20 years OF INSIGHT AND IMPACT

trust IN TRANSITION

BLACK SUN GLOBAL COMPLETE 100

Black Sun Global
Stakeholder Engagement
A Positive Change Company

Change LAB™

Now in its 20th year, our review of FTSE 100 reporting reveals a marked shift in how global businesses communicate. *Trust in Transition* uncovers how leading firms are adapting to global change, sharpening their narratives, and building trust through clearer, more strategic reporting.

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Value-focused & material

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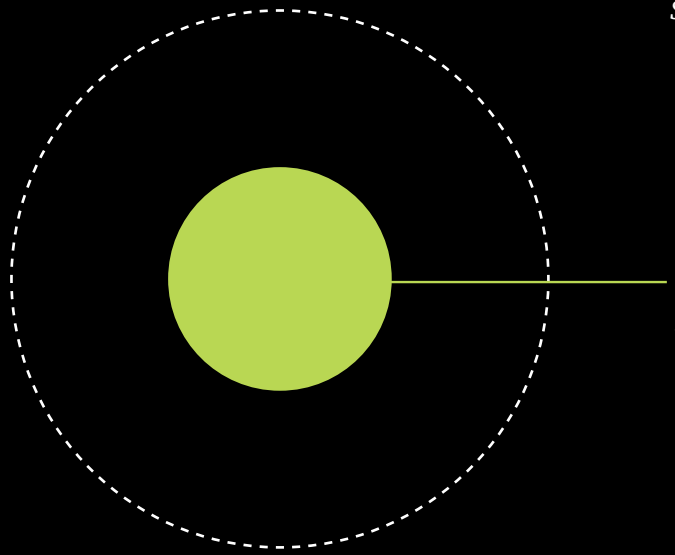
Just 52%

of companies set out their investment case and labelled it for easy search

Stakeholder-driven

See page 24 for more

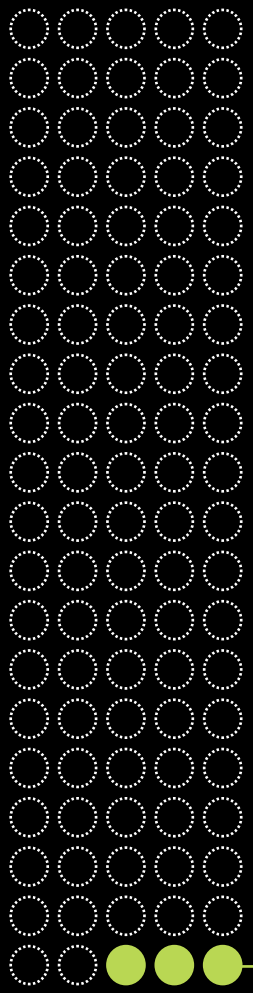


41%

use metrics to monitor their culture performance

Future-oriented

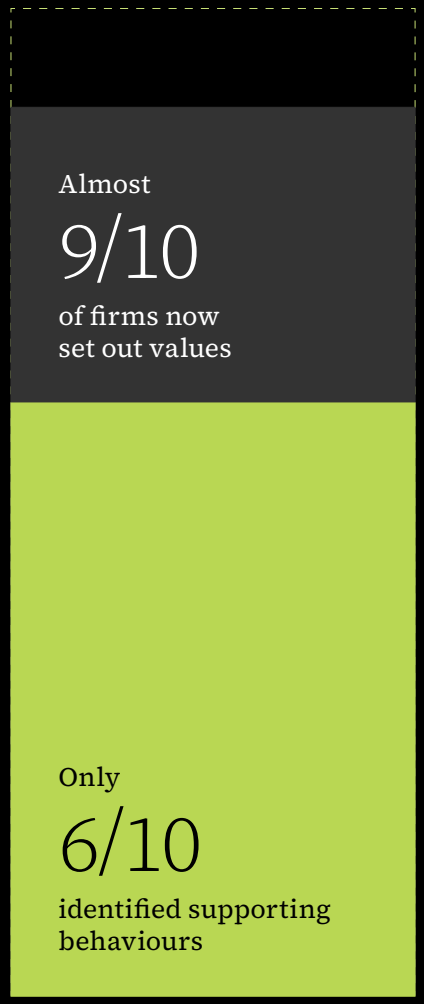
See page 13 for more



Only
3%
of firms explicitly highlighted AI as a skill in a board skills matrix

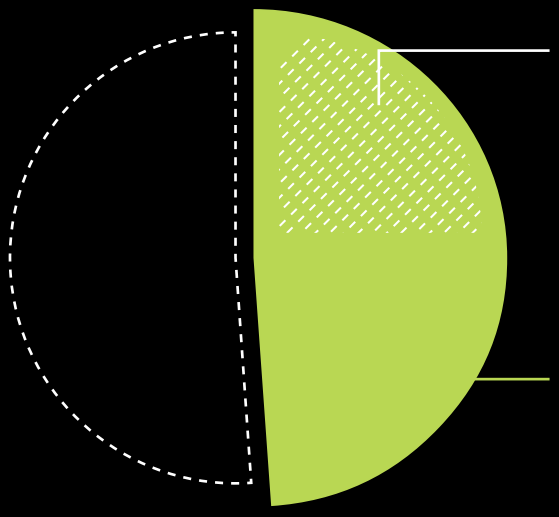
Purposeful

See page 16 for more



Strategically aligned

See page 21 for more

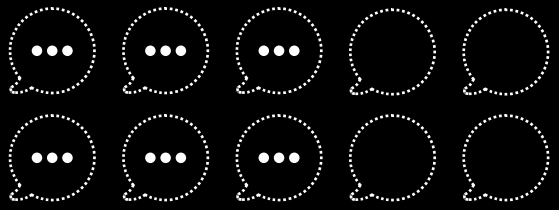


Only
25%
of companies explicitly addressed the connection between strategy and remuneration

49%
discuss links between risk and strategy

Balanced, transparent, credible

See page 29 for more



6/10
CEOs discussed major challenges in their leadership statements

We are Black Sun Global

We're part of the Positive Change Group

A global group of specialist agencies helping businesses build trust and connection through intelligent stakeholder engagement.

