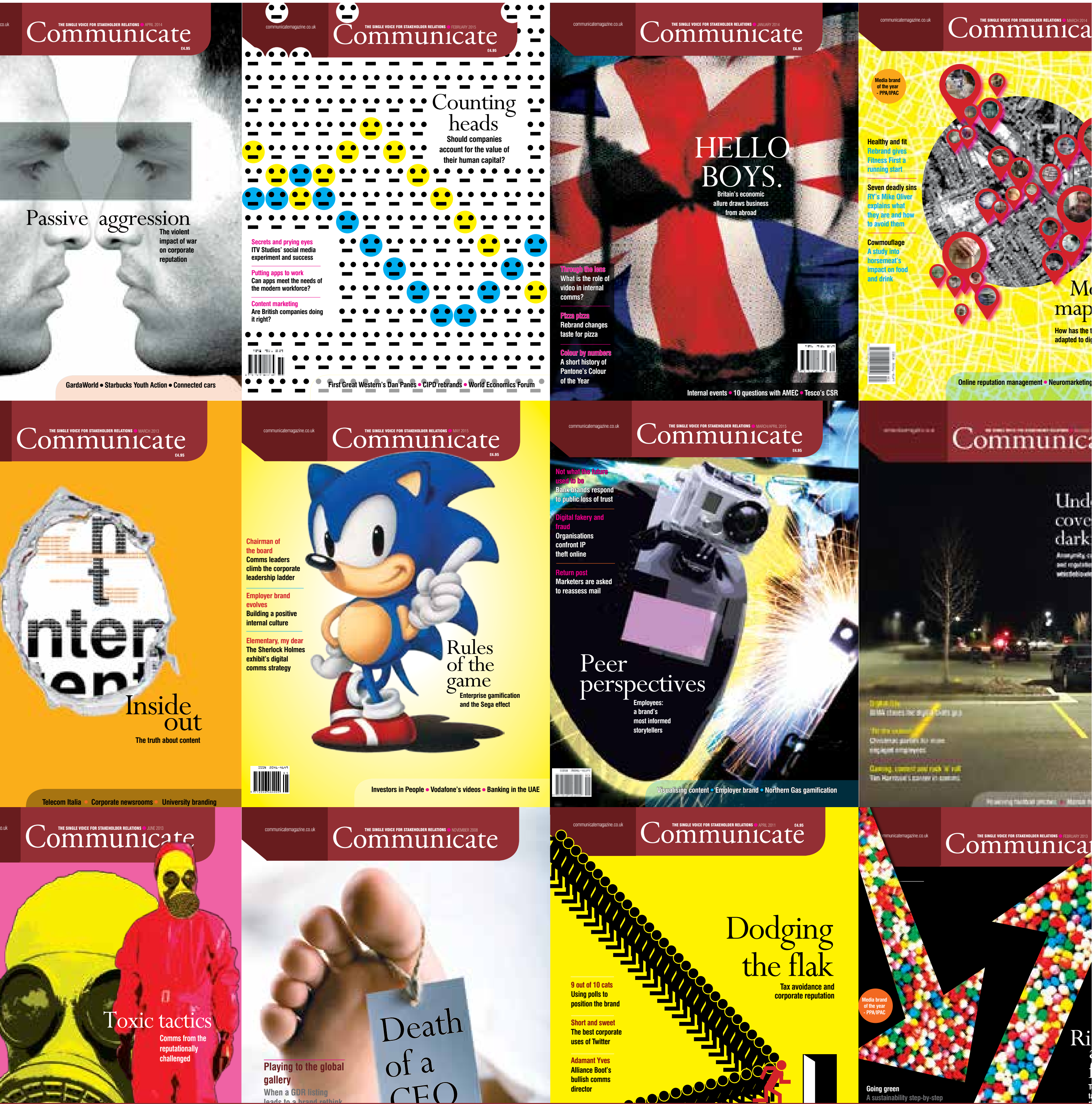
EVOLUTION OF THE ANNUAL REPORT

Communicate magazine

2015

The UK's leading magazine for corporate communications and stakeholder relations



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Welcome

Two years ago, the regulations governing corporate reporting in the UK, and in the EU, promoted strategic reporting as the new model for the annual report. Last year's Evolution of the Annual Report conference examined the changes to businesses, and their reporting methods, one year on. Two years on, companies are still adapting to these and further regulatory changes.

Today, we will discuss the ways in which the investor relations community can address change, best communicate about a company's business strategy and ensure the utmost standards of transparency and quality in annual reporting. Investor relations has always been a collaborative field and the opportunity presented by the Evolution of the Annual Report conference allows those from all corners of the industry to share their thoughts, engage in debate and form valuable relationships.

We're also pleased to be recognising the winners of the Strategic Report Accolades at the conference for the second year. They honour the most effective exposition of a company's business model, the foundation of a strategic framework, defining the logic of the business and the basis of sustainable profitability across the value system of its enterprise. A well-defined business model leads to clear and consistent corporate goals, objectives and strategy. Understanding what comprises good communications will only help more companies achieve this in future.

