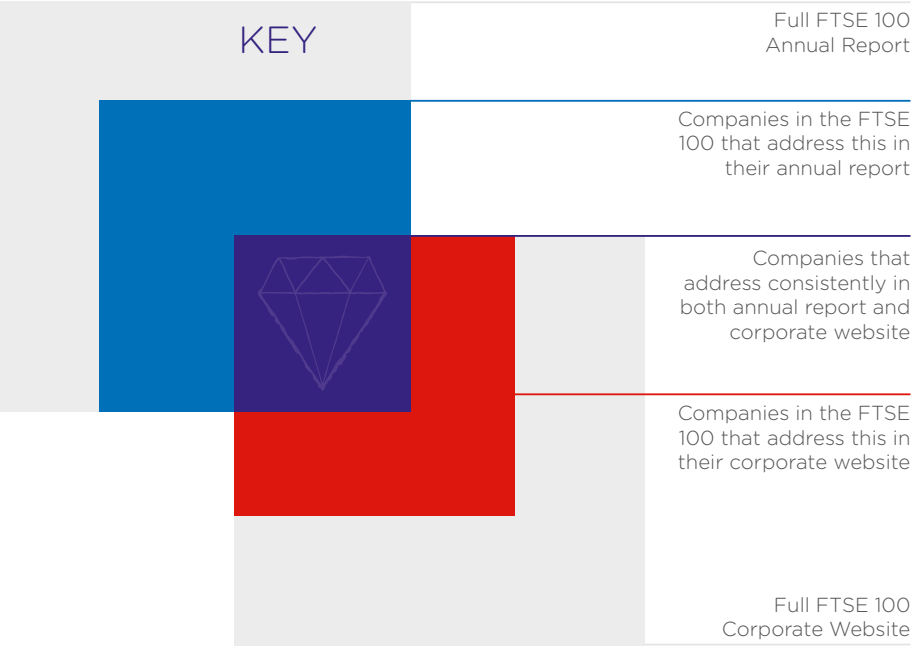


Our 13th annual edition of our analysis of the FTSE100 identifies the trends and best practices in corporate reporting, and how companies are responding to the challenges and changes of the disclosure landscape.

THE VALUE OF CONSISTENCY

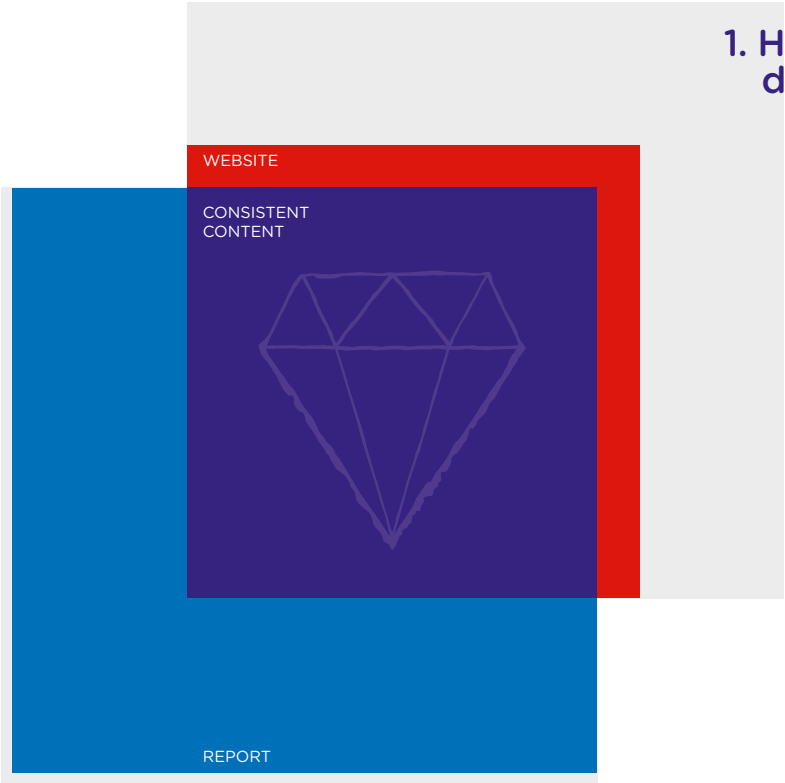
With the multitude of communication channels available today, ensuring consistency in storytelling remains critical to effective strategic communications for corporations. As stakeholder expectations for corporate sustainability and transparency continue to grow, such trends call for the need to review how leading companies are addressing these particular communications challenges, and the key areas they need to focus on to reinforce the consistency of their value creation stories.