Positive Change Group

People-Made
Employer Brand & Culture

Black Sun Global
Reporting & Digital Engagement

Stratton Craig
Storytelling & Communications

Connected Expertise • One Vision • Creating Positive Change

We bring connected expertise, scalable delivery, and an AI-first mindset

Aligning culture and reputation to help businesses lead with clarity and deliver real, measurable impact.

Our four practice areas

Reporting & Disclosure

Environmental & Social Impact

Employer Brand & Culture

Corporate & Financial Communications

Introduction

If you're reading this, you're deeply interested in annual reporting and investor communications. You've likely got many years, perhaps decades, of professional experience, expertise and mastery.

Over the years you've spent an inordinate number of hours diving into the esoterica of reporting regulations and you've threaded the needle between comprehensible and comprehensive.

But I'd be willing to bet that it's years, if ever, that you've read your own annual report cover to cover. Just like most of your audiences you've read the bits that are most material to you, skimmed the rest and returned to key sections later.

How, then, can you be confident that your audiences are receiving your key messages? In an era of massive increases in regulation (CSRD stop-the-clock notwithstanding), has the report become a millstone – a regulatory hurdle to be surmounted with minimum viable effort – or does it remain a vital and vibrant channel to align corporate messaging and engage audiences? Is the transparency that regulation demands helping or hindering innovation?

This report reviews every single annual report in the FTSE 100 to understand how the UK's largest businesses are tackling thesequestions. It proposes a model to embrace clarity, confrontation and creativity that will turn obligation into opportunity and earn genuine trust from the audiences that matter most to the success of your business.

Ian Roe
Chief Proposition and Engagement Officer, Black Sun

Our Q&A panel

Andrew Williams
Investor & ESG Director

Harriet Rumball
Investor & ESG Director

Anne Kirkeby
Investor & ESG Director

Maria Trullenque
Senior Consulant, Advisory

Sue Lawrence-Jones
Client Services Director

Carly Hardman
Client Services Director

Zi Wei Yap
Investor & ESG Director

Q&A

Regulatory and technological change feels especially pronounced this year. As a reformed financial controller you've been at the sharp end of many economic cycles – is this year really different?

Andrew Williams, Investor & ESG Communications Director

It's true that after a number of years of relatively few new regulatory requirements there are a lot more being discussed now, particularly for the next four years: from the new UK Corporate Governance Code to the UK Sustainability Reporting Standards, and the uncertainty over what the revised threshold and scope for the CSRD is going to be. Reporters are having to justify budgets for developing their processes and control frameworks to be able to quickly respond to regulation, while trying to ensure their reporting keeps up with technological developments in reporting and artificial intelligence. Reports for 2024 give a glimpse of the work going on behind the scenes, but there's a lot of uncertainty over what's going to be required and how it's best prepared internally.

Governance is normally high on the agenda for investors; are they getting what they need from this year's reports?

Harriet Rumball, Investor & ESG Communications Director

Outcomes-based reporting has been strongly advocated by the Financial Reporting Council for some time, and we were encouraged to see over half (57%) of the FTSE 100 featuring outcomes reporting on key board decisions in the FY24 reporting cycle, a year ahead of the new UK Corporate Governance Code requirement. By showcasing accountability, outcomes reporting can provide valuable additional insight, for instance where outcomes do not crystallise as expected or where they change over time.

Attitudes to ESG, and especially DEI, are starting to diverge both within and between different regions. How are businesses with global investor bases responding to the challenge?

Anne Kirkby, Investor & ESG Communications Director

The EU's Omnibus proposals,have introduced significant uncertainty for global businesses, particularly around ESG reporting, by aiming to reduce scope, delay timelines, and simplify the ESRSs. While some global businesses have paused preparation for the CSRD, others are – sensibly in our view – continuing to develop their reporting processes and a reporting blueprint. At the same time companies with US operations and investors are carefully balancing messaging and terminology on DEI initiatives to reflect the different attitudes in the US and Europe.

We've looked at UK listed companies here; how do they compare to businesses in continental Europe?

Maria Trullenque, Senior Consultant, Advisory
The adoption of the CSRD in continental Europe has set a new benchmark for sustainability reporting, driving greater comparability and transparency among large companies. For FTSE 100 companies, our findings show that integration of sustainability content throughout the report continues to play a leading role, and sustainability statements loom large in annual reports for those starting to report against the CSRD. The overarching trend is a move towards not just reporting, but also storytelling – ensuring that sustainability commitments are clearly articulated and integrated into the corporate narrative.

Businesses have responded really quickly to quite complex changes in expectations. What have companies done to get ahead of changes?

Sue Lawrence-Jones, Client Services Director
I'm always really inspired by how our clients respond to the challenge of changing regulation. There's considerable overlap in required content on the horizon, so they're working hard to understand how best to accommodate the interoperability and focus on a single, compelling narrative. We've seen companies streamline their reporting in advance of incorporating further disclosures in future reports, and this is having a major impact on companies' broader reporting suites as they consider how best to communicate to stakeholders – AI included. Over a third of FTSE 100 annual reports are now in landscape format, in response to how the majority of users consume content digitally, and we're seeing our clients also think creatively about how to ensure their content is accessible across all channels.

We've been looking at UK listed companies – what are the biggest things unlisted companies could learn?

Carly Hardman, Client Services Director
Taking a 'FTSE 100' approach to your reporting, for unlisted companies, can pay off in better communication with those who matter most to your business. We have seen that unlisted reporters can reap real benefits from adopting some of the best practice seen in FTSE 100 companies: be it clear articulation of their strategy or business model or transparent description of their governance processes. But understanding stakeholder needs must be at the heart of any decision. Reporting speaks to multiple stakeholders; your suppliers, your employees, your customers, your investors ... so when you have options on how far to go with your reporting, understanding these stakeholders: and crafting a reporting and communications ecosystem that meets those needs ensures opportunities are being maximised; especially as content and assets can then be replicated in your social medial channels, website or customer communications.

The UK, Europe and Asia often learn from each other. How do these results compare to the SGX? What should we be adopting here in the UK?

