



# The most important Annual Report you will ever produce

Stephen Butler, Director of Stakeholder Engagement at Luminous

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# Agency overview

The most important Annual Report you will ever produce

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**Our purpose** is to help individuals and businesses shine.

As a **strategic communications partner**, we shine fresh light on what really matters about your business, illuminating what sets you apart to create and deliver brighter **Investor Engagement, Brand & Comms** and **Sustainable Business** solutions that resonate with your key influencers.



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# Runnning order

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Running order

**Harriet Rumball**  
**Senior Investor Engagement Consultant,**  
**Luminous**

**Phil Fitz-Gerald**  
**Director, Financial Reporting Lab**

**Graham Jerome-Ball**  
**Director of Global Branding, Informa**

**Laura Hayter**  
**CEO, Investor Relations Society**

# Compliance, content and messaging in this year's Annual Report

6 May 2020

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# Breaking down the process



Adopting a simple four-step planning process will provide a strong start:

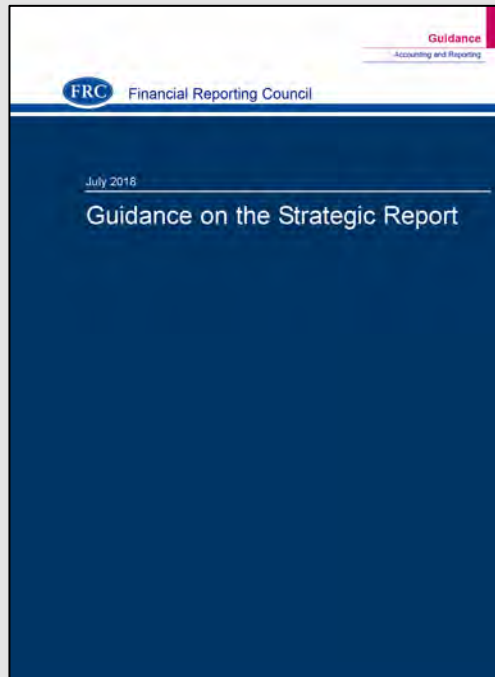
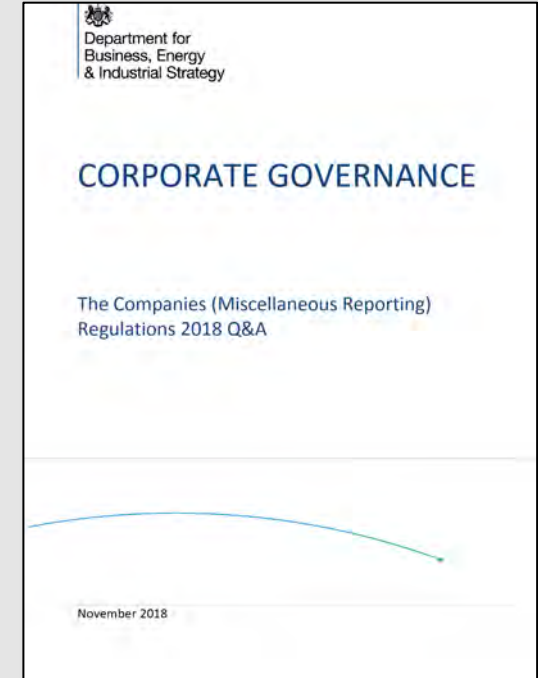
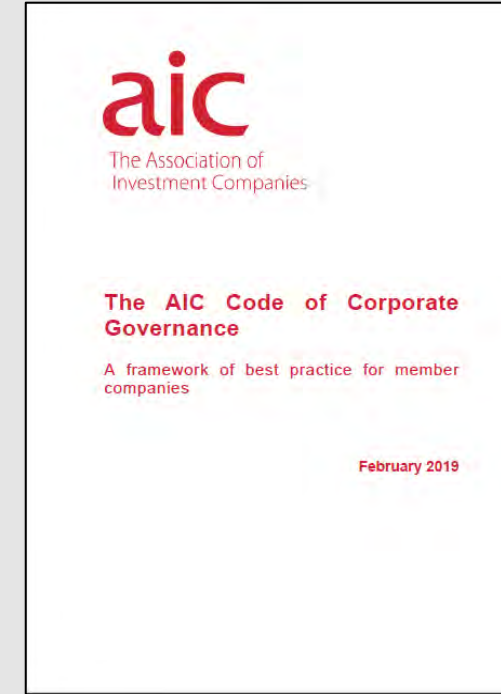
<div>1.</div> <div>Audit to identify new content requirements</div>	<div>2.</div> <div>Leveraging <b>best practice</b> and developing <b>key messages</b></div>
<div>3.</div> <div>Defining <b>new content</b> and <b>structure</b></div>	<div>4.</div> <div>Considering the <b>digital</b> ecosystem</div>

## Understanding the regulatory landscape

Recent measures to ease the pressures on business in corporate reporting are very welcome.

The task of compiling this year's Annual Report may nevertheless appear daunting:

- Impact of COVID-19
- Changes in regulation
- New content requirements
- ESG and stakeholder messaging
- Employee engagement, including remuneration
- Re-examining the investment case in the light of COVID-19.





# Step one: Audit to identify new content requirements

Content audit

**How does your current AR content map against latest regulations?**

We have undertaken an initial review of the 2019 Annual Report against new regulatory requirements which will help us to identify areas for a detailed compliance audit for a disclosure of additional disclosure requirements for the 2021 Report.

