

How Your Company's Performance Is Judged

Page 3 of the *Camera & Drone Journal*

The scoreboard of company performance on page 3 of the *Camera & Drone Journal* (CDJ) shows

- Each company's scores for credit rating based on the Investor Expectations Standard and the Best-in-Industry Standard.
- Each company's scores for image rating based on the Investor Expectations Standard and the Best-in-Industry Standard.
- Year-by-year details of industry expenditures for corporate social responsibility and citizenship and the range of image rating points generated from such expenditures.

If, as you look at the data on page 3, you have any questions about the Investor Expectations Standard or the Best-in-Industry Standard, then please consult the Help document for page 1 of the CDJ, where these standards are described in more detail.

The Credit Rating Section of Page 3

All companies are expected to maintain a credit rating of B+ or higher in Years 6 and 7, at least A- in Year 8 through Year 10, and at least A in Year 11 through Year 15.

Each company's credit rating for each year of the *GLO-BUS* exercise is displayed below the yearly column heads (Y6, Y7, and so on). The B+/A-/A in parentheses just below the yearly head is there to remind you of the target credit rating you are supposed to achieve each year. **Bolded credit ratings indicate a company met or exceeded the credit rating target.**

The point weighting for a company's credit rating performance is contained in the gray-shaded narrative accompanying the Credit Rating scores at the top of this page; very often, the credit rating weight is 20% or 20 points out of 100 points.

The Current Year I.E. Score for Credit Rating. A company that exactly meets the investor-expected credit rating earns an Investor Expectation (I.E.) Score for credit rating for that year exactly equal to the corresponding point weighting for credit rating. Thus, if the credit rating weight is 20 points out of 100, a B+ credit rating in Year 6 translates into an I.E. Score of 20.

Beating the annual credit rating target always earns bonus points, up to a maximum bonus of 20% of the point weighting.

If the point weighting for credit rating is 20 (which equates to a maximum of 24 points including the bonus), then the various possible credit rating scores are as follows:

Credit Rating	Year 6 – Year 7	Year 8 – Year 10	Year 11 – Year 15
A+	24 points	24 points	24 points
A	23 points	22 points	20 points
A–	22 points	20 points	18 points
B+	20 points	18 points	16 points
B	16 points	15 points	14 points
B–	12 points	12 points	11 points
C+	8 points	8 points	8 points
C	4 points	4 points	4 points
C–	0 points	0 points	0 points

If your company's current-year I.E. Score for credit rating differs from the points shown above, it is because your instructor has opted for a point weighting other than 20.

The Game-to-Date I.E. Score for Credit Rating. Game-to-Date scoring for Credit Rating is a function of how each company's latest credit rating compares against the best rating of A+, not some all-year average credit rating. The ***latest year's credit rating is used to determine a company's game-to-date I.E. score for credit rating*** because a company's latest credit rating is, to some important degree, a product of management's entire record of finance-related decisions—a company's current credit rating, financial condition, and balance sheet strength/weakness is usually years in the making, not something that can be attributed solely to events in a single year.

As a consequence, a company's current-year I.E. score for credit rating and its game-to-date I.E. score for credit rating are identical because both are based on the same credit rating and point awards.

The Current Year Best-in-Industry (B-I-I) Score for Credit Rating. Best-in-industry scoring for credit rating performance works differently than for the other four performance measures. The "best" credit rating performance is an A+ credit rating, not so much the highest credit rating achieved by any one company. Hence, each credit rating grade from A+ to C– carries a number of points based on the credit rating weight designated by your instructor. ***A credit rating of A+ is required to receive the maximum number of points.***

If the credit rating weight is 20 points out of 100, the number of points awarded for current-year B-I-I credit rating scores is as follows:

A+	20 points
A	19 points
A–	18 points
B+	16 points
B	14 points
B–	11 points
C+	8 points
C	5 points
C–	1 point

If your company's current-year B-I-I Score for credit rating differs from the points shown above, it is because your instructor has opted for a point weighting other than 20.

The Game-to-Date Best-in-Industry (B-I-I) Score for Credit Rating. Just as was the case with game-to-date scoring for credit rating under the Investor Expectations Standard, game-to-date scoring for credit rating under the Best-in-Industry Standard is keyed to each company's latest credit rating, not some all-year average credit rating. Just as was the case for the Game-to-Date I.E. score for credit rating, the ***latest year's credit rating is used to determine a company's game-to-date B-I-I score for credit rating***. The same reasoning applies: a company's latest credit rating reflects management's entire record of finance-related decisions—a company's current financial condition and balance sheet strength/weakness, and thus its current credit rating, incorporates prior-year actions and decisions about how to handle the company's financial affairs as concerns the use of 1-year, 5-year, and 10-year loans, the repayment of debt outstanding, dividend payments, new stock issues and purchases of outstanding shares, and end-of-year current assets, current liabilities, and cash balances that all affect in one way or another a company's credit rating.

