

COMPLETE  
100

# THE REAL DRIVERS OF VALUE

## LOST & FOUND?

THE COMPLETE 100  
Analysis of FTSE 100 corporate  
reporting trends in 2016

On June 22 2017, Black Sun held an event to mark the launch of our 12<sup>th</sup> annual flagship research the 'Complete 100: The Real Drivers of Value: Lost and Found?'.

The event introduced the key research findings and featured a panel of corporate reporting practitioners who explored the challenges and opportunities of engaging stakeholders and capturing this in the Annual Report.

Triggered in part by a few recent high profile corporate failures, there has been a lot of debate around stakeholder voice and the degree to which directors have regard for stakeholders in promoting the success of a corporation, in line with Section 172 of the Companies Act.

This debate is also increasingly reflected in Annual Reports with many organisations now discussing their stakeholder engagement. Despite this, very few companies are convincingly communicating that stakeholder engagement is truly material to the future direction of the company, with the majority still only reporting as if it is "the right thing to do".

The following insights are taken from the discussions at the event, for the benefit of both those at the beginning of their stakeholder engagement and reporting journey, and for those at a later stage.

### Panel speakers:



**Douglas Radcliffe**  
Group Investor Relations  
Director  
Lloyds Banking Group



**Tom Roundell Greene**  
Senior Manager, Global  
Sustainability  
JLL



**Gavin Haycock**  
SVP Group Communications  
Paysafe Group

## Main points from the discussion at the event

### **Lots of stakeholder engagement is taking place and the executive committee and board are in the loop**

Participants at the event suggested that companies are undertaking a lot of stakeholder engagement at a corporate level; much of which is fed back to the executive committee and board who will often receive large amounts of data relating to different stakeholders. This might include information on investors thinking, Net Promotor Score, customer views, staff engagement, complaints etc. All this data, it was suggested, is part of a 'patchwork of information' that together supports strategy setting and operational approach.

### **Stakeholder engagement is not fully reflected in reporting**

Not all stakeholders are 'owned' by the same corporate functions. Participants at the event suggested that this can mean stakeholder engagement undertaken is not fully reflected in reporting as those tasked with reporting may not be aware of all the information available, or indeed how this information is used internally for strategic insight. Therefore, telling a coherent story that makes this connection requires substantial internal cooperation and a clear understanding of others' areas.

### **Holistic view across all stakeholder engagements**

It was also suggested that while stakeholder engagement is never 'owned' by one person, it is important that someone is taking a holistic view across all stakeholder engagement programmes to ensure that there is some level of consistency of approach. Equally, participants also highlighted the crucial importance of a clear 'tone from the top', ensuring that stakeholder engagement programmes are run successfully and for the benefit of all parties.

### **Stakeholder expectations are not systematically established**

Participants at the event also suggested that while a lot of stakeholder engagement takes place, corporates are less likely to systematically establish stakeholder expectations of the organisation as part of this process. This could explain why we are seeing very little reporting on this within the pages of the Annual Report. It was suggested that the nuance between what stakeholders expect of companies and what stakeholder engagement programmes set out to achieve would benefit from being further explored to ensure these are better aligned.

### **Stakeholder engagement panels - what to consider?**

One of the suggestions in the BEIS Corporate Governance Green Paper consultation published earlier this year, was that companies should use stakeholder engagement panels and we are now seeing a few do this. Advice from the event for those who might be considering this approach, is to first clearly determine what the desired role of the panel will be. In particular, whether the role is to review all stakeholder data or to purely represent the different perspectives and views of stakeholders adding value that way. It was also suggested that to have the most strategic impact, it was crucial to determine where in the organisation the panel should report into, be it at board level, executive committee level or other areas of the company.

## Practical advice for optimising your Annual Report

### 1. The Annual Report Process is an opportunity

The Annual Report process provides a unique opportunity to engage with other internal reporting stakeholders to better understand the internal 'plumbing' as well as how stakeholder engagement data is used for strategic insight. This in turn encourages connectivity across the report and allows the penholder to more effectively contextualise the data in the report in a way that makes it more strategic and material for the value creation story.

### 2. Engagement for better business, not for the sake of reporting

Most companies now disclose information on stakeholder engagements undertaken. However, it is important to be mindful of the fact that when too much information is disclosed, the reader may lose sense of what is actually material for the business. So rather than increasing the amount of information provided, the best reports are now able to articulate how stakeholder engagement is used for strategic insight.

### 3. Core and more – extending the message

While aspects of stakeholder engagement such as the engagement process, stakeholder feedback and the progress on addressing concerns, provide interesting insight into corporate thinking and planning, the Annual Report may not necessarily be the best place for all of it. Consider instead using Annual Report to disclose information such as: a short description of key stakeholder groups, their expectations of the company, as well as examples of how engagement feedback is used strategically and is considered by the Board. Extend the message by using the the corporate website as a channel to communicate additional information around stakeholder engagement that might not be necessary in the Annual Report. This information is likely to be of more interest to stakeholders beyond shareholders, for whom the company website is likely to be the first port of call anyway.