Zi Wei Yap, Investor & ESG Communications Director
The UK has long led in sustainability reporting, but markets like Singapore, Malaysia and Hong Kong are now setting the pace in mandating ISSB-aligned disclosures. What's worth watching is how companies here are working through the realities of implementation – adapting global standards to local contexts as well as addressing data and governance gaps. As the UK prepares for its own Sustainability Disclosure Standards, there's value in learning from APAC's early experiences – especially in making disclosures meaningful, practical and useful for stakeholders from the outset.

"Over a third of FTSE 100 reports were in landscape format this year, and we're seeing our clients thinking creatively about how to target communication to specific stakeholders."

Principles of trust

Over the 20 years of this research, regulations have increased and expectations shifted. In response we have evolved the principles against which we test reports. Reports which **achieve these objectives** have a stronger chance of meeting audience needs and building trust.

Value-focused & material

A report should demonstrate the value created (or transformed/consumed) by its activities across multiple factors. Do activities accelerate or trade off against financial value? Are all material impacts covered?

Future-oriented

While reports disclose backward-looking information, stakeholders read them to make forward-running decisions both now and later on. Reports should help readers understand the direction of travel, especially with respect to key considerations such as capital allocation, ESG and AI.

Purposeful

Reports should show the organisation's purpose and its culture, relationships, models and value chains.

Stakeholder-driven

Reports should reflect stakeholders' trust needs and seek to build their through clear, understandable disclosure.

Strategically aligned

Reports should demonstrate how, by whom and with based on what diversity of skills and perspectives decisions are made; they should also demonstrate how compensation aligns with business drivers.

Balanced, transparent, credible

Reports should be candid about challenges as well as successes.

FROM FRAGMENTS TO *impact*

Amid the complexity and fragmentation of the modern world, creating true value involves connecting many moving parts. It requires clarity, alignment and purpose to transform scattered efforts into ***measurable impact.***

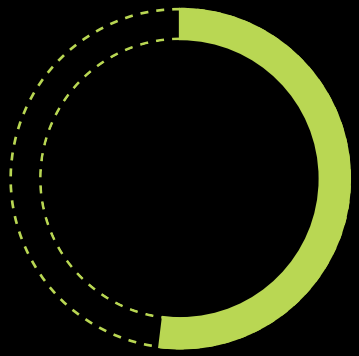
Value-focused & material

Creating value for all stakeholders matters – but it's also more important than ever to show how activities build or protect financial value.

Your audience is pressed for time and your report needs to communicate what matters most. As you look to differentiate yourself from your competitors and convince your stakeholders to buy in – whether by working with you, working for you or investing – your story should be built around value and impact.

Key observations

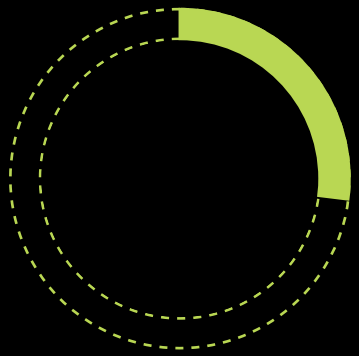
Articulating an explicit investment case



52%

of companies specifically set out their investment case

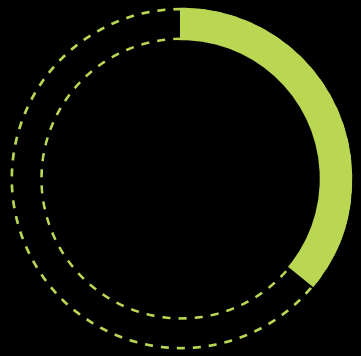
Visualising the capital allocation model



27%

of companies provide a visual capital allocation model

Setting meaningful targets against a forward-looking strategy



36%

of companies provide no targets for their strategy

Business models are giving greater insight into value creation than ever before, but a significant minority remain unenlightening

Effective articulation of a company's business model and strategy is fundamental to best practice reporting. The Financial Reporting Council (FRC) Guidance on the Strategic Report emphasises how these disclosures need to include useful information and detail to be of value to stakeholders. A clear majority of the FTSE 100 achieve this with regard to the business model by describing key differentiators, clear products/services with the value created and related outcomes for the company and wider stakeholders. However, few companies follow the FRC's guidance to explain of where they sit in their value chain, and only one in three define the relative importance of different parts of the business in the business model.

The investment case is an opportunity missed for almost half of companies

A clear, concise investment case helps investors understand why the company is a compelling long-term buy. Yet in 2024 only just over half articulated an explicit investment case as a separate part of their report. Those that failed to do so are missing an opportunity: not only to influence directly the key decision an investor makes, but also to distil the complexities of the business to a simple, clear articulation of value.

A clear majority set expectations by underpinning strategy with targets

When it comes to strategy, targets are a crucial tool in understanding and tracking how expectations and ambitions will be delivered. Yet over a third of companies provide no targets for elements of their strategy, which makes it difficult for stakeholders to assess progress and strategic execution.

Capital allocation is crucial to an understanding of value, but is not always an area of focused disclosure

A key aspect of providing transparency and assurance to investors that resources are being deployed efficiently and effectively is discussion of capital allocation. Almost half of CEOs talk about capital allocation decisions in their statement and over a quarter of companies consider it so important they set it out visually to make it easier and quicker to understand. But there is room for improvement: only a third of companies discuss the metrics which drive capital allocation decisions.

Double materiality as a driver of holistic value

Trends in reporting, including the requirements of the EU Corporate Sustainability Reporting Directive (CSRD), are changing what's most important in your story.

Most companies with significant EU operations or value chains had started preparing for compliance with the CSRD before the announcement of the Omnibus proposals in February 2025.

Despite the EU's pause to reconsider scope and requirements, the principles of double materiality are likely to become increasingly embedded in global best practices for sustainability reporting. Even those not required to comply with CSRD may conduct assessments to ensure their reporting demonstrates a comprehensive understanding of their environmental and social impact alongside financial considerations.

As companies complete their double materiality assessments, we expect to see the material issues identified reflected in their wider company strategies, risk profiles and governance structures. An example of the increasing integration of ESG factors is evidenced by half of companies including an ESG element in their remuneration targets.

Seeing double:
communicating financial and impact materiality

Is the materiality matrix dead in the age of the CSRD? How can you help readers visualise the complexities of your impacts, risks and opportunities (IROs)? Here we look at some of the approaches taken by companies in the FTSE 100 and beyond.