Best-in-industry scoring for credit rating performance is based on the "best possible" credit rating of A+, not the highest credit rating achieved by any one company. Each credit rating from A+ to C– carries a certain point score that ranges from the maximum possible point score for an A+ rating down to 1 point for a C– rating.

If the credit rating weight is 20 points out of 100, the number of points awarded for Game-to-Date B-I-I credit ratings scores is as follows:

A+	20 points
A	19 points
A–	18 points
B+	16 points
B	14 points
B–	11 points
C+	8 points
C	5 points
C–	1 point

If your company's game-to-date B-I-I Score for credit rating differs from the points shown above, it is because your instructor has opted for a point weighting other than 20.

The Image Rating Section of Page 3

A company's image rating is based on (1) its P/Q ratings for action cameras and UAV drones, (2) its market shares for both cameras and drones in each of the four geographic regions, and (3) its efforts to demonstrate good corporate citizenship and conduct its business in a socially responsible manner.

All companies are expected to achieve an **image rating** (brand reputation) of 70 or higher in Year 6, 72 in Years 7-8, 75 in Years 9-10, 77 in Years 11-12, and 80 in Years 13-15.

Each company's image rating for each year of the *GLO-BUS* exercise is displayed below the yearly column heads (Y6, Y7, and so on). The number in parentheses just below the yearly heads (70 for Year 6, 72 for Years 7-8, 75 for Years 9-10, 77 for Years 11-12, and 80 for Years 13-15) are there simply to remind you of the target image rating you are supposed to achieve each year. **Bolded image ratings indicate a company met or exceeded the target.**

The point weighting for Image Rating is shown in the gray-shaded narrative accompanying the Image Rating scores in the middle of this page; very often the image rating weight is 20% or 20 points out of 100 points.

The Current Year I.E. Score for Image Rating. A company that exactly meets the investor-expected Image Rating target for a given year earns an Investor Expectation (I.E.) Score for Image Rating for that year exactly equal to the corresponding point weighting. Thus, if the Image Rating weight is 20 points out of 100 in a year when the target is 75, exactly achieving an Image rating of 75 for that year produces an I.E. Score of 20.

Beating the investor-expected target is worth an additional 0.5% for each 1% that your company's image rating exceeds the investor-expected target, up to a maximum of 20% above the instructor-assigned point total. If your company's image rating was 77 in a year when the target was 70 (and was thus 10% above the investor-expected target of 70), your company's current-year I.E. image rating score would be 21 points if the image rating weight is set at 20 points because exceeding the image rating target by 10% earns an additional 1 point.

Failure to achieve the investor-expected image rating target results in an image rating score between 0 and the maximum instructor-assigned point total, with the score depending on the percentage of the image rating target achieved. Thus, if the image rating weight is 20 points out of 100 points and if your company had an image rating of 60 in a year when the target was 75 (and was thus 20% below the expected 75 rating), then your company's current-year I.E. score for image rating would be 16 points (80% of the 20-point weight).

The Game-to-Date I.E Score for Image Rating. A company's Game-to-Date (GTD) I.E score for image rating is based on how its average image rating *for the most recent three years* compares against the annual investor-expected image rating.

A 3-year average image rating is used to measure game-to-date I.E. performance, as opposed to an all-year average, so as not to burden a company's performance with early-year image ratings that may not be representative of the image and reputation it has recently achieved with its strategy.

A company whose 3-year average image rating for a given year exactly equals the 3-year average investor-expected image rating in that year earns a GTD I.E. Score for image rating exactly equal to the instructor-assigned point total and percent weighting. A company having a 3-year average image rating above the corresponding 3-year average target receives a score up to 20% greater than the point weight, and a company having 3-year average image ratings below the 3-year average target receives a score equal to the fraction of the image rating target that was achieved.

The Current Year Best-in-Industry (B-I-I) Score for Image Rating. The company with the highest current-year image rating is designated as the best-in-industry performer and earns the maximum number of points for image rating (provided its image rating exceeds the investor-expected target). Each remaining company earns whatever fraction of the image rating weighting that corresponds to its image rating divided by the best-in-industry performer's image rating. If image rating performance carries a 20-point weight, a company with an industry-leading image rating of 80 receives a score of 20 points and a company with a 60 image rating earns a score of 15 points (60 divided by 80 = 0.75 and 75% of 20 points = 15 points).

In the very rare instance when the company with the highest current-year image rating has a rating below the investor-expected target, the best-in-industry performer does not earn the maximum number of points but rather a percentage of the maximum score that equals the leader's image rating as a % of the investor-expected image rating target. The current-year B-I-I scores of all other companies will then be whatever fraction of the leader's point award that corresponds to their respective image ratings divided by the leader's image rating. Therefore, if the industry leader has a 60 image rating in a year when the investor-expected target is 70 and if the image rating weight is 20 points out of 100 points, the leader would earn 17 points (60 divided by 70 = 0.857 and 85.7% of the 20-point maximum = 17 points, rounded to the nearest whole number) and a company with a 56 image rating would get 16 points (56 divided by 60 = 0.933 and 93.3% of the 17 points earned by the company with the highest rating of 60 equals 16 points).