The Evolution of the Annual Report conference is a highlight in the calendar of anyone working in investor relations. It will provide value, insights and expertise from the leading lights in the IR community. The annual report is constantly evolving, as will be the need to understand and act on those changes. This and future debates will serve to enhance the collaborative spirit and collective successes of investor relations in the UK.

Brittany Golob
Editor, Communicate magazine

Contents

Programme

08.30 Registration and networking breakfast

09.00 Welcome and opening address, Andrew Thomas, publishing editor, Communicate magazine

09.05 Embedding the longer-term view

The enforcement of the Financial Reporting Council's 2014 UK Corporate Governance Code makes a number of requirements; remuneration needs to be more specifically and transparently linked to long term success, directors should pay more attention to reporting risk and reports need to address the company's long term prospects. The Financial Reporting Council is looking to drive a more long term approach to corporate reporting and this session will discuss how this will look in practice, and how it will affect those involved in the production of the report.

David Styles, director, corporate governance, Financial Reporting Council
Jennifer Sundberg, managing director, Board Intelligence
James Crawshaw, advisor, CFA Society
Chaired by Brett Simnett, director of investor engagement, Radley Yeldar

09.45 Reporting internationally – a broader perspective

This session will examine the difference between the UK's 'comply or explain' approach to reporting and other methods adopted internationally. Jonathan Labrey, chief strategy officer at the International Integrated Reporting Council will discuss the challenges for both dual and cross-listed companies ready to share their experiences and offer insights on addressing the contrasting regulations imposed across different countries.

Jonathan Labrey, chief strategy officer, International Integrated Reporting Council
Chaired by Leon Milligan, corporate reporting consultant, Emperor

10.25 Governance reporting – from boiler-plate to gold-plate?

Investors and shareholders are taking more of an interest in the way that a company is led, directed and controlled. This session will look into the ascendance of the strategic report and how the divide between corporate governance and the strategic report is increasingly insignificant.

Tracy Gordon, corporate governance director, Deloitte
Victoria Whyte, company secretary, GlaxoSmithKline plc
Frank Curtiss, head of corporate governance, RPMI Railpen Investments
Chaired by Karen Almeida, head of narrative reporting, Conran Design Group

11.05 Coffee break and networking

11.25 Beyond CSR reporting

In light of the EU directive and its implications for UK reporting, this session will consider the changing approach to social and environmental factors in preparation for the impending impact. Delegates will hear how inspiring sustainability programmes are successfully communicated in the annual report. Caroline McCarthy-Stout, head of reporting: responsible business at Lloyds Banking Group will join to panel to talk the Helping Britain Prosper Plan programme and how communicate this to their stakeholders. John Swannick, committee member at The Delphi Project will explain how the progarmme helps to identity the most material environmental, social and governance drivers of company value.

Caroline McCarthy-Stout, head of reporting: responsible business, Lloyds Banking Group
John Swannick, committee member, Project Delphi
Chaired by Glenn O'Hearne, partner, Pauffley & Co

12.15 How to convey your brand through digital investor relations?

Companies are constantly looking to find tech solutions to investor engagement. As the standard PDF fades out and the developments of the online report become more advanced, the need to ensure the online report is consistent with your company's brand becomes tougher. This session will discuss the best ways to translate your brand and its story through investor relations channels focusing on digital and online platforms.

Stephen Nightingale, director of investor relations, Britvic
Silvia Lischetti, online content strategist, Telecom Italia
Jon Cox, investor relations, BT
Chaired by Simon Gittings, global creative director, Investis

12.55 The strategic report accolades

FutureValue presents case studies and awards to the best efforts of the 2014/15 reporting cycle:

- Best business model
- Best key performance indicators
- Best strategic risk
- Best strategic capability
- Best governance
- Best shared strategic value
- Strategic leadership

To be presented by Tony Manwaring, executive director, external affairs at the Chartered Institute of Management Accountants

13.30 Lunch and networking

Speakers

Jon Cox, investor relations, BT
Jon has been with BT since 1987 and joined BT's investor relations team 18 months ago. He is a member of the core team responsible for the production of BT's annual report. Prior to joining IR, he worked in BT Group strategy for several years and before that, held various roles in market/competitor analysis, technology strategy and optical systems research.

James Crawshaw, advisor, CFA Society
James is a CFA charter holder and an advisor to the CFA Society of the UK on financial reporting and analysis. The CFA Society of the UK provides education and training, promotes high professional and ethical standards and informs policy-makers and the public about the investment profession. James has over 15 years of experience as an analyst covering technology and telecom companies for investment banks and industry research firms. His background is in equity analysis and he has worked for several investment banks and on the buy side as an analyst and portfolio manager.

Frank Curtiss, head of corporate governance, RPMI Railpen Investments
Frank joined RPMI Railpen Investments in 1990, and has been responsible for corporate governance since 1997. He started his career with Williams & Glyn's Bank in 1982 after graduating from University College London in English. He belongs to the Chartered Institute of Management Accountants (CIMA) and the Institute of Chartered Secretaries and Administrators (ICSA). He joined ICSA Council in May 2010, was UK vice president and treasurer for 2011-15 and is UK president for 2015-16. He has also served on the judging panel of the annual ICSA Hermes Transparency in Governance Awards from their inception in 2009.