Written by

Tim Marklew
Reporting lead, Stratton Craig

Tables

Presenting information in uniform rows and columns is the most common format adopted by double materiality reporters this year. Though it's not very visually engaging, it's an efficient way to include the level of detail demanded under the CSRD, and clever use of colour and design can help to communicate additional information.

For example, Unilever keeps it simple, summarising its material IROs in a table with three columns, specifying:

- Material ESRS topic and sub-topic
- Type of IRO (e.g. risk, opportunity, negative impact positive impact);
- Occurrence in own operations, value chain or both.

The company then signposts readers to the dedicated Environmental, Social and Governance chapters of its report for more detailed descriptions of its material IROs.

View here on page 227

Shell has also gone for a single detailed table, indicating:

- ESRS topic and sub-topic
- Impact description
- Type of risk (e.g. climate, country, reputation)
- Occurrence (upstream value chain, operations, downstream value chain)
- Timeframe (short, medium, long)
- ESRS code or whether it's entity-specific.

View here on pages 352-353

Combination: scatter plot matrix and tables

RELX uses a scatter plot on a matrix grid to show its IROs at a glance, with impact materiality plotted on the x-axis and financial materiality on the y-axis. This uncluttered matrix allows us to instantly see the relationships between topics, grasping for instance the critical importance of privacy to all stakeholders.

The company has then published two tables on the following pages to communicate additional detail. This includes how each topic is trending over the medium (2-5 years) and long (5+ years) term, and how each links to company policies and RELX's unique contributions' – such as promotion of the rule of law & access to justice.

View here on pages 215-216

Butterfly bar chart

Taylor Wimpey – though not yet reporting against the CSRD – has used a butterfly bar chart to convey the results of its double materiality assessment. The format allows readers to easily compare topics according to the magnitude of their financial and stakeholder impact. However, it doesn't distinguish between risk, opportunity, positive impact and negative impact, so it's likely the company will have to adapt, or add to, this depiction next year.

View here on page 59

Other approaches

FTSE 100 companies will no doubt turn to Europe's CSRD reporters for design inspiration on how to present double materiality. This year, most EU reporters presented their IROs in tables, though some used engaging visual techniques such as Venn diagrams (Vestas) and value chain infographics (Carlsberg and Pandora) to tell at least part of the story.

View Vestas' here on page 57

View Carlsberg's here on page 59

View Pandora's here on page 52

Combination: bubble chart and table

Croda's variation on the table format uses colour coding to distinguish between risks, opportunities, and negative and positive impacts – while additionally using different-sized bubbles to represent the scale of impact.

View here on page 48

FROM UNCERTAINTY TO *direction*

In times of uncertainty, the most trusted reports help audiences see the road ahead. They provide clear signals and credible guidance — turning an unclear path into a ***confident direction forward.***

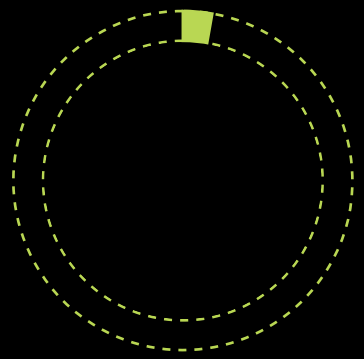
Future-oriented

Audiences are rarely reading your report to understand where you've been. They're searching for information to contextualise where you're going.

Audiences need to see the outcomes of your strategy and actions during the reporting period and understand how that impacts your future. They're interested in how prepared you are to address the seismic forces reshaping our world.

Key observations

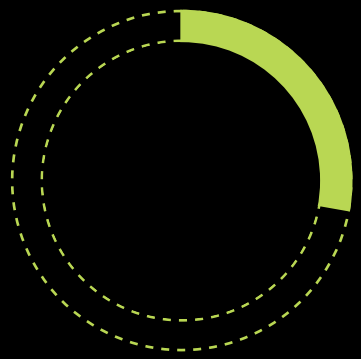
AI in the boardroom



Just 3%

of companies mention AI in their board skills matrix

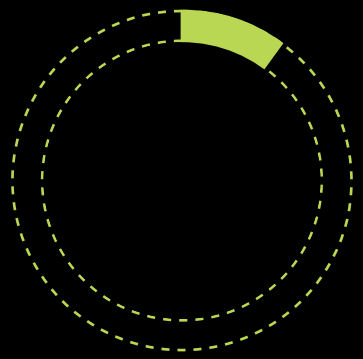
The impact of AI on the business



28%

of companies had a feature on AI in their annual report

Articulating the business case for sustainability



10%

of CEOs talk about the business case for sustainability in their leadership statements

Market conditions and sustainability regulation mandate a future focus

This year, we saw much greater acknowledgement of macroeconomic global uncertainty, with nearly all companies discussing the outlook for their market compared with just four in ten in 2019. More than ¾ of CEOs reference market conditions in their leadership statements and one in ten alluded to the potential global tariffs imposed by the US administration.

The growth of AI, geopolitical shifts, extreme weather, natural resource shortages – these unfolding changes all demand a shift away from solely retrospective reporting to a strong forward-looking model.

Companies that go beyond compliance to show how they are working to outperform in terms of access to capital, talent and resources are the most likely to sustain stakeholder trust.

This means demonstrating the resilience of your business model over short-, medium- and long-term planning horizons, disclosing the anticipated financial effects of risks and opportunities over time, reporting progress against long-term goals, discussing market trends, and demonstrating future-proofed board skills.

The business case behind sustainability initiatives is still not a key narrative

Advocates for sustainability initiatives have long argued that these actions will act as a revenue driver and are imperative for future viability. However, only a third of FTSE 100 CEOs or chairs highlight the business case for their sustainability programmes in their leadership statements, a proportion almost unchanged over the past five years. Whether their reticence signifies a fear of virtue-signalling in a sceptical political climate, or unease over the costs and benefits associated with the energy transition and mitigating the impacts of climate change, is unclear.

