

ARM Holdings

How does it stack up?

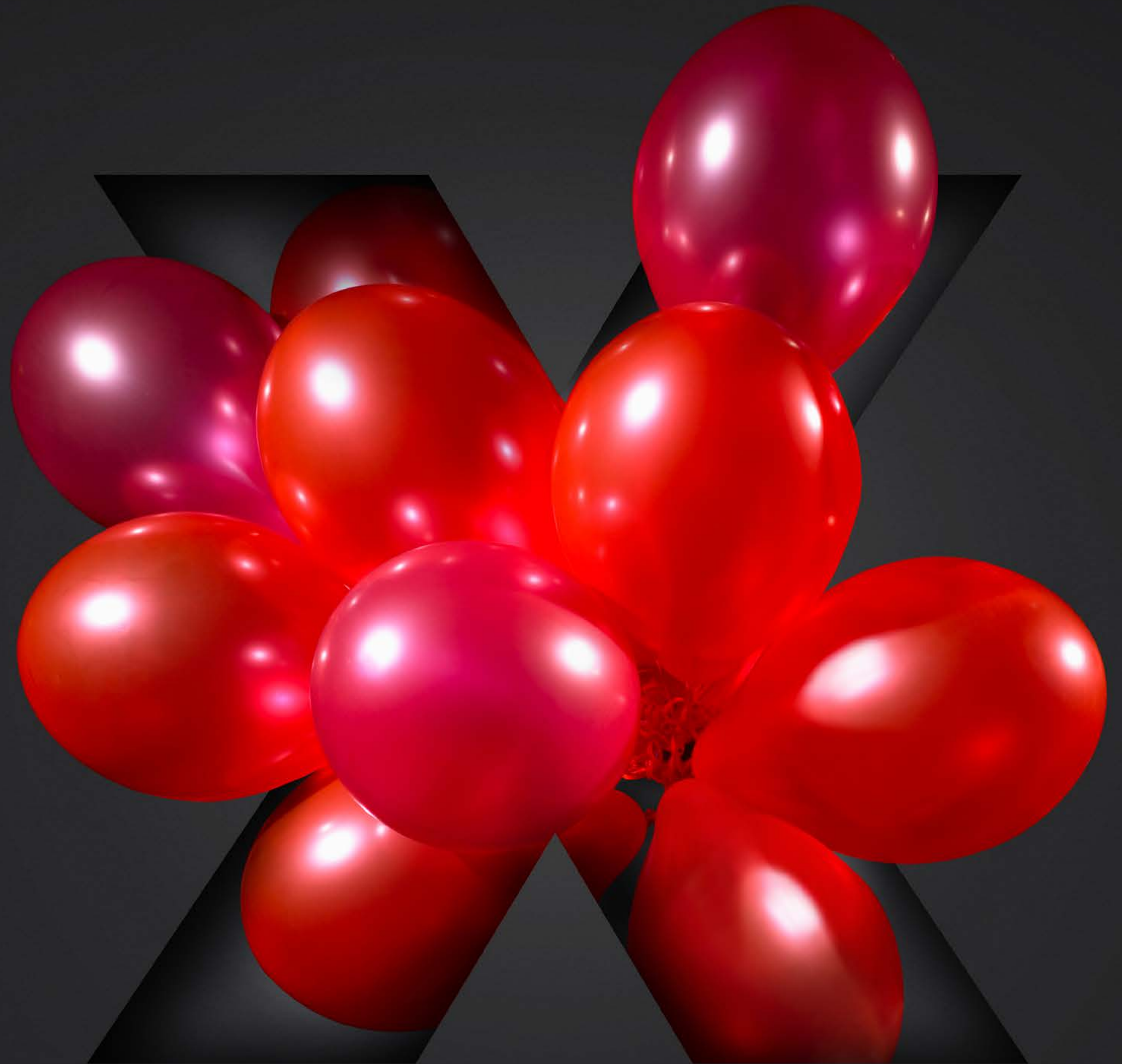
Ten years of best practice

Reporting appraisal and recommendations
14th August 2015

ry.