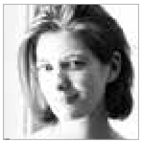
Tracy Gordon, corporate governance director, Deloitte
Tracy is one of the leaders of Deloitte UK's Centre for Corporate Governance. She specialises in corporate governance matters and leads our governance activities across a range of stakeholder communities. Tracy regularly presents to clients on the latest governance and corporate reporting developments. She is also a regular presenter at the Deloitte Academy and as part of our Next Generation CFO programme. She undertakes benchmarking exercises for many companies keen to meet current standards for best practice and bespoke training for board members new to the UK governance framework or needing a refresher on the requirements.

Jonathan Labrey, chief strategy officer, International Integrated Reporting Council
Jonathan is the chief strategy officer at the International Integrated Reporting Council (IIRC). He has 17 years' UK and international experience in creating, shaping and implementing strategies that improve policy outcomes and help to build long-term reputational benefits. Having advised UK Members of Parliament and worked for a leading public affairs consultancy, and most recently working in the business, accounting, corporate governance and reporting sectors. In March 2012, he joined the IIRC and in June 2014 relocated to Singapore to develop the IIRC's presence in Asia. The IIRC is a global coalition that is advancing a new model of corporate reporting.

Silvia Lischetti, online content strategist, Telecom Italia
Silvia has been dealing with online corporate communications at Telecom Italia since 2004. She is in charge of the editorial strategy and content of the telecomitalia.com website, the portal of the main TLC Group in Italy. She coordinates the network of web editorial staff to manage the editorial plan and the implementation of content updates, being in touch with all the company departments to help them communicate with their stakeholders through the web. During the years she has also managed the interactive online reporting and promoted its evolution from a merely disclosure document to a communication tool.

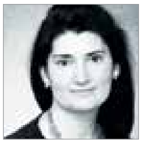
Caroline McCarthy-Stout, head of reporting: community & sustainable business, Lloyds Banking Group
Caroline joined Lloyds Banking Group three years ago as the head of strategy & reporting, responsible business having previously worked for a major international retailer. Since joining the group, she has helped to shape a new strategy and vision for responsible business reporting including the launch of the group's 'Helping Britain Prosper Plan.' She has a broad knowledge of economic, environmental and social concerns developed through a number of years of working within responsible business, corporate responsibility, communications, public and government affairs.

David Styles, director, corporate governance, Financial Reporting Council
David started at the Financial Reporting Council in May 2014 as director, corporate governance. He was previously a civil servant in the Department for Business, Innovation and Skills for nearly 30 years. He has held a number of posts dealing directly with a variety of businesses and industry sectors, including, from 2001-2011, assistant director in the Corporate Law and Governance Directorate with responsibility for policy on directors' remuneration, shareholders' rights and corporate governance, including European and international negotiations on these issues.



Jennifer Sundberg, managing director, Board Intelligence
Jennifer is the managing director of Board Intelligence, a business she has led since its inception in 2002. Jennifer was named the Times' young business woman of the year and, alongside her work with company boards, she plays an active role in shaping governance policy in the UK and Europe. Jennifer is a member of the advisory board of FINCA, a charity that issues over $500m in micro-finance loans each year. For five years she authored a column for Management Today and she is a regular speaker at conferences and business schools.

John Swannick, committee member, Project Delphi
John is an organisational change consultant working with companies to help improve financial performance by better leveraging non-financial performance. He is a member of the steering group and technical committee of Project Delphi, a working group of around 50 asset managers, asset owners and investment consultants seeking to identify the most material environmental, social and governance drivers of company value. His background is in finance, latterly as a corporate responsibility and stakeholder relations specialist for Lloyds TSB where his role included corporate reporting and investor relations.

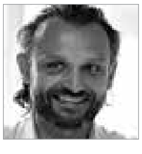


Victoria Whyte, company secretary, GlaxoSmithKline plc (GSK)
Victoria has over 20 years of experience as a company secretary in a wide range of businesses covering board support, corporate governance, insurance and employee and executive share plans. She joined GSK in August 1998 as director, secretariat services, was appointed deputy company secretary in 2005 and company secretary with effect from January 2011. Her team provides company secretarial and corporate governance support to the GSK board and its UK business. Previously, she was deputy company secretary at Vickers, she trained as a company secretary with BAE Systems and has also worked in the secretariats of Coats Viyella, St Ives.

Moderators

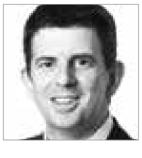
Karen Almeida, head of narrative reporting, Conran Design Group
Karen is head of narrative reporting at Conran Design Group and has over 20 years of client-side and agency experience in corporate and financial communications, investor relations and marketing. Her roles have included head of european investor relations at Reuters Group, with responsibility for the company's annual report and establishing an analyst relations function at Ofcom. She works with clients to provide strategic advice, practical guidance, benchmarking and research on corporate reporting.