What is clear is that regulators will drive companies to focus on the future if corporate peer pressure does not. UK-quoted firms adopting either the UK Sustainability Reporting Standards (UK SRS) or the European Sustainability Reporting Standards (ESRS) will be expected to significantly expand their forward-looking disclosures, detailing how they will address all sustainability issues material to their business, including through time-bound targets, transition plans and capital allocation.

Only a fifth of companies now fail to include a transition plan

There has been a notable increase in the number of net zero transition plans included in reports: these are now provided by eight in ten companies, compared to only 20% in 2021.

Firms have been slow to show their adoption of AI

It's on everyone's lips, but most of the FTSE 100 have yet to say how AI has been incorporated into their business.

One third of reports contain a feature on AI but disclosure of full incorporation into company operations is rare. Only a third of market reviews reference AI, while a mere 10% mention AI in their business models. This reserve is understandable given the rapid pace of evolution, but the lack of transparency carries risks. When AI experimentation is so widespread and well-known, trust is not served well by failure to articulate a position. AI's increasing ubiquity will prompt questions about preparedness for future opportunities and challenges, as well as guardrails.

Only 3% of boards list AI as a key skill

Governance chapters are an obvious place to start talking about AI, and the FRC's 2024 Corporate Governance Code Guidance explicitly urges boards to at least consider whether controls over emerging technologies should be monitored, reviewed and reported. Our research suggests that, when it comes to AI, focus is lacking. Only 10 FTSE 100 companies disclose having AI as a standing agenda item for the board and of the 63 companies with a board, skills matrix just three companies mention AI as a key skill. Our conversations with our own clients indicate this is hugely under-playing the topic, level of experience and adoption – so a clear opportunity for review.

FROM NOISE TO *meaning*

Amid the noise of competing narratives, purposeful reports distil what truly matters. They reveal the deeper meaning behind performance, strategy and impact — ***bringing coherence to complexity.***

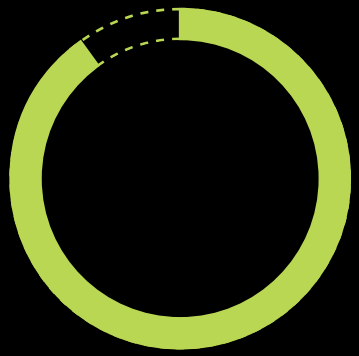
Purposeful

Demonstrating the link between purpose, relationships and value chains is crucial to a thorough understanding of any business.

Stakeholders should sense that your purpose is the foundation for your strategy and culture, not a static slogan. That means reporting the outcomes that prove your purpose is owned by the boardroom and guides your people in their actions and behaviours. The evidence should echo through your annual report.

Key observations

Linking purpose with values and behaviours

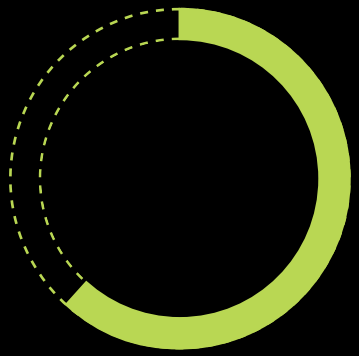


Almost

9/10

firms set out values,but only 6/10 identified supporting behaviours

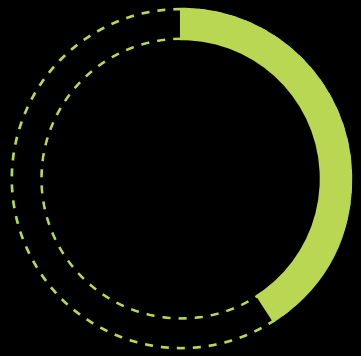
Linking purpose with strategy



68%

of companies explicitly link purpose to their strategy, up from 43% in 2019

Outcomes achieved by promoting culture



41%

of companies specifically mention outcomes in relation to promotion of culture

Reports of the death of purpose appear greatly exaggerated

Quite the contrary; among the FTSE 100 nearly all companies still clearly identify their purpose or mission at the beginning of their annual report. UK-quoted companies are routinely articulating why they exist beyond short- term profit-making, as well as the distinctive role they can play in society and, crucially, how that links to long-term value creation.

Unveiling a refreshed purpose statement in its latest annual report, for example, Legal & General described it as "a huge source of motivation and pride for all our people and a point of differentiation for us as a business" as well as "clearer and more actionable", challenging the company to "act with greater urgency and focus".

Purpose must be credible and business-relevant

In a challenging climate, however, it's even more imperative that companies prove the direct connection between purpose, behaviours and outcomes. Without that obvious connection, the words will ring hollow.

That may explain why the FRC,in Principle C of the new UK Corporate Governance Code 2024, urges companies to report board decisions and their outcomes in the context of the company's strategy and objectives. This focus on impact will be more "insightful", argues the FRC, and help companies avoid the "unduly long explanations of policy" that currently bulk out annual reports.

"It's even more imperative that companies prove the direct connection between purpose, behaviours and outcomes."

Purpose and culture remain closely linked

The most common way companies quantified the impact of their purpose was to show how it was reflected in their culture, with 87% listing their values and 60% discussing supporting behaviours – giving practical examples of how the company goes about achieving its purpose.

Crystallising purpose:
companies get real

The FTSE 100 is getting better at articulating why the world needs it. Over the past few years, several companies have refreshed their purpose statements to make them more relevant, realisable, rousing, razor-sharp and resonant for all stakeholders. Here are a few examples.

Natwest

New purpose:

To be the bank that turns possibilities into progress

Old purpose:

To champion potential, helping people, families and businesses to thrive

Why it's better

- Relevant, making it clear that this is a company at the heart of financial services
- Active, providing employees with a clearer and more involved role in creating value, not just cheering on stakeholders from the sidelines
- Inclusive, not singling out specific stakeholder groups but seeking to resonate with all of them

View here on page 3

M&G

New purpose:

Give everyone real confidence to put their money to work

Old purpose:

Help people manage and grow their savings so they can live the life they want, while making the world a little better along the way

Why it's better

- Succinct, aligning better with the company's simplified strategy, aimed at becoming nimbler and more efficient
- Assertive, making a bold promise to change the way stakeholders feel, not just assist them with administration
- Universal, suggesting the company can benefit all stakeholders, not just existing customers

View here on page 2

Written by

Ruth Wood
Copywriter, Stratton Craig

Centrica

New purpose:

Energising a greener, fairer future

Old purpose:

Helping you live sustainably, simply and affordably

Why it's better

- Recognisable, grounding the firm specifically in the energy industry
- Aligned, better reflecting the company's business units and the distinctive role it can play in advancing a secure energy transition while protecting households from prohibitive bills
- Motivational, cleverly playing on the company's core offering to 'energise' internal stakeholders and create a sense of momentum

Legal & General

New purpose:

Investing for the long term.
Our futures depend on it

Old purpose:

To improve the lives of our customers, build a better society for the long term, and create value for our shareholders.