Who's
leading
the way?




Our top 10 Narrative reporting


1
Fresnillo

The cover of the Fresnillo report features a circular image of a landscape with a body of water and mountains under a blue sky. The Fresnillo logo is at the bottom.


2
Land Securities

The cover of the Land Securities report has a white background with the text "OUR CUSTOMERS LOVE IT. OUR PEOPLE FELT A FOOT TALLER THE DAY WE MOVED IN." in blue and black. The Land Securities logo is in the top left.


3
Vodafone

The cover of the Vodafone report has a red diagonal design. It says "Unifying communications" and "Vodafone Group Plc". It features a photo of a man looking at a tablet.


4
AstraZeneca

The cover of the AstraZeneca report features a silhouette of a person's head and shoulders against a green background. Inside the silhouette, there are colorful, abstract shapes. The AstraZeneca logo is in the top right.


5
ARM Holdings

The cover of the ARM Holdings report shows a night cityscape with lights. It says "Shaping the Connected World" and "ARM".


6
Lloyds Banking Group

The cover of the Lloyds Banking Group report has a green top section with the text "BECOMING THE BEST BANK FOR CUSTOMERS". Below is a photo of a woman and a horse in a field. The Lloyds logo is in the top left.

7
British Land

The cover of the British Land report features a collage of images including a tall building and a crowd of people. It says "Places People Prefer" and "British Land".


8
Antofagasta

The cover of the Antofagasta report shows a collage of images including a wind turbine and a construction site. It says "Annual report 2014" and "ANTOFAGASTA P.L.C.". The Antofagasta logo is in the top left.

9
InterContinental Hotels Group


The cover of the InterContinental Hotels Group report features a photo of people in a hotel lobby. It says "EVEN HOTEL" and "Annual Report and Form 20 F 2014". The IHG logo is in the top right.

10
Marks & Spencer


The cover of the Marks & Spencer report features a photo of a woman sitting on a bench. It says "M&S" and "EST. 1854".