Simon Gittings, global creative director, Investis
As global creative director, Simon leads clients and in-house teams through the creative process, to get the ideal mix of design, messaging, words and media to effectively tell clients' unique stories. He pushes everyone to engage their audience and to communicate effectively. Simon has been with Investis for the past five years, prior to this he was project manager and business analyst at Saltmine Ltd.



Leon Milligan, corporate reporting consultant, Emperor
Leon leads the reporting consulting team at Emperor and has provided advice to key clients since 1998. Leon is focused on practical advice that has a direct impact on the way clients communicate. He has rearticulated the corporate strategy of several FTSE 350 companies, developed over 20 business models that provide meaningful business insight and crafted over 30 reporting frameworks which enable the measurement of strategic progress. His clients have included RB, Vedanta, Morgan Sindall, Genus, One Savings Bank and Catlin.

Glenn O'Hearne, partner, Pauffley & Company
Glenn is a specialist in corporate reporting with a career in corporate communication that spans some 15 years. He has advised on, written and edited integrated annual reports and sustainability reports for a number of blue chip companies listed on the Johannesburg Stock Exchange (JSE). In 2007, he joined Studio 5, a leading graphic design agency. Studio 5's integrated offering across advisory, editorial and design gained purchase with top clients on the JSE including Sasol, Standard Bank, Murray & Roberts, Sun International, Netcare and Vodacom. In early 2014, Glenn became a partner at Pauffley & Company.



Brett Simnett, director of investor engagement, Radley Yeldar
Brett is director of investor engagement at Radley Yeldar. Brett joined RY in 1998 and has been involved in all areas of the reporting value chain from consultancy, creative, project management and production. He helps clients develop the structure, content and messaging for reporting and investor communications. He also leads 'How does it stack up?', Radley Yeldar's research into FTSE 100 narrative reporting, which has become recognised as a benchmark for best practice reporting. His clients include Antofagasta, BAE Systems, British American Tobacco, Barratt Developments, Severn Trent, Syngenta, Thomas Cook and Vodafone.

Congratulations to our clients
William Hill and BBVA for their
2015 Corporate & Financial Awards,
and also to Saab and BBVA on
being short-listed for this year's
Digital Impact Awards.

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Get in touch
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Strategic Report Accolades shortlist

To be presented by Tony Manwaring, executive director, external affairs at the Chartered Institute of Management Accountants

Strategic Leadership
This accolade acknowledges the company that shows the greatest clarity and rigour in its published strategic thinking with a well-articulated, integrated strategic framework to illustrate clearly where it has been, where it is now, where it is going and how it will get there. This is the supreme accolade of the year.

- Lloyds Banking Group
- Old Mutual
- Unilever

Best business model
This accolade recognises the most effective exposition of a company's business model. The business model is the foundation of the strategic framework, defining the logic of the business and the basis of sustainable profitability across the value system of its enterprise. A well-defined business model leads to clear and consistent corporate goals, objectives and strategy.

- SABMiller
- Spirax-Sarco
- Tate & Lyle
- Tullow Oil

Best key performance indicators
This accolade recognises the company that declares the most effective set of KPIs. Effective strategy is about the past and the present as well as the future. Of crucial importance in this are the metrics that measure operational performance to provide executives and boards with an effective means to monitor performance against strategy.

- Barclays
- Henderson Group
- ITV
- Spire Healthcare Group

Best strategic risk
This accolade acknowledges the company most effective in revealing its sensitivity to the future through the presentation of risks and uncertainties that may influence achievement of its declared goals and objectives. Good strategic risk reporting also explains risk appetite, risk governance and risk management processes as well as addressing specific factors.

- DS Smith
- Fresnillo
- Legal & General Group
- TUI Travel

Best strategic capability
This accolade rewards the company most effective at demonstrating its continuing investment in the strengths and resources essential to growth and sustained success. Companies that think strategically know that it is important to show in their annual reports how sustained investment in these hidden assets is fundamental to their continuing success.

- Lloyds Banking Group
- Marks and Spencer Group
- Rolls-Royce Holdings
- Unilever

Best shared strategic value
This sixth accolade is for the company that has been best able to show in its annual report how it integrates its approach to social and environmental matters into its overall strategy for the business. Shared strategic value is about the fundamental sustainability of a business to the advantage and benefit of all its stakeholders.

- Coca-Cola Hellenic
- Mondi
- Unilever
- United Utilities

Best governance reporting
The seventh accolade is new this year. It is for the FTSE 100 company that has produced the most comprehensively compliant, most intelligible and in effect, the best governance report in its annual report.

- Barclays
- BG Group
- Marks and Spencer Group
- United Utilities

Corporate governance – are things getting interesting?

The last three years have seen important changes to the framework for corporate reporting in the UK. The introduction of the strategic report was a significant milestone and many companies have taken the opportunity to start developing a clearer, more joined-up strategic performance narrative.