Why it's better

- Authentic, describing the core activity of the business
- Momentous, creating a sense of collective high stakes and direction that should galvanise internal stakeholders and reassure external stakeholders
- Aligned, with language clearly echoing a business model built around decades-long investment commitments, sharpened strategic focus, sustainability priorities, risk appetite and a refreshed set of behaviours: "challenge positively, commit together, act decisively"

"A strong purpose gives a company meaning beyond profit – it's a promise that guides decisions, inspires people and builds trust through action. When purpose is clear and credible, it transforms words into meaningful impact."

FROM CHAOS TO *unity*

When priorities pull in different directions, trusted reports create alignment. They show how strategy, performance and purpose come together — turning complexity into a ***coherent, united story.***

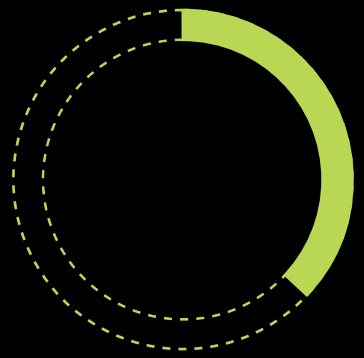
Strategically aligned

Strategy is the main character of your story – make sure it can shine.

A great story is integrated and interconnected, with one flowing narrative that demonstrates how all facets of your business are working together towards a common goal. Strategy is the glue that holds that narrative together, a thread across topics that shows a unified and consistent approach to both managing your business and reporting on it.

Key observations

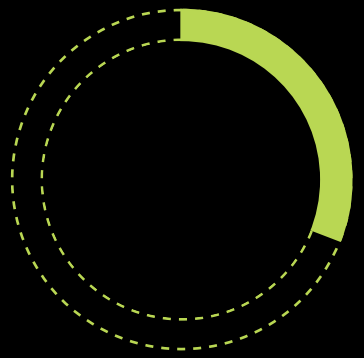
Linking strategy, risk and remuneration



Only 37%

of companies explicitly addressed the connection between strategy and remuneration. 49% discuss links between risk and strategy

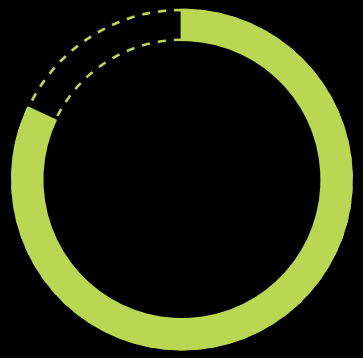
Strategy identified as a skill in the boardroom



31%

of reports explicitly identified strategy as a skill in board biographies

Net Zero



82%

of reports included Net Zero transition plans

Strategy should be a golden thread. Strategic thinking should be clear, understandable and present across all key topics, including performance measurement, sustainability, risk, remuneration and more. However, our research still found the market lacking in this regard.

Linkage between strategy, KPIs and risk is patchy

Just over half of reports align their KPIs to their strategy, half of the reports discussed links between risk and strategy, and even fewer companies demonstrated how their strategy is responding to market trends. Given market volatility and the rapid pace of technological change, firms should grasp the opportunity to show their unique approach to these opportunities and threats – and how they're measured.

Linkage between strategy and remuneration is limited

In line with past years, only a third of reports explicitly addressed the connection between strategy and remuneration – perhaps believing financial targets in remuneration are enough to measure successful delivery of the strategy. Considering the close stakeholder interest in remuneration, particularly from the media, there are significant opportunities to provide more insight into the link between strategy, performance and remuneration outcomes.

Sustainability is not yet fully integrated for many

Sustainability remains a key part of UK corporate reporting, for both its mandatory and voluntary elements. The best reporters strive to achieve an integration between their overall corporate strategy and their sustainability strategy, to demonstrate a joined-up approach.

In total, four in ten companies have sustainability as a separate strategic pillar within their corporate strategy.

The focused nature of sustainability strategies and new sustainability standards means companies are much more likely to have specific targets for sustainability (70%) than targets for pillars of their corporate strategy. The number of companies discussing preparations for new standards continues to grow, with five including sustainability statements based upon the CSRD's ESRSs, and six in ten companies mentioning preparations for the CSRD and/or ISSB IFRS S1 and IFRS S2.

Including non-financial elements in remuneration is now the norm

Despite somewhat mixed approaches to integration, most companies now include non-financial or sustainability-related requirements in remuneration policies. Seven in ten companies linked sustainability to bonuses, and six in ten to LTIP (long-term incentive plan) arrangements.

41%

of companies have sustainability as a separate strategic pillar within their corporate strategy

A majority of boards don't list strategy as a key board skill

The UK Corporate Governance Code (2024) emphasises the board's role in approving strategy and its link to value creation, making strategy a key skill to demonstrate. Yet our research found that only three in ten reports identified strategy as a skill area in board biographies or skills matrices. This is a surprising finding given the sophistication of current FTSE 100 boards. Boards should consider auditing their skill sets to understand if this is a genuine gap and then address either the disclosure gap or the skill gap.

FROM DISTANCE TO *connection*

In an increasingly fragmented world, reports must bridge the distance between businesses and their stakeholders. By listening, responding and connecting diverse voices, they build relationships that ***stand up to scrutiny.***

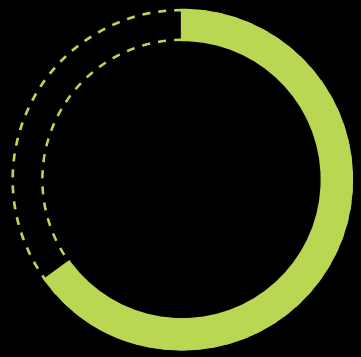
Stakeholder-driven

Building trust requires listening, learning, and then acting on the intelligence. And showing the evidence.