The main purpose of this research is to analyse whether FTSE 100 companies are consistently and effectively communicating their value creation capability in two of the most important communication platforms: annual report and corporate website. We have drawn some of the key findings from two of our core research reports within the Horizon Series – “*Less Perfection More Authenticity*” and “*Lighting the Way*” which identify the emerging trends in corporate reporting and websites respectively.



Top considerations for telling a company's long-term value creation story:

1. How do companies identify and define what value means for them?
2. How are companies articulating their business model?
3. How are companies evidencing their view of the market and their plans for managing the market challenges?
4. How are companies explaining what makes them distinctive?
5. How are companies demonstrating their understanding of value creation opportunities?
6. How are companies articulating their strategic direction for long-term value creation?
7. How are companies evidencing the connectivity between value-adding activities, performance and the decisions made?
8. How are companies demonstrating that they are protecting their ability to generate value in the long-term?
9. How are companies providing insight into risk management?
10. How do companies ensure that the right culture pervades throughout the organisation?

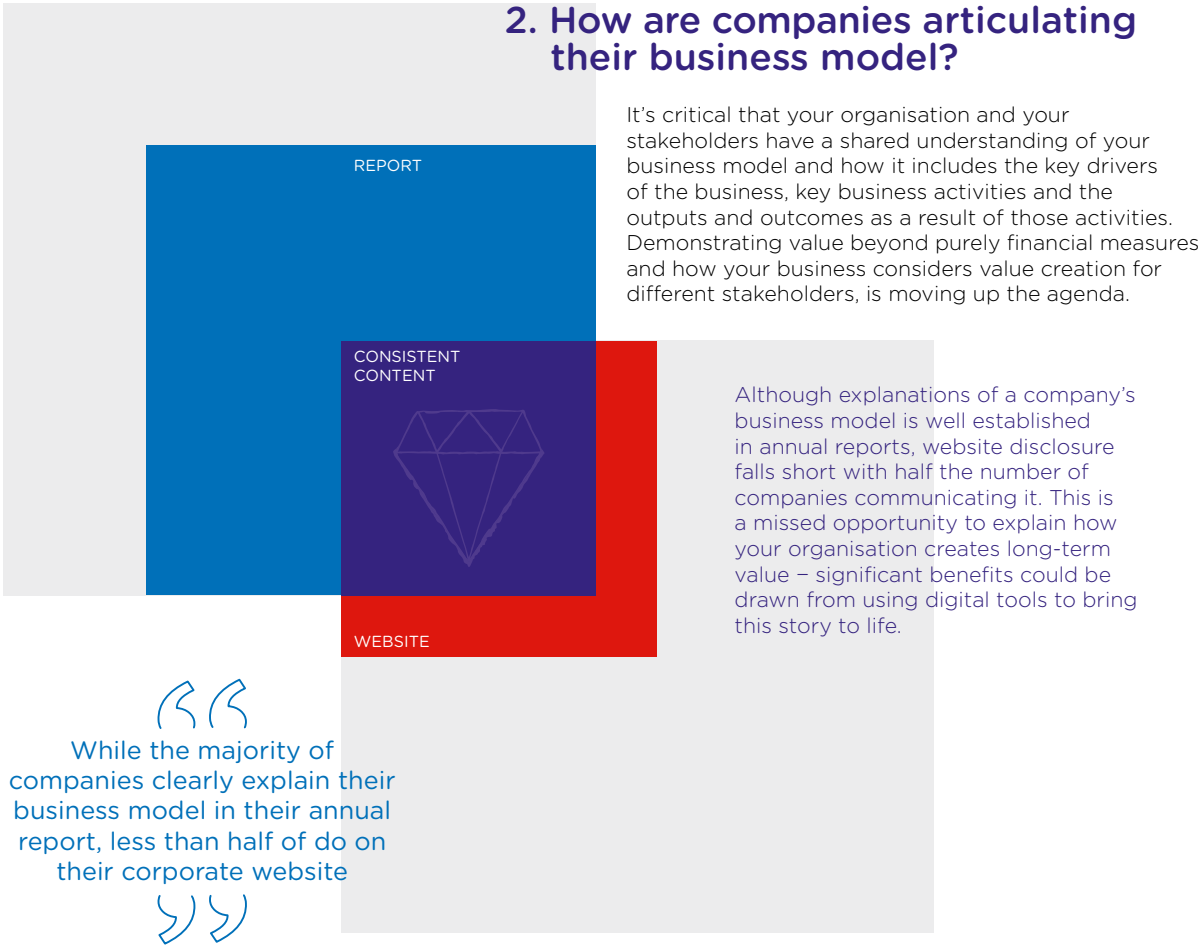


↪↪
Nearly two-thirds of all companies articulate their company's purpose clearly and consistently in both their annual report and corporate website
↵↵

1. How do companies identify and define what value means for them?

An organisation's ability to create value is only as strong as its definition of what value means to it. Central to this process is a clear statement of purpose, mission and vision, making clear the types of value your organisation is designed to create. This includes a clear understanding of your company's role in society, how business decisions are made into policies for the Board's agenda.

Nearly two-thirds of all companies are consistent in communicating a clear statement of their company's purpose, with almost as many declaring that their purpose goes beyond creating just shareholder value. The increasing importance of stakeholder engagement is encouragingly being reflected in how companies communicate externally with almost all companies addressing in their annual report and the majority addressing on their corporate website.



2. How are companies articulating their business model?