At the same time, changes to remuneration and audit committee disclosure have acted as catalysts to governance reporting. The renewed energy and clarity that have enlivened the front sections of many annual reports have also had a positive influence on corporate governance reports. In much of the FTSE 100, and the upper reaches of the FTSE 250, we have seen the FRC's 'cutting clutter' campaign bearing fruit. There's more emphasis on communication, with case studies and infographics telling the story of the board's year in a more engaging and transparent way, replacing pages of dense boilerplate.

The FRC's recent report, 'Developments in Corporate Governance and Stewardship,' indicated that 93.5% of FTSE 350 companies now comply with all but one or two provisions of the code. As levels of compliance have risen, boards are using their governance reporting to show how they are embracing both the letter and the spirit of the code.

Areas where best practice reporters have led the way include better disclosure on board objectives, priorities, discussions and strategy sessions; board evaluation findings and progress on action plans; and engagement with investors.

The FRC has also pointed to improvements in audit committee reports, highlighting greater transparency and more informative reporting. But is this just a prelude to further-reaching changes?

As integrated reporting starts to gain momentum, companies are also looking at ways to align their governance reporting and their response to the latest requirements of the code more closely with their value creation story.

This is where the latest governance requirement, the viability statement, is starting to make things interesting. Boards must now provide a broad assessment of long-term solvency – for a period of 'significantly longer than 12 months' – and explain to investors the reasoning for their choice of period.

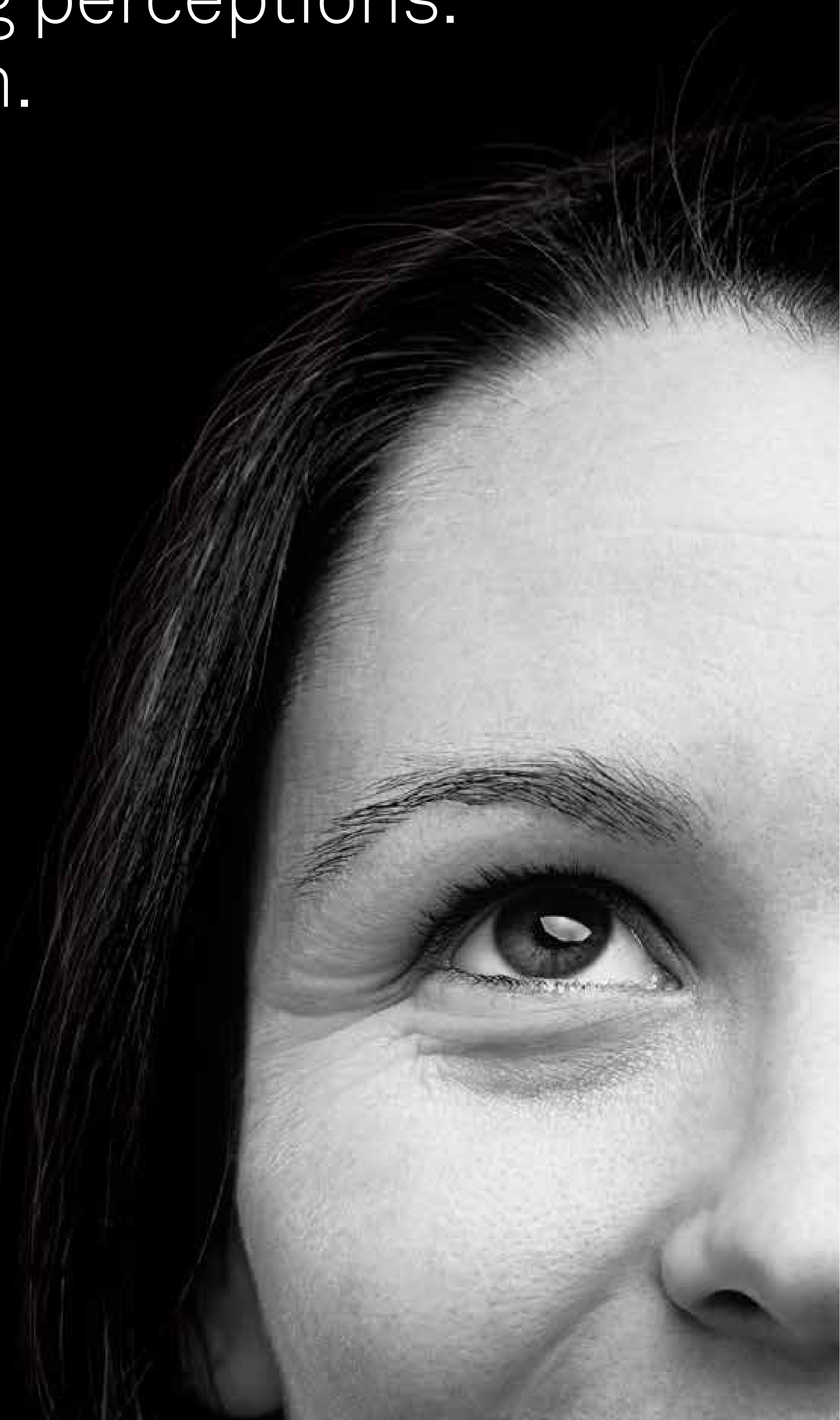
For many companies, this is stimulating a forward-looking debate not just on the quality of their risk reporting but also on the bigger strategic picture, including setting out the market opportunity as context for strategy, the importance of 'lead' indicators alongside 'lag' KPIs, and the need to link executive remuneration more transparently to strategy and performance measures. This last is a way of meeting the other notable new code requirement: explaining how remuneration promotes not only short-term results but also the long-term success of the business.