Since the introduction of Section 172 of the Companies Act, stakeholder engagement has become part of the reporting furniture. More than a compliance box to tick, it's a fundamental building block of trust. Explicitly articulating value for wider stakeholders helps build and maintain a strong social licence to operate, mitigating reputational risks and fostering closer relationships with key external groups.

Key observations

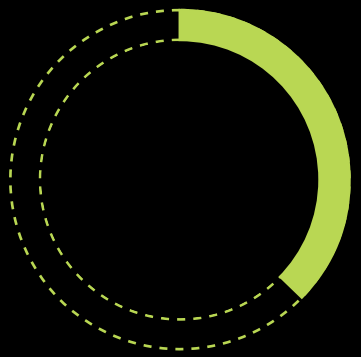
Sustainability from the chair



65%

of chair leadership statements mention sustainability

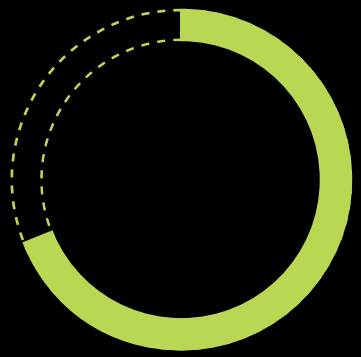
Measuring culture



41%

of reports set out KPIs or metrics to measure culture

Linking diversity to strategy



69%

of reports disclosed DEI initiatives in their strategic report. Yet only 20% clearly explained how diversity supports strategy

Reporting on stakeholder engagement should detail how meaningful feedback is sought and integrated into decision-making, with evidence of outcomes

Clear and understandable disclosure free of excessive jargon and corporate clichés will come across as more credible. That also means using a range of communication formats and channels to reach audiences in ways that meet their differing needs, telling a powerful and consistent story overall.

Clear shift from boilerplate to real outcomes

Early Section 172 statements tended to be bland, boilerplate frameworks. That has changed significantly for the better with nearly all companies addressing how they have engaged their stakeholders. There remains work to do here, though; only half showed directly how their engagement with stakeholders had influenced key decisions.

Pressure will grow to bridge the sustainability 'say–do' gap

A desire to balance economic performance with positive outcomes for society and the environment is increasingly evident in annual reporting, despite scepticism among some audiences about ESG.

Just five years ago, fewer than one in five companies talked about targets for individual sustainability strategies in their annual reports. Today six out of 10, do and over 80% mention sustainability in one of their leadership statements. It's clear that the regulation around taking action on sustainability matters is driving change and investment is impacting operations, reporting and governance. However, as reported above, as companies battle challenging markets it perhaps takes a longer-term perspective to see the future payback potential on investment into sustainability initiatives today.

Boards say culture is a priority – but where's the proof?

Culture is well represented as a board priority this year, reflecting an awareness that annual reports are a reference point for prospective and existing employees. More than six in 10 (61%) acknowledge the board's responsibility to set and monitor the shared values and systems crucial for nurturing talent and promoting positive employee behaviours. However, few adopt the 2024 Code requirements to demonstrate how they ensure they are embedded across the organisation. Perhaps surprisingly, given the influence of the current narrative from the White House on FTSE 100 companies, almost the same proportion (69%) disclose diversity, equity and inclusion (DEI) initiatives in their reports. That said, the terminology used by some reporters has started to focus on 'inclusion and diversity', with much less use of the term 'equity'.

"More than six in 10 (61%) acknowledge the board's responsibility to set and monitor the shared values and systems crucial for nurturing talent and promoting positive employee behaviours."

A majority choose not to disclose culture measurements

Few companies, however, discuss how they measure the impact of their workforce policies and practices on culture. Only 41% explained how they measured culture, using metrics such as KPIs. And only half of the reports used their Section 172 statements to mention the outcome of DEI initiatives or other efforts to promote a positive culture.

Closing the feedback loop:
outcomes-based stakeholder engagement reporting

So, you engage with your stakeholders. So what? That's the implicit message in the 2024 revised Corporate Governance Code and associated guidance.

It's no longer enough to say why and how you generally engage with certain stakeholder groups. The FRC wants to know what issues were raised through that engagement during the reporting year and how the board acted "as a direct result of stakeholder feedback – and the impact of those actions".

This year, few of the FTSE 100 wholly satisfied this demand for "outcomes-based reporting" on stakeholder engagement. A typical approach in Section 172 statements was to explain why and how the company engages generally with each stakeholder group, then tag on a list of actions taken during the year that impacted those people.

Some improved on this approach by specifying:

- Types of engagement in the reporting year, e.g. investor roadshow/customer survey
- Ways that the board specifically engaged, e.g. site visits by directors
- Participation data, e.g. number of survey responses
- Findings from engagement exercises
- How principal decisions taken during the year considered stakeholders and balanced the competing needs of different groups
- The impact of principal decisions on stakeholders during the reporting year

However, only a minority of companies clearly communicated what they'd learned from a specific engagement exercise during the reporting year and how this directly influenced a key decision, leading to a high-quality outcome.

Written by

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Writing Lead, Stratton Craig

Good practice examples

Community voices reroute pipeline

Antogafasta focused on quality over quantity by limiting its Section 172 statement to in-depth coverage of three important board decisions in 2024. This included how feedback solicited from local communities influenced its decision to reroute a pipeline through less-populated areas.

Staff speak up, perks level up

Hikma, in its Section 172 statement, specified how it acted, and will act, on feedback from its employee engagement survey to introduce a new talent development grading structure, and employee recognition programme, as well as improved gym facilities and benefits to support employees who have children with disabilities.

Investors steer AGM to Bristol

Aviva reported that it acted on positive feedback from shareholders by deciding to hold its 2025 AGM in Bristol instead of London, providing an opportunity to meet local retail shareholders.

Listening slashes customer queries

JD Sports said that customer service enquiries plummeted by 41% in FY25 due to "meaningful improvements" made in response to eight million pieces of direct customer feedback through its expanded Global Voice of the Customer channel.