It's critical that your organisation and your stakeholders have a shared understanding of your business model and how it includes the key drivers of the business, key business activities and the outputs and outcomes as a result of those activities. Demonstrating value beyond purely financial measures and how your business considers value creation for different stakeholders, is moving up the agenda.

Although explanations of a company's business model is well established in annual reports, website disclosure falls short with half the number of companies communicating it. This is a missed opportunity to explain how your organisation creates long-term value – significant benefits could be drawn from using digital tools to bring this story to life.

↪↪
While the majority of companies clearly explain their business model in their annual report, less than half of do on their corporate website
↵↵

3. How are companies evidencing their view of the market and their plans for managing the market challenges?

REPORT

An understanding of the organisation's market environment is crucial to its success. Establishing the challenges posed by market conditions is the first step towards having a plan in place to steer the company through market conditions.

Management's view of the market, major trends impacting the market, potential for growth, the company's relative positioning as well as underlying assumptions are all becoming more important concepts to address.

CONSISTENT CONTENT

Although the majority of companies include a good market review in their annual reports, few make that easy to find on their corporate websites. Unfortunately most digital audiences are forced to dig deeply into individual presentations, news releases and announcements to get the company's views on its market environment.

WEBSITE

Moving forward it will become more important for companies to outline trends that have a material impact on the company and its stakeholders and what these mean in the long-term.

4. How are companies explaining what makes them distinctive?

REPORT

CONSISTENT CONTENT

WEBSITE

In an ever-competitive environment, it is imperative for organisations to demonstrate their competitive advantages to attract investor interest.

Increasing in importance is highlighting sources of competitive advantage such as talent, access to resources and other assets that enable the company to execute its strategy and win in the marketplace.

Although communicating their competitive advantage is consistent across the annual report and corporate website, only one-third of companies communicate this through a clear investment case that focuses attention on the characteristics that make their company different, such as their purpose or unique processes for creating value.