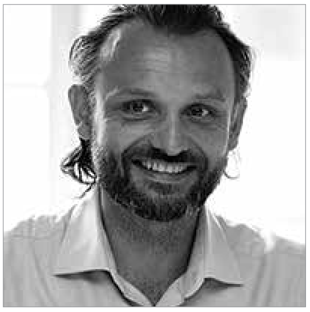
The other focus area for governance reporting is culture. The FRC said this year it will be assessing how effective boards are at establishing company culture and practices and embedding good corporate behaviour. Reports will need to give a clear sense of how boards assess whether the reality of their company culture lives up to their aspirations, particularly under pressure.

Progress is being made on board-level diversity, with the Davies target for 25% of directors of FTSE 100 companies to be women having been met earlier this year. However, it has also focused attention on the need to tackle broader cultural issues of diversity at senior levels, including the relatively low number of women in management jobs. There's an opportunity for nominations committees to explain how training, career development opportunities and succession planning are helping to build a more diverse pipeline of candidates for executive positions.

The signs are that 2015 could turn out to be a vintage year on the governance reporting front.

Karen Almeida is consulting director at Conran Design Group





Deconstructing the reporting tower of babel

There is universality in the production and publication of an annual report. No matter where a company lists its shares around the world, its annual report remains key to its communication with all stakeholders, most notably its investors. Despite the unquestionable value of annual reports, there are some fundamental challenges caused by diverse reporting requirements across different markets.

For investors across global capital markets, these varied reporting approaches make comparability a challenge. The narrative component particularly remains a diverse situation with each stock market and jurisdiction promulgating its own regulatory requirements.

For companies that have listings in more than one jurisdiction, there's the added complication of having to adapt their narrative reporting to consider the regulatory demands of the various markets in which they list. Many UK-listed FTSE 100 companies have other listings in the Netherlands, South Africa, Australia or, most commonly, the US, where the approach to reporting is substantially different. In the UK, reporting is principles-based, whereas US reporting is rules-based. The UK approach offers the opportunity for narrative differentiation to demonstrate best practice and even exemplary practice while the US approach demands strict adherence to a template, encouraging boilerplate disclosures.

One solution to this reporting tower of babel comes through the work of the International Integrated Reporting Council (IIRC). The premise of the IIRC is that corporate reporting no longer reflects the needs of the 21st century and that resilient capitalism needs financial stability and sustainability in order to succeed. Integrated Reporting is intended to underpin both of these problems through communicating to investors the information that they need in a periodic 'integrated suite' that addresses how an organisation's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term.

Many dual-listed UK companies tend to overlook the subtlety of different audiences and different narrative requirements, producing a single Annual Report that aims to comply with both reporting requirements, usually with the aim of lowering its costs of corporate reporting. However, with the value of Annual Reports as a guide to future performance in the ascendance, UK listed companies need to think even more carefully about producing merely compliant dual-purpose reports.

Investors want clear and concise information to help them make their judgements about the future prospects of the company presented in a cohesive report. In the three years since its introduction, the ←IR→ framework has seen significant and widespread international growth in support among companies and investors alike, with a host of global brands joining the pilot project. Although Integrated Reporting remains a voluntary code, it certainly offers the most promising solution to helping us deconstruct the reporting tower of babel.

Leon Milligan is the lead corporate reporting consultant at Emperor

Bringing the bastion of corporate communication into the 21st century: The future of digital annual reporting

Some would argue that in our hyper-connected, always-on world, the annual report is becoming increasingly irrelevant. Yet the annual report remains a bastion of corporate communications which for the majority of companies has stubbornly resisted significant change when applied online. The structure and format remain much the same; the focus on print-first thinking and formatting, the posting of the PDF on the website.

Faced with increasing corporate website visits (up 5% over the last two years), a corresponding increase in their importance to investors and analysts and pitiful annual report PDF download levels, some have challenged this status quo.

At first many companies took the approach of simply digitising their annual report as a complete self-contained microsite. The success of this effort has been minimal with readership rates increasing to just 2%, representing a poor return on often significant investment.

Investis was one of the first companies to suggest an alternative – the so-called 'embedded report.' The narrative section of the annual report is recreated as web pages, presented as a sub-section within the corporate site, typically in the investor section. Analysis of the usage of embedded reports reveals they increase readership and are revisited throughout the year.