New brand, shaped by stakeholders

Croda reported that its brand refresh was influenced by internal interviews across the business, engagement with customers of key Croda brands, and employee focus groups representing different geographies and areas of the business.

Click & Collect shaped by customers

ABF described how it rolled out Primark's Click & Collect service using a staggered approach that gauged customer sentiment at each stage through third-party market insight surveys.

Staff feedback wins fewer flex hours

Howdens reported that had it had reduced the number of 'flex hours' people were expected to work in response to feedback from the regular employee engagement sessions it holds at its manufacturing and logistics sites.

FROM DARKNESS TO *clarity*

When trust is fragile, transparency matters most. The most credible reports shine a light on what's hidden — balancing competing interests and bringing clarity to the ***facts that matter.***

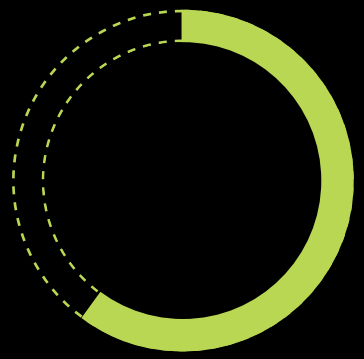
Balanced, transparent, credible

The world of business is fast, complex and sometimes messy. No business experiences only positive operating conditions. A report that builds trust should feature the good, the bad and the ugly.

We have long advocated for honest and authentic reporting. There is now an expectation that companies will transparently discuss the negative impacts and risks that go hand in hand with delivering business activities.

Key observations

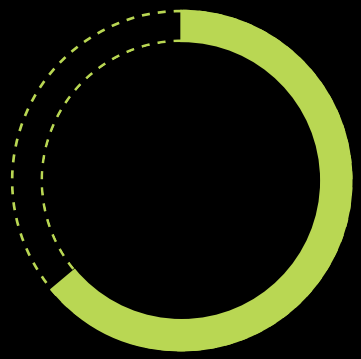
Transparency on challenges



6/10

of CEOs discussed major challenges in their leadership statements

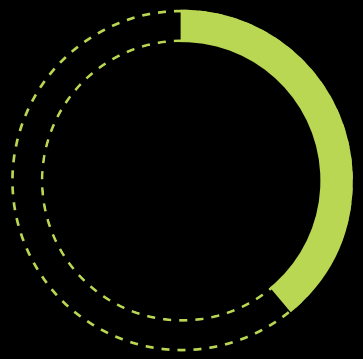
Balance in the market review



64%

of reports included both positive and negative trends in their market reviews

Provision 29



39%

mention preparing for reporting against Provision 29

Reporting by quoted companies is expected to be fair, balanced and understandable

Regulation in line with this principle has resulted in growing recognition of the need to discuss challenges as much as successes in annual reports. Balancing achievements and opportunities with headwinds and threats not only results in a more well-rounded story and greater insight for your stakeholders, but it gives you the opportunity to illustrate how you manage and overcome such situations, increasing trust and confidence amongst your audience.

Most firms are discussing relevant headwinds

From our research, it appears regulations and stakeholder expectations encouraging transparency are having an effect, with various types of bad news and transparent disclosure presented in pursuit of balanced reporting. For example, facing sluggish UK growth, persistent inflation and higher interest rates, six in ten reports include both positive and negative trends in their market review. A majority of CEOs also dedicate space to discussing challenges in their statements.

Risk sections are becoming less boilerplate but risk appetites are not universally disclosed

Disclosure of risk appetite can provide vital context to understanding a company's attitude to material challenges and opportunities. Although six in ten companies addressed their overall risk appetite, only a third of companies discussed risk tolerance at an individual principal risk level.

Growing transparency over board performance

Boards make key decisions, shape strategies and guide the overall direction of a business. Reflecting the need for honest and transparent reporting regarding accountability and ethical behaviour, regulation has been growing to ensure companies are talking about board skills and performance in a more tangible way.

Almost half of companies now refer to a board performance review rather than board evaluation. Almost three quarters clearly explain the outcomes of their latest review and what they will prioritise for the year ahead, while just over half describe the outcomes of the prior year's review and the progress they've made.

Malus and clawback disclosures are limited

The revised UK Corporate Governance Code sets new expectations for malus and clawback provisions on executive bonuses. We found nine in ten reports describe malus and clawback provisions, with most explaining the circumstances for their use and around half of companies explaining the period.

However, less than 20% explain why the period is appropriate. While the presence of these provisions is positive, the lack of contextual explanation reduces transparency and effectiveness, particularly in an environment demanding greater accountability for executive behaviour.

The introduction of Provision 29 of the UK Corporate Governance Code is on the horizon, applicable for periods commencing on or after 1 January 2026. Companies have been preparing for the required board declaration over the effectiveness of the internal control environment. Preparation for making the Provision 29 declaration was described by four in ten companies, and 10% reported on existing controls that had been identified as ineffective and specified remedial actions.

Methodology

The research for this report focuses on the narrative elements of annual reports and assesses how effectively companies have communicated information about their business to their investors and wider stakeholders.

The assessment does not cover the financial statements or notes and we do not use the study to evaluate the accuracy of the information, compliance with industry regulations or financial performance. The criteria for our analysis are developed with reference to legislation, regulation, guidance and better practice standards. We assess each annual report in the sample group against over 200 metrics, giving us more than 20,000 data points to analyse from our sample of 100 companies this year.

Our sample consisted of all 100 FTSE 100 constituent companies as at 2 May 2025. Annual reports reviewed cover reporting periods ending between 1 January 2024 and 31 December 2024.

Thanks to Stratton Craig for extensive support in copywriting this report

Much more than a copywriting and content agency, Stratton Craig applies the critical skill of storytelling to communication and stakeholder engagement challenges. In this year's Complete 100, its expert writers share insights on how organisations can build trust through a logical narrative and purposeful language.

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Change LAB™

ChangeLAB is coming soon

ChangeLAB is Positive Change Group's new think-and-act lab bringing together senior leaders, regulators and experts to understand how stakeholder engagement, communication and disclosure is evolving, and how forward-thinking organisations need to respond.

Black Sun Global Stakeholder Engagement

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