Only one-third of companies communicate a clear investment case in both their annual report and corporate website

5. How are companies demonstrating their understanding of value creation opportunities?

WEBSITE

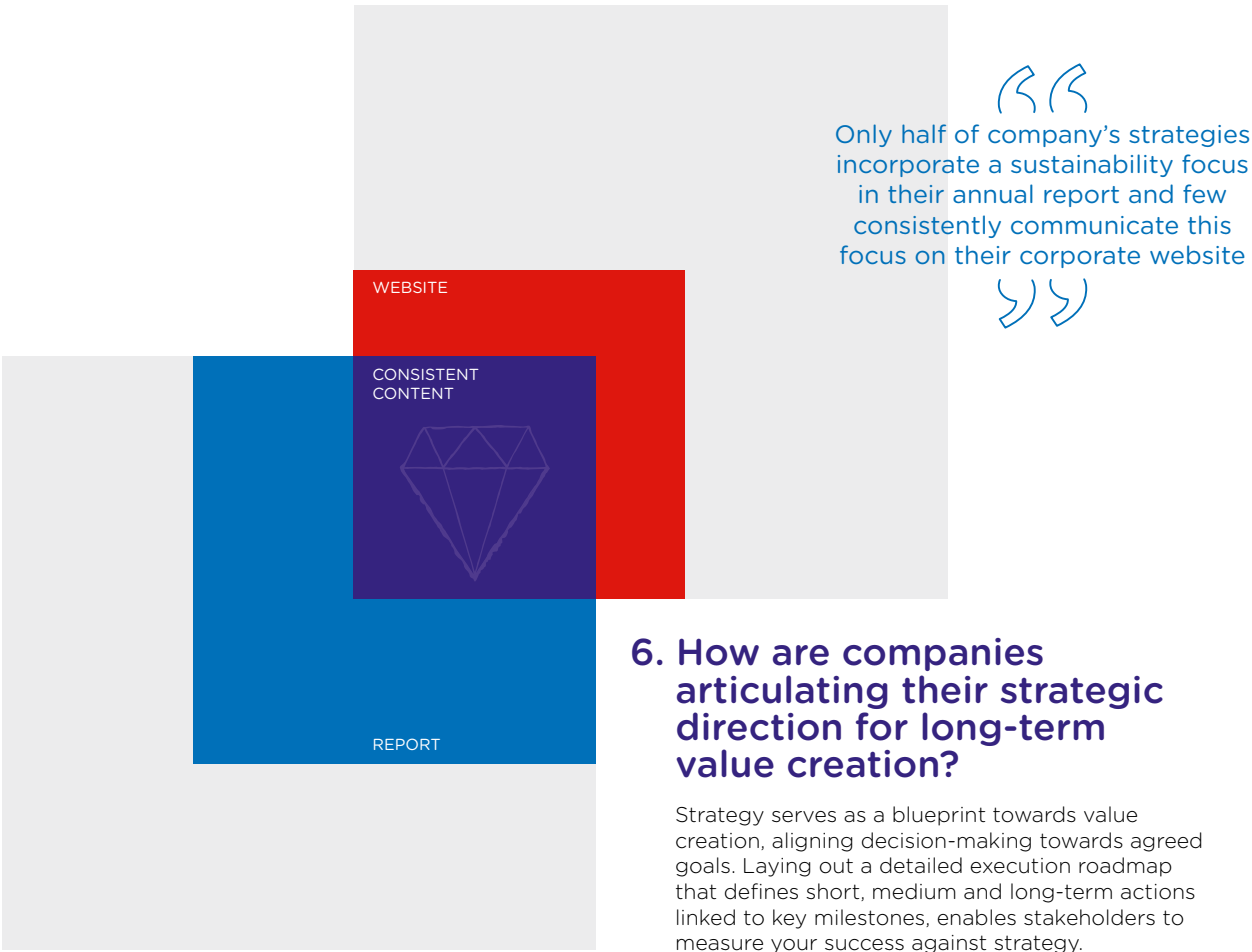
CONSISTENT CONTENT

REPORT

The clearer it becomes to an organisation what its market conditions are and what stakeholders expect of the organisation, the better positioned it is to create value.