With the introduction of the revised FRC guidance on the strategic report in 2014, many annual reports refocused on their investor audience, losing much of their marketing bloat and sustainability content not directly related to value creation or key business risks. While laudable, this narrowing of focus goes against the general trend of corporate comms which is becoming increasingly multi-stakeholder.

From hailing a cab to watching dancing cats, we expect the information we want, delivered to us the way we want it, on the device we happen to be using. Try searching an online annual report for all the information about a country or business entity or quickly checking a key stat on your phone. Good experience? Probably not.

My view of the future is if companies seriously want to tell their story and provide their audience with the information they want, it's less about a microsite vs. embedded reporting and more about the fundamental content structure. Provide information that can be skimmed, that can aggregate content around key topics and can interlink the 'now' with the past and potential future of the business.

Could such a report be created and audited? Would it be more useful? Imagine the strategic narrative of your own report restructured free from concerns over the number of pages and with content duplicated at will rather than cross-linked ad nauseam.

Imagine each entity – a business division or regional operation – with its own self-contained section. Strategy, market context, financial and non-financial KPIs, activities and risks all together in one place. All of this content is there in your current report – but because of the physical restrictions of the print-first mentality it's scattered across various sections.

Armed with such a report, investors, analysts and other key stakeholder groups would have a useful tool for understanding your business and contextualising the now, valuing it as a must-have digital resource whether on their phone or at their desk. Sadly, without a complete rethinking of the process of compiling and auditing of reports it's unlikely that such a report will be created.

Simon Gittings is creative director at Investis

Trends in reporting

The last few years have seen a flurry of new legislation and advice in the world of narrative reporting. So now that the vast majority of listed companies have published two reports under the new regime, how have they fared? What has changed and have the FRC's objectives to make reporting more concise, more balanced and more understandable been achieved? And what of integrated reporting, championed by the IIRC's framework launched in December 2013, a few months after the new legislation covering narrative reporting came into effect?

The research that MerchantCantos conducted in March and April this year into the FTSE 100's 2014 reports provides some useful insight and answers to these questions.

Are becoming more concise? The popular view is that some of the banks' annual reports typify the state of reporting. Highlighting one bank's 598-page 'report/bludgeon' in November, the FT's Lex column said, "If a business truly requires 600 pages to describe its operations, then it is too complex for an outsider to invest in (whether it is too complex to manage is a separate question)."

Concise reporting is a big focus for the FRC and its guidance that reports must be prepared with investors in mind should help companies focus the content of the report on the issues that are material to this group, rather than trying to be all things to all audiences. Of course, there are plenty of obstacles to making a report more concise, such as the reluctance to omit disclosure that had been deemed necessary in past reports or the concern that reducing the coverage on key topics may exclude valuable insight. The key to cutting content without dumbing down the report is to assess the materiality of issues and information to investors, while also conducting some housekeeping by eliminating duplication, re-evaluating traditional elements and parking boilerplate elsewhere.

Mining the data from our research, we compared srategic reports from 2013 with those from 2014 and found little change across the FTSE 100, with the average length of strategic reports static at 50 pages, and the full annual report at just over 200 pages. This picture of stability masks some sterling work that many companies have undertaken to right-size their reporting, particularly in the banking and insurance sectors where the average number of pages was cut by 10% in 2014 to give an average report length of 340 pages. Contributing to this were the banks' efforts to reduce the scale of their strategic reports – mindful of their obligation to send hard copies of this document to shareholders that had previously received a much shorter summary financial statement. For example, Lloyds Banking Group reduced the extent of its strategic report by 23%, cutting 10 pages by moving some information outside the strategic report, eliminating duplication and being generally sharper and more concise throughout.

Another FRC principle, echoed by the IIRC's integrated reporting framework, is the need to present a balanced view of a company, its position, performance and opportunities. Reporting on all aspects, whether positive or negative, and continuing to communicate through tough times is a fundamental tenet of good investor relations, but it has been largely ignored by the vast majority of companies.

Many prefer to corral negative news into the risk section or, in the case of high-profile under-performance, to deal with it in the chairman or CEO's statement. It requires a real shift in mindset to take a balanced approach to reporting throughout the document, for example by presenting operating challenges alongside operating highlights and being explicit about progress against previously stated strategic priorities – whether good or bad.

Perhaps more of us should adopt BBC presenter Evan Davis' mantra for building trust, which he shared with delegates at a recent Investor Relations Society conference, "You just tell people the truth over a sustained period."

The FRC and IIRC are also aligned in calling for companies to lengthen their reporting horizons.

Many companies could do better here, and in doing so they can help shareholders value the long-term sustainability of a company's business model, strategies and markets, and therefore encourage a longer-term investment perspective.

However far a company has progressed on its reporting journey, fundamental change in reporting approach and ambition takes time and effort. So you may want to start earlier, and talk to some people who can share insights and knowledge to help you set sensible goals for the road ahead.

Clive Bidwell is client services director at MerchantCantos

Credibility, accountability and agency in the quest for advantage

Conceived to be a more effective form of accountability, integrated thinking and its corollary, integrated reporting, is an idea whose time has come. It is in keeping with the notions of open organisations, communal agency and shared value, and the credible and meaningful engagement with stakeholders that these require, which are in the ascendency in our connected world.