The Game-to-Date Best-in-Industry (B-I-I) Score for Image Rating. A company's Game-to-Date (G-T-D) B-I-I score for image rating is based on how its average image rating for the last three years compares against the annual investor-expected target established by company Boards of Directors. *A 3-year average image rating is used to measure game-to-date B-I-I performance, as opposed to an all-year average, so as not to burden a company's performance with early-year image ratings that may not be representative of the reputation it has recently achieved with its strategy.*

The company having the highest 3-year average image rating is designated as the best-in-industry performer on image rating and receives the maximum score on this measure (unless its image rating is below the annual investor-expected target established by the company's Board of Directors). Thus, a company with an industry-leading 3-year average image rating of 83 would earn the point maximum (20 points if the image rating weight is 20% or 20 points). In the rare instances when the industry leader's 3-year average image rating is below the annual investor-expected target, the leader's image rating score equals the leader's 3-year average image rating as a % of the image rating target; for example, a company with an industry-leading 3-year average image rating of only 66 in a year when the investor-expected target was 70 would earn a game-to-date B-I-I score for image rating of only 19 points (66 divided by 70 = 0.943 and 94.3% of 20 points = 19 points, rounded to the nearest whole number).

All other companies earn game-to-date B-I-I scores for image rating that equal a fraction of the points awarded to the best-in-industry performer, with their respective fraction being equal to their 3-year average image rating divided by the best-in-industry performer's 3-year average image rating. For example, if the image rating weight is 20 points and the best-in-industry performer has a 3-year average image rating of 78, then a

company with a 3-year average image rating of 71 will receive a game-to-date B-I-I score for image rating of 18 (71 divided by 78 times 20 points, rounded to the nearest whole number).

Unless your company has the industry-leading 3-year average image rating, *your company's B-I-I score for image rating under the Game-to-Date (G-T-D) Score column will always be whatever fraction of the best-in-industry performer's point award that corresponds to your company's 3-year average image rating divided by the B-I-I performer's 3-year average image rating.*

The Corporate Social Responsibility and Citizenship Section of Page 3

The data grouping at the bottom of page 3 of the CDJ shows industry high-average-low outlays for corporate social responsibility and citizenship for each year, the high-average-low outlays per total number of camera and drone units sold, and the high-average-low range of image rating points generated from these outlays.

The numbers here are pretty much self-explanatory but the following may prove helpful:

As concerns the Total and Per Unit Expenditures for Corporate Social Responsibility and Citizenship:

- The numbers in the “High” columns represent the highest amounts that a company in the industry spent. The company is not identified for reasons of competitive sensitivity.
- The numbers in the “Low” columns represent the least amounts spent by a company in the industry. The company is not identified for reasons of competitive sensitivity.
- The numbers in the “Average” columns represent the average expenditures of all companies in the industry.

As concerns the Image Rating Points Generated from Expenditures for Corporate Social Responsibility and Citizenship:

- The numbers in the “High” column represent the largest number of image rating points received by a company as a result of its spending for corporate social responsibility and citizenship initiatives. The company is not identified for reasons of competitive sensitivity.
- The numbers in the “Low” column represent the smallest number of image rating points received by a company as a result of its spending for corporate social responsibility and citizenship initiatives. The company is not identified for reasons of competitive sensitivity.
- The numbers in the “Average” column represent the average number of image rating points received by companies in the industry as a result of outlays for corporate social responsibility and citizenship initiatives.

Beginning in Year 9, this section will also include announcement of a “Gold Star Award for Corporate Citizenship” given by the World Council for Exemplary Corporate Citizenship. The Council’s award is presented to the company that spends ***the highest percentage of its revenues*** for corporate social responsibility and citizenship initiatives. The Council decided that its Gold Star Award should be based on *percentage of revenues* spent rather than *total dollars* spent because a total dollar measure of effort is “biased” in favor of companies with big revenue streams. The use of a %-of-revenues measure is size-neutral and a more valid measure of “company effort.” A 2nd place Gold Star Award will also be announced. ***Gold Star awards are an honor and do not affect company image ratings.***

Tip: All the information in this section of the *Camera & Drone Journal* is intended to provide guidance to company co-managers in deciding whether to increase, decrease, or leave unchanged their levels of spending for corporate social responsibility and citizenship initiatives—or perhaps to spend no money at all. Use it, along with the information in the top section of the Corporate Social Responsibility and Citizenship Decision Screen, to assess what changes, if any, you and your co-managers should make in your company’s expenditures for the six optional social responsibility and citizenship initiatives.