To provide clarity, companies should disclose strategic goals that are tied to value creation and explain their execution and roadmap for long-term value creation.

Very few companies in either their annual report or corporate website are clearly demonstrating their understanding of the market and stakeholders and the opportunities they are trying to exploit.



Although the majority of companies clearly communicate their strategy in both their annual report and corporate website, work needs to be done to demonstrate a long-term view with targets.

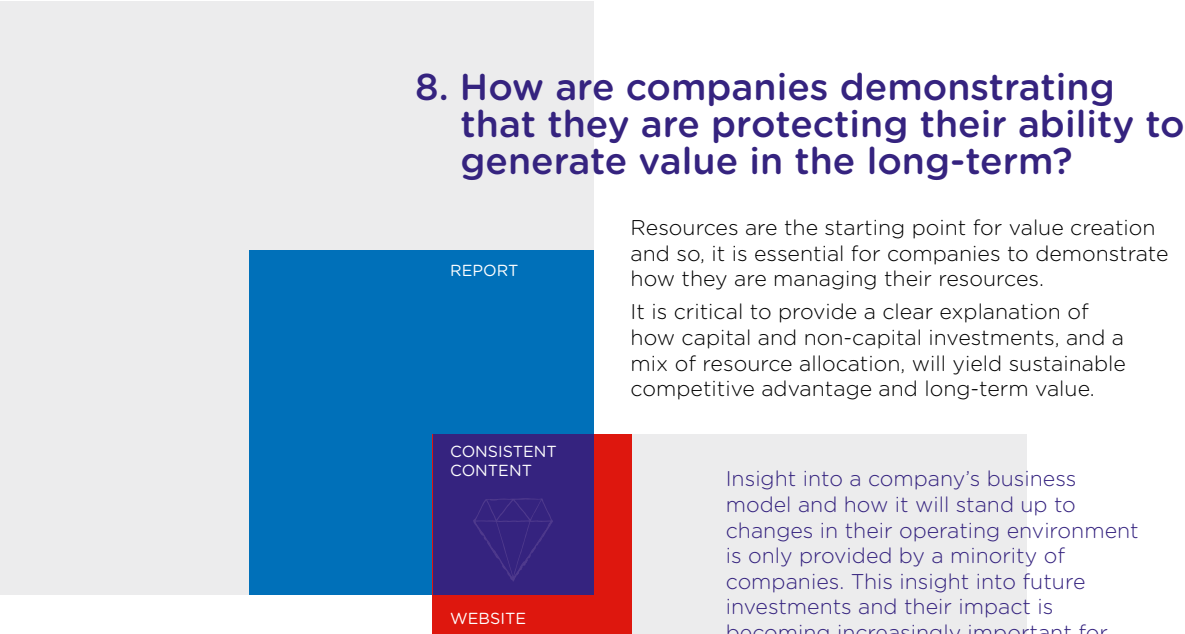
7. How are companies evidencing the connectivity between value-adding activities, performance and the decisions made?

An organisation is a culmination of many factors – its processes, culture, people and governance structures, among many others. How these factors interact with one another contributes to the success of an organisation.

Demonstrating the connection between different value-adding activities and the decisions made, medium and long-term targets, as well as how your strategy has been designed with consideration of your key stakeholder groups, all provide an indication of the company's ability to deliver on its strategy.

Overall a challenging area for companies to understand and demonstrate the interconnectivity with little evidence in annual reports or corporate websites. Corporate websites lag way behind in terms of providing granular detail on strategies, actions, targets and milestones that are easily accessible.