Our top 10 Online reporting


1
BT




2
Land Securities




3
BG Group




4
Vodafone




5
AstraZeneca




6
G4S




7
Intu




8
Old Mutual



9
Mondi



10
Legal & General



Highlights

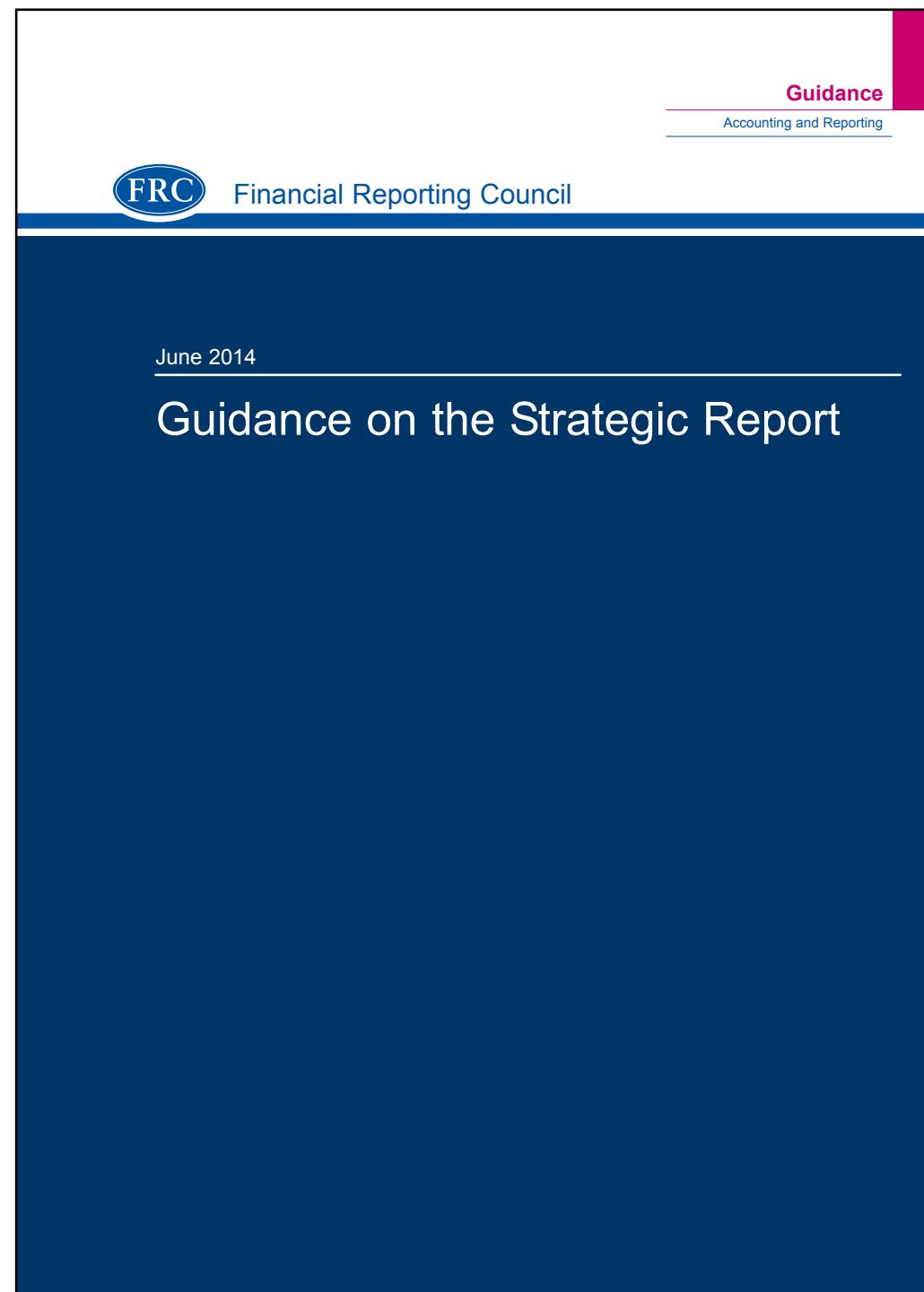
- The strategic report has had an effect on the sample
- Business models are wide and varied with value chains becoming more descriptive (but there are many that disappoint)
- Marketplace coverage is more commonplace and the best reporters excel at linking performance to the market environment
- Risk reporting in general is far more company specific and concise
- Online reporting is now much more considered – using the media appropriately and when relevant to the audience

Disappointments

- Many business models (even in our top 10) fail to describe how they make money and create wider value
- Narrative around resources and relationships and their importance to the business model is still weak across the sample
- This means materiality and clear material narratives are unusual and ‘integrated reporting’ is still not as prevalent as we would hope
- Clear linkage between strategy and KPIs still seems to be difficult for many
- Fair, balanced and understandable has led to a level of neutrality rather than transparency

It's up to you

7



*“The objectives... are to encourage companies to **experiment** and be **innovative** in the drafting of their annual reports, presenting narrative information in a way that enables them to best ‘**tell their story**’ while remaining within the regulatory framework...”*

How do you
stack up?



Narrative reporting

How we do it



Narrative reporting
Scorecard

10

Criteria (/10)	ARM 2014	ARM 2013	FTSE 100 avg.
Overarching attributes:			
Messaging	7	8	3.5
Linkage & flow	6	6	4.1
Materiality & transparency	7	6	5.0
Forward-looking aspect	7	8	5.0
Navigation & appeal	8	9	4.7
Clarity of language	7	8	5.1
Content elements:			
Business overview	4	5	5.2
Business model	7	6	4.0
Strategy	8	8	5.1
Marketplace	8	7	5.3
KPIs	8	8	5.3
Risk management information	8	7	5.6
Sustainability	6	6	5.0
Resources & relationships	6	6	4.4
Governance	5	5	5.3
Total	102/150	103/150	72.5/150
Total (%)	68	68.6	48.3
	5th place	9th place	

Reporters in the Top 10 scored
between 62.0% and 78.0%.

