

Rebooting reporting for a more sceptical era

The evolution of the corporate annual report continues, with increasing demands from investors for clarity and accurate reporting, says **Ian Roe**.

Businesses, and those who invest in them, face a tough time today. Markets are being buffeted by geopolitical shocks, consumer sentiment is shaky and AI offers transformative reward but also significant risk, especially to those left behind. To compound it all, after well over a decade when global regulation tended to be pointing in roughly the same direction, we're seeing greater divergence in the approaches taken by major economies.

Trust in business needs work

Against this volatile backdrop a degree of distrust is to be expected, but the latest version of Edelman's venerable Trust Barometer¹ is sobering. 68% of people surveyed worried that business leaders 'purposely mislead people by saying things they know are false or gross exaggerations'. For context, that's a single percentage point better than politicians.

Corporate reporting has changed

As an audited, verified, single-source-of-truth, is the annual report keeping up with audience expectations? Can investors rely on the report to understand not just where a business has been, but where it's going? For the 20th annual iteration of Black Sun's 'Complete 100' research, led by my advisory colleague Andrew Williams, we gathered and analysed over 20,000 data points covering every FTSE 100 business to understand what leading businesses are doing to close the trust gap – and where they're falling short.

Progress is strong but uneven

The winners in the trust race are the businesses that translate complexity into a clear, strategically coherent, forward-looking story that investors can actually use. Most of the businesses we reviewed did a good job, as you'd expect from the



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UK's 100 largest and best-resourced firms, but only the sharpest told a complete picture. This was especially stark on the transformative topic of AI, where reporting fell drastically short of broader corporate and media narrative, not to mention the direction of substantial capital flows. The best reports also reflected on the market dynamics the business operates in, owned the challenges as well as the wins, and built a clear exposition of disciplined execution, credible capital allocation and durable, sustainable value generation.

Six principles of trust

Over the two decades we've been carrying out the research, our model has evolved substantially to take in the latest regulatory requirements, market expectations and channels. But there has been a significant core to what marks out the truly insightful reports from the merely informative. This year we have overhauled the framework again to capture both historic drivers of trust as well as our expectations of audience needs over the coming years.

Value-focused and material

Reports should show how activities create, protect or transform value. This certainly means value beyond the mere financial – but financial value remains paramount. The best reports connect it all up to what's materially important. That means an explicit investment case, a lucid business model, targets for strategy, and a transparent capital allocation model. Only 52% of FTSE 100 companies set out their investment case and labelled it for easy search – a missed opportunity. Even fewer, just 27%, took a visual approach to capital allocation to really simplify what is both complex and incredibly important to an understanding of future prospects. And 36% provided no targets for their strategy.

Stakeholder-driven

All reports (of course) now address stakeholder considerations but the best move beyond 'who we engaged and how' to a more action-oriented feedback loop; 'what we heard, what we decided, what changed as a result.' The better reports also quantified impact; 41% measured culture with metrics. Demonstrating that inclusion and diversity are still alive and kicking, 69% disclosed inclusion initiatives. Only 20%, however, explained how diversity directly supports strategy;

a missed opportunity in an environment where every activity is under scrutiny.

Future-oriented

Although an annual report is mostly backwards-looking data, readers engage with it to understand where you're going in future – and whether they want to join you on the journey. It's important to help the audience understand your position towards major opportunities and challenges. A solid eight in every ten FTSE 100 firms included a net-zero transition plan (up from ~20% in 2021). But only 3% of boards listed AI as a skill in a board skills matrix; a stat which almost certainly understates FTSE 100 AI expertise in the boardroom to a substantial degree. More firms featured AI more broadly – with a third including a feature on AI – but we'd expect next year's reports to show more progress, especially around AI governance and future-readiness.

Strategically aligned

Narrative coherence is the heart of credibility: strategy, KPIs, risk, sustainability and remuneration should all be lenses on the same story. Yet only 37% explicitly connected strategy to remuneration and 49% disclosed links between risk and strategy. Only 31% identified strategy as a board skill in biographies; a percentage that clearly doesn't reflect the deep strategic experience and expertise in the UK's biggest companies.

Purposeful

Corporate purpose is in rude health. Despite, or perhaps an element of response to, instances of 'purpose-washing' overreach, the overwhelming majority of FTSE 100 firms articulated clearly how their purpose is driven through their organisations and informing choices, culture and value creation. Almost nine in ten companies set out values with six in ten also explaining the behaviours that make them real.

Balanced, transparent, credible

Candour compounds trust; nobody would believe that in any given year everything went perfectly without challenge. Yet there remains opportunity for improvement in FTSE 100 reports. Only six in ten CEOs discussed major

A PRACTICAL APPROACH FOR THE COMING YEAR

Lead with "why invest"

- Distil the investment case into a clear, focused and simple articulation of "why us, why now". Plainly state your structural growth drivers, your distinctive assets and capabilities and the framework you use to determine where you deploy your capital.
- Convert ambition to measurable, time-bound targets. Make performance legible for all investors.

Close the feedback loop

- Move beyond stakeholder engagement process to describe outcomes. Summarise the issues raised, the decisions taken and what resulted from the engagement.
- Report the metrics you use to monitor culture and explain results. Show how your work on culture and inclusion drives value.
- Tell fewer, better stories - prioritise depth over breadth. Again, show outcomes.

Articulate your forward path

- Go beyond intent on your strategic programmes, including environment; milestones, capex, sensitivities and governance.
- Explain where AI creates value now or in the future. Explain the guardrails you have in place and how your board oversees your AI initiatives. Is AI a standing board agenda item?

Draw the golden strategic thread

- Demonstrate the alignment between strategy, KPIs, risks, capital allocation, sustainability and remuneration.
- Review your board skills matrix – is strategy properly represented? And change, technology, AI?

Evidence purpose with behaviours and outcomes

- Set out the behaviours that demonstrate your values and purpose in action. Add examples and results that show purpose shaping choices, not marketing lines.
- Consider sharpening your purpose or the messaging framework built upon it; some companies have rebooted and sharpened their purpose statements to be more actionable and aligned to their strategy and business model – focus on clarity that employees can use.

Embrace candour

- Own the negatives; make space for headwinds in CEO and market sections. Not only is this more credible but you want to show there's still room to grow and improve – if all room for upside is already priced in there's only one way to go.
- Explain malus and clawback choices in adopting the 2024 Code. Go past boilerplate to meaningful, clear disclosures to improve perceived fairness and rigour.

challenges. A similar proportion of market reviews presented both positive and negative trends. It would be a stretch to assert that 40 of the UK's largest businesses faced no major challenges during the year, or one-way traffic in operating environment. And while nine in ten describe malus and clawback provisions, fewer than two in ten explain why the period chosen is appropriate – a simple context add required by the 2024 Corporate Governance code that improves accountability.

Bottom line

Trust is built slowly and broken quickly. For the report to contribute to the accumulation of trust it must be clear,

authentic and decision-useful – value-anchored, stakeholder-accountable, forward-looking, strategically coherent, purpose-credible and candid. Our research shows the leaders – and the gaps – clearly. Close the gaps above and your next report will be more robust, more relevant, more resonant and provide a much stronger platform for deeper engagement with those that matter most to the success of your business.

If you want to find out more, you can request a full copy of the report on the Black Sun Global website. ■

1. 2025 Edelman Trust Barometer – Edelman