Very few companies communicate any information on remuneration on their corporate website

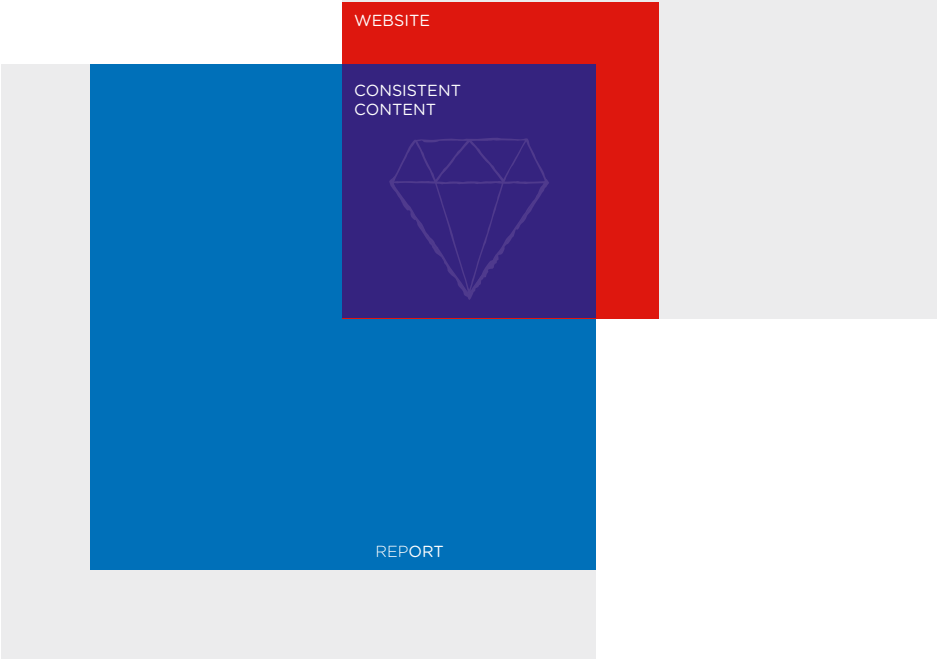


Insight into a company's business model and how it will stand up to changes in their operating environment is only provided by a minority of companies. This insight into future investments and their impact is becoming increasingly important for investors and other stakeholders.

9. How are companies providing insight into risk management?

Risk management disclosures inform readers of the company’s appetite for risk, their key risks, the possible impact of risks on the business, and the robustness of the company’s risk management and internal control systems. A direct link between strategic priorities, specific risks, and how executive remuneration is tied to long-term value creation provides clarity.

While risk disclosure is relatively well developed in annual reports, it’s only in the last few years that it is becoming more prevalent on corporate websites. However, still less than a third of companies have disclosure that is clearly accessible. Understanding the risks that a business faces and what is being done to manage those risks is an area of keen interest to investors and other stakeholders.



10. How do companies ensure that the right culture pervades throughout the organisation?



Corporate culture is the software of a business and good culture often correlates with successful outcomes over the long-term. Values guide behaviour, and collective behaviour forms corporate culture. It is becoming increasingly important to demonstrate a clear link between your organisation’s values and how the Board provides oversight and embeds a positive culture. Equally important is explaining how director compensation is tied to long-term value creation and strategic goals.

Although the communication of values is clearly consistent across both the website and annual report with the majority of companies, very few provide additional insight into how those values are overseen or embedded within the organisation on their website.

The majority of companies clearly and consistently outline their company’s values in both their annual report and corporate website

Summary of questions that capture top considerations for telling a long-term value creation story

We’ve developed a framework to capture the top considerations in telling a long-term value creation story and identified key questions against our aligned data points to capture a holistic picture of how effectively and consistently companies are communicating. This index discusses only a subsection of the research results.

This research supports us in continuously enhancing our knowledge of best practice communications, enabling us to support our clients in developing engaging communications to build trust with their key stakeholders in a manner that matches their levels of ambition. We also hope to stimulate debate around what constitutes ‘best practice’ and contribute to the wider development towards long-term thinking, disclosure, and transparency.