Narrative reporting

Things to consider for 2015

Business overview

Clear contents page, and cross references to other sources of information.
Good range of financial and non-financial highlights. But doesn't really say what ARM does until you get to the chairman's statement.
Our global presence is an opportunity to provide more on the business but it sits after people on page 42.

Business model

Shows how to generate financial value. Inputs and outputs is good, but maybe fees are the result of what ARM do, possibly feeding back into the business as Financial resource.
Clear separation between business model and strategy.
Could extend linkage to other parts of the report.

Strategy

Strategy is clearly laid out with strong link to KPIs and risk.
Nice summary followed by more detail and paragraph on future opportunity.
Reaction to marketplace covered in marketplace, but would it have been better in this section?

Narrative reporting

Things to consider for 2015

Marketplace

Nice overview of where the market is now. Detailed overview of market trends with facts and figures within narrative. Some marketplace commentary in CEO's statement. Includes forward looking market size data for each market (all the same) Could discuss main competitors and buyers. And possibly more charts with trend information.

KPIs

Very strong KPI score with a good mix of non-financial and financial, with strong link to strategy. Link to remuneration could be stronger and could possibly show definition of KPI within this section e.g. for normalised eps. Doesn't have targets, but can't really penalise them for this in such a fast moving industry.

Narrative reporting

Things to consider for 2015

Risk

Comprehensive, company specific coverage of risks. Good description with meaningful explanation of mitigation. Linked to strategy and hints towards the future. Meaningful dialogue that risk is a dynamic process. Operational risks have been condensed into one section – seems quite important, so maybe it could be broken down a bit more? Feels a little generic.

Sustainability

Mentions materiality, and there is a link between strategy and sustainability. Makes a business case for sustainability initiatives. Outlines stakeholder engagement initiatives. Weaker on sustainability KPIs or trend information. Could make reference to the directors report, where mandatory disclosures are held. No reference to indices /benchmarks but sounds like it could be too early in their sustainability strategy for this.

Narrative reporting

Things to consider for 2015

Resources and Relationships

Identified and discussed. Talk about licences and royalty rates in business model, has a strong people section and talks about the ecosystem
Maybe they could expand on the relationships, particularly around collaboration and semiconductor companies / OEMs

Governance

Some attempts to personalise. Structure and typography is clean and clear, but content isn't particularly expansive. Induction and training information is light. Skates over shareholder information. Feels quite compliance based and written in the third person.

Messaging

Strong strapline, and nice to see this continue through the report.
Previous year felt stronger, possibly because the case studies were more thought-provoking about how ARM enabled lots of things – this year felt more like technical summaries of some of the products using ARM chips, not such a strong sense of these reflecting the theme.

Narrative reporting

Things to consider for 2015

Linkage and flow

Good linkage around strategic priorities carried into risks, people, sustainability, with very strong linkage between strategy and KPIs. Misses some opportunities to cross reference e.g. business model to people section, marketplace coverage in CEO's section with market overview. Maybe look to increase link between strategy and remuneration.

Materiality and transparency

Feels material, and sustainability section mentions materiality. Careful consideration given to what investors need and what should be included. Good discussion around employees, sustainability and risk. Has a very positive story, but does mention some negatives / challenges

Forward looking

Some meaningful nods to the future with marketplace clearly shows how the industry is evolving and how this will affect ARM. Includes stats showing future size of market. Some references to the future in risk management section.

Narrative reporting

Things to consider for 2015

Navigation and appeal

Lovely design, very modern and clean. Good logical flow and easy to find your way around.

Great cover and includes strong photographs.

Clarity of language

Clear and well written, but some dips into jargon, but generally deals with this well
No repetition, real thought given to how content is organised and what should be included.

Focuses on surfacing key information. Governance and remuneration sections are not as engaging as they could be.

Case studies could better connect with the theme.

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We're a creative communications business,
helping you tell your story simply, in one clear
voice, by whatever means works best.

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