Stakeholders are the providers and gatekeepers of the relationships and resources (or capitals) that a business needs in order to create value. A business that employs these capitals – human, intellectual, social and relationship, manufactured, financial and natural – most responsibly and effectively in generating outcomes that serve the greatest common good will continue to be granted affordable access to them.

Stakeholders, therefore, need a holistic and incisive understanding of the business. Specifically, they need to know how leadership thinks; how the interdependencies and trade-offs between the capitals, and indeed between the often-competing interests of stakeholders themselves, are managed. This is the basis upon which stakeholders opt-in to a company's philosophy, business model and strategy, or conversely, opt-out to support a competitor's investment case or value proposition instead.

Engaging stakeholders and enabling them to participate in creating value could not be more critical. Effectiveness here depends first on leadership's ability to convince stakeholders to invest the capital they provide or protect (whether this is their money, their time, their discretionary effort, their service, their creativity or their trust). Thereafter it requires a willingness to account consistently and continually to stakeholders in respect to the leadership's thinking, approaches and actions as the dynamics of unpredictable markets change.

Integrated reporting tasks leaders with providing insightful self-assessments of business strategy, governance, performance and prospects, which explain the interconnectivity of economic, social and environmental systems and how they impact on and are impacted by a company's activities. As such, even though full integrated reporting takes time to achieve, it can make a real and immediate difference in supporting more meaningful dialogue between companies and their stakeholders.

This benefit requires no more than an understanding that value creation is in essence participative, and a change in attitude to seeing reporting as an engagement opportunity rather than a reporting obligation. This is not to suggest that integrated reporting is easy; in effect a management discipline, it takes concerted effort from leadership to evolve the processes that support it. But it involves no frightening leap into the unknown. In essence, it is still about telling the unique story of an organisation, informed by a set of principles and content elements that in combination make for a more credible, clear, connected and concise story.

The critical difference of course is that these stories, as functions of engagement and accountability, cannot be perceived as fiction, seduction or spin. Only if companies are courageous enough to be authentic and open, will they reap the reward. In a connected world, where there is nowhere to hide, stakeholders will soon spot and widely share any variance in what is being portrayed versus their actual experience of the company.

The reputational risk of misrepresenting the realities within a company or its impacts in its pursuit of value, or in making claims that it cannot substantiate or promises it does not keep, is stark. But on the other hand, there is a massive opportunity here for differentiation – in an era in which the intentions of business are viewed with deep suspicion, patent credibility and accountability will inspire agency.

It is this simple yet profound idea – that credibility, accountability and agency confer powerful strategic advantage – that makes the objective of integrated reporting so compelling in an era where trust is the currency of survival and success.

Glenn O'Hearne is a partner at Pauffley & Company

Embedding the longer-term view

"The overarching objective of the strategic report is to provide information for shareholders that will enable them to assess how directors have performed their duty to promote the success of the company," says the Financial Reporting Council's 'Guidance on the Strategic Report.'

This statement from the FRC in the June 2014 guidance on the new strategic report regulations is always front of mind when advising on reporting disclosure for our clients. But what does it really mean, "To promote the success of the company?"

The simplistic view is to describe the financial performance of the business over the year and compare it to past performance. While this is, of course, a critical element of an annual report, does it really give the shareholder a complete picture of "business success?"

When you really think about what informs an investment decision, you look for how a business generates returns and how sustainable those activities and returns are likely to be. Even if the investment is short term, an investor will be looking for an indication of future performance, however short that period is. In my view, it is difficult to separate a short term and long term investment case. They are both based on how a business has performed, how it is going to perform and what makes you believe that performance is going to happen.

Embedding a long term view in reporting is not a difficult concept, in fact it simply ensures your reporting narrative spells out the long term activities of the business, how it will ensure these activities are sustainable, the likelihood these activities can generate value and that they are managed efficiently.

Central to getting this right is identifying what is most material to your business. A good articulation of a business model helps achieve this. Simply, a business model describes the activities of the business (your value chain), the market in which it operates, the outputs and outcomes this creates, the resources and relationships critical to the success of these activities and the risks involved. Once you get this right, the business model can act as an enhanced summary of the rest of the report, allowing you to talk about these elements and nothing more. An articulation of the business model also forms the basis for a movement towards integrated reporting, which has long term investment at its heart:

The IIRC's Integrated Reporting Framework says,"Integrated thinking is the active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term."

Once you have clearly defined the material elements to your business and discussed how these are performing and managed, the strategic element of the report can then identify and discuss elements the business will focus on in the near and mid-term to ensure the ongoing success of the business model. The governance section then discusses how the board has focused on these elements and what activities it took to ensure they are managed, and the activities identified for the period ahead.

Embedding the long term view in reporting does not add an extra element. It simply provides a holistic and material narrative about the way the business is run, how it is managed and how it has and hopes to perform. It is just good annual reporting.

Brett Simnett is director of investor engagement at Radley Yeldar

Notes