THE COMPLETE 100
SUMMARY

A brief summary of key insights, trends and best practice of how companies are communicating through their annual reports

Ticking the boxes, missing the point
Welcome to the summary of our 11th annual assessment of all FTSE 100 Annual Reports which identifies trends and best practice in corporate reporting. A copy of the full report with more detailed analysis is available on request. We would also welcome the opportunity to take you through the findings in person at your convenience.

So, does this mean that UK corporate reporting has reached a peak of fully realised potential and high performance? Unfortunately not. While they may be ticking the boxes, many companies are missing the point. And what’s missing in our view, is a compelling corporate story that will engage and inspire a company’s shareholder base. 

How are you unique?
A starting point is to articulate what makes you unique. This means providing a clear sense of what sets you apart and what makes you unique. This means providing a clear sense of what makes you unique. This means providing a clear sense of what makes you unique. This means providing a clear sense of what makes you unique.

To request a copy of the full report, contact Sarah Myles at smyles@blacksunplc.com

There’s so much uncertainty in the jobs that you guys have to deal with and probably more to come; but the annual report narrative is the one thing you actually have control of. You guys put it together, so it’s within your power to shape it as you need to shape it, so use it and use it effectively.

The average buy side analyst covers 129 stocks, so you really have to make yourself stand out. The top investment drivers for global investors are management credibility and attractive business strategy. So if they can pick holds at your credibility and your valuation story, then that’s it. You’re off the radar and somebody else is in.

What investors said at our launch event...

On the role of the annual report

On telling your value creation story

On being forward looking

I don’t expect you to put a 7 year target out there but some milestones along the way to show that you are actually measuring your company. We want to know what you think is important for the next 3-5 years and if you can’t even do a viability statement of 5 years, then we’ve got a problem. The forward-looking aspect is not done well enough because everybody’s cautious about the forward-looking part. I totally understand why, but you do need a little bit of a jump – and it is a jump, but it’s a jump with a safe harbour and that’s the whole point of the document.

I think we need to go back to the idea of credibility, it’s the proven ability to set goals and strategic goals and financial goals and then achieve them consistently over time and providing investors with a road map and being able to go through that road map and say, ‘OK, we said we were going to do that and we have done it.’ So if you can’t give the financial guidance, then give some operational guidance, give some sort of guidance because they will discount you for not doing that.

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Fundamental to the long-term value creation story is a company’s ability to demonstrate how it employs its resources and relationships to take advantage of market drivers. Crucial is also how a company achieves its goals while navigating uncertainties, and how it aligns reward to long-term performance under the leadership of management and board.

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<thead>
<tr>
<th>Areas that are developing</th>
<th>Areas that need improvement</th>
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<tbody>
<tr>
<td>Business model</td>
<td>55% use value creation concept to explain their business model</td>
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<tr>
<td>Market and outlook</td>
<td>93% discuss industry trends</td>
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<tr>
<td>Strategy</td>
<td>90% identify strategic priorities</td>
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<tr>
<td>KPIs</td>
<td>72% explain what KPIs measure</td>
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Best practice reporters:
- Clearly demonstrate value creation beyond purely financial return
- Explain why they are committed to creating shared value, the stakeholder groups they impact most significantly and the areas on which they are most focused
- Quantify their business model outcomes to illustrate the tangible impact of their business
- Provide an insight into the resources and relationships they rely on to create value
- Not only discuss value creation, but how they preserve value and mitigate its destruction
- Articulate what makes them different from their peers
- Clearly define KPIs, explain what they measure, and demonstrate why they have been selected as measures of strategic success or value creation
- Use a mixture of both financial and non-financial KPIs

Connectivity and long-term thinking is critical to the long-term value creation story and is paramount in creating a strong message of accountability, trust and securing shareholders’ and other stakeholders’ confidence.

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<tr>
<td>Business model, strategy and risk</td>
<td>65% demonstrate a direct link between risk and strategy</td>
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<tr>
<td>KPIs, risk and executive remuneration</td>
<td>60% provide a link between strategy and KPIs</td>
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<tr>
<td>Long-term thinking</td>
<td>13% outline specific priorities or objectives with timeframes of five or more years</td>
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Best practice reporters:
- Not only discuss value creation, but how they preserve value and mitigate its destruction
- Articulate what makes them different from their peers
- Clearly define KPIs, explain what they measure, and demonstrate why they have been selected as measures of strategic success or value creation
- Use a mixture of both financial and non-financial KPIs
- Illustrate a direct link between strategic priorities and specific principal risks, showing also how this aligns with the Group’s risk appetite
- Demonstrate how strategy has been designed to optimise the resources outlined in their business model and thereby achieve its value creation objectives
- Explain the relationship between the business model and risk
- Clearly highlight which KPIs are used in remuneration decision making
- Specifically explain their strategic priorities, provide strategic timeframes and use long-term timeframes wherever possible
- Explain their capital management policy and capital expenditure strategy, providing insight into the areas of the business where they are investing most.
Corporate culture is increasingly recognised for its pivotal impact on the way companies do business. Aligning culture, values and purpose with strategy can help ensure that performance is achieved in a manner that supports long-term aims. The focus here is to look at how performance is achieved as opposed to purely what performance is achieved.

-- Demonstrate a clear link between culture and performance, focusing in particular on how reward and remuneration supports positive company behaviours

-- Explain how employees are trained in relation to values

-- Provide an insight into risk appetite and explain the extent to which the Group is willing to be exposed to risk in pursuit of specific strategic opportunities

-- Highlight the risk of anti-bribery, corruption and other negative behaviours, along with the steps taken to safeguard against them

-- Explain how they engage with their stakeholders and align their focus areas with the issues most material to them

-- Use case studies to demonstrate ‘culture in action’

Areas that are developing

- Culture and tone from the top
  - Set out their values
  - 68%
  - Explain their purpose
  - 33%

- Aligning business and culture
  - Attempt to align strategy and culture/values
  - 37%
  - Align culture/values and employee appraisals
  - 12%

- Embedding culture
  - Explain how they embed values and expected behaviours
  - 43%
  - Report targets linked to embedding values
  - 3%

- Culture and stakeholders
  - Explain how they engage with stakeholders
  - 70%
  - Discuss how they have responded to stakeholder feedback
  - 24%

Summary of findings

Corporate

Governance

and accountability

A Board’s strength, independence of thought and correct skillset is crucial for the delivery of a company’s long-term strategy and can be a distinct competitive advantage. In this sense governance and accountability are key structural supports for long-term value creation.

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<td>Strength of Board</td>
<td>32% of Chairmen or Chief Executives commit to good governance</td>
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<td>Board and committee activities and priorities</td>
<td>75% outline activities during the year of the Board</td>
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<td>Governance and risk</td>
<td>99% report on risk management</td>
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<td>Governance and sustainability</td>
<td>39% have a Board-level Sustainability Committee</td>
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<td>Best practice reporters:</td>
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If you would like to understand more about trends in corporate reporting or would like to understand how your reporting compares to the FTSE 100, contact us today. We would be delighted to help you on your corporate communications journey.

For more information about Black Sun please contact Sarah Myles at smyles@blacksunplc.com