Each number represents the number of companies in the FTSE 100 which disclose this information.

| | AR | CW | CC |
|---|----|----|----|
| 1. Defining value | | | |
| Is there a statement of the company's purpose? | 66 | 59 | 44 |
| Does the purpose go beyond creating shareholder value? | 60 | 57 | 41 |
| Is there reference to stakeholder engagement? | 95 | 73 | 68 |
| Is there reference to stakeholder expectations? | 68 | 12 | 7 |
| 2. Business Model | | | |
| Is your business model clearly explained? | 84 | 40 | 36 |
| Does the business model identify key differentiators? | 44 | 23 | 10 |
| Does the business model identify the value created for other stakeholders? | 63 | 18 | 13 |
| 3. Market environment | | | |
| Does the market discussion provide an explanation of key trends? | 98 | 24 | 23 |
| Does the market discussion explain how the company is responding to these trends? | 51 | 16 | 9 |

| | AR | CW | CC |
|--|----|----|----|
| 4. Key differentiators | | | |
| Is there an investment case? | 32 | 33 | 12 |
| Does the investment case include long-term value considerations? | 18 | 12 | 5 |
| 5. Value creation opportunities | | | |
| Is the strategy positioned as responding to market opportunities? | 38 | 21 | 13 |
| 6. Strategic goals | | | |
| Are strategic priorities provided? | 96 | 75 | 74 |
| Are specific timeframes provided in relation to strategy? | 29 | 10 | 4 |
| Does the strategy incorporate a sustainability focus? | 52 | 30 | 18 |
| Are strategic targets identified? | 32 | 15 | 8 |
| 7. Understanding connectivity | | | |
| Is the group strategy aligned to stakeholder expectations? | 19 | 7 | 3 |
| Is there a link between strategic priorities and KPIs | 67 | 17 | 13 |
| Are KPIs linked to remuneration? | 48 | 3 | 2 |
| 8. Resource allocation | | | |
| Is there a reference to the company's capital management allocation strategy? | 68 | 33 | 25 |
| Does the company explain how investments will generate value in the long-term? | 49 | 12 | 4 |
| 9. Risk management | | | |
| What level of insight is provided into the company's risk management system? | 90 | 30 | 28 |
| Is there a discussion of how the Board reviews how risks to the future success of the business have been considered and addressed? | 81 | 31 | 24 |
| Is there a discussion of how the Board reviews how governance contributes to the delivery of its strategy? | 34 | 5 | 2 |
| 10. Corporate culture | | | |
| Does the report clearly outline the company's values? | 74 | 77 | 61 |
| Is there evidence of how the Board has oversight of culture and values? | 71 | 10 | 7 |
| Is there evidence of initiatives the company is taking to embed culture and values across the organisation? | 57 | 25 | 14 |

CONNECT

With the multitude of communication channels available today, reinforcing the consistency of your value creation story remains critical to effective strategic communications for corporations. The challenge is allowing multiple stakeholders to manage their own content, while maintaining a consistent voice and presence across your digital real estate.

Our CONNECT publishing platform enables you to deliver this to stakeholders consistently and effectively.

WWW.BLACKSUNPLC.COM

Amanda Alexander
Business Development Director

AAlexander@blacksunplc.com

+44 (0)20 7736 0011

www.blacksunplc.com

BLACK SUN

For over 25 years Black Sun has been solving critical business challenges with creative communications solutions. Helping companies tell the story of how they create value for the people that matter to them – investors, employees, customers and society.

In today's complex world strategic, authentic and effective storytelling has never been more important to an organisation – whether you are a large multinational, a private business or a public body.

As strategic storytellers we are passionate in our belief that inspiring communications will make businesses more valued in the eyes of their stakeholders, spark positive change and drive long-term sustainable performance.

THIS RESEARCH

This research is part of Black Sun's Horizon Series which annually identifies best practice and emerging trends in corporate communications, across key channels and geographies. What began as a survey of corporate reporting trends of the FTSE 100 in 2005 has grown into a truly holistic measurement of companies' communication across their key 'storytelling' channels.