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Content audit: how your 2019 Annual Report content maps against latest regulations

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**Key**

Content already compliant

Content partially compliant

New disclosure requirements not included in the current AR

Regulation	Detail	Status
<b>Strategic Report</b>		
Misc Rep 2018	<b>Separately identifiable Section 172(1) statement applying to larger companies*</b> Must report in their <u>Strategic Report</u> on Section 172 criteria a) to f) *Turnover >£36m; balance sheet total >£18m; with >250 employees	Separate statement required
New CG Code 2018	<b>Purpose and culture</b> Establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. The Board should assess and monitor culture [and take remedial action as required]	Purpose, values and culture established but <u>monitoring of culture required</u>
New CG Code 2018	<b>Emerging risks</b> Describe what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated. To appear in the Strategic Report or Governance	Mentioned in 'How we Manage Risks' but more detail on the identification and management/mitigation of <u>emerging risks</u> would be helpful

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Overall comms and impact

At a Glance

Leadership

Business model

Market

Strategy

Performance

Risk & Viability

Sustainability

Governance

Remuneration

Stakeholder engagement

## Step two: Leveraging best practice and developing key messages

Early in the process it will be helpful to look at best practice guidance and examples:

- Annual reports
- Sustainability reports
- Capital Market Day materials

Developing strong key messages is vital, tracking how they have evolved since the half-year. Key areas to consider may include:

- **Integrity and trust in stakeholder engagement, including employees**
- **The link between culture and resilience**
- **Continuity, contingency and strategic direction**
- **Business model sustainability and the competitive landscape**

Looking ahead at how the investment case will evolve over time will also be important:

- Short term – Continuity and resilience
- Medium term – Adaptation and differentiation
- Longer term – Sustainability and value creation.



### COVID-19 in this year's Annual Report

- Chair's letter
- CEO review
- Market review
- Strategy (signposting)
- Financial and operating review
- Risk management
- Viability and Going Concern
- Corporate governance statement
- Audit and Risk Committee reports
- Financial statements



# Leading practice examples - COVID-19

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## BP 2019

BP has addressed COVID-19 in the opening statements of its Chairman and CEO statements, and throughout its Annual Report.

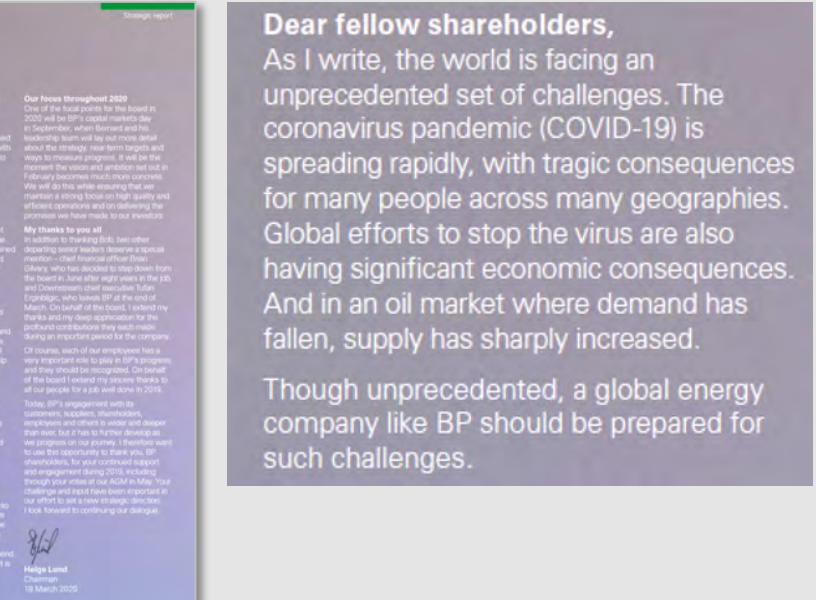
The BP Annual Report was signed off on 18 March 2020.

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**Dear fellow shareholders,**  
As we publish this report, the world is working through extraordinarily difficult times. Countries around the globe are battling the coronavirus pandemic (COVID-19). People's lives are being hugely disrupted, with tragic consequences for many. The financial markets are reflecting the disruption and our sector is particularly hard hit, not just by a virus-related shock to demand but by a supply-side shock as well.

At BP, we are taking calm and deliberate actions for the well-being of our people and the health of your company. We do so with a robust balance sheet, strong liquidity and the flexibility in our portfolio and financial framework that provide us with options.



# Leading practice examples - Purpose statements

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**Biffa 2019**

Our client Biffa was keen to highlight the purposeful nature of its business and led with its purpose statement on its Annual Report front cover. Other companies have included vision and values alongside this, as was the case with our client Arix Bioscience.



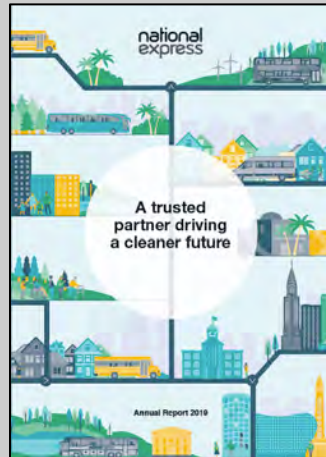
**Arix Bioscience 2019**





# Leading practice examples - Section 172(1) Statement

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## National Express 2019

Under the Companies (Miscellaneous Reporting) Regulations 2018, large companies are required to include a separately identifiable Section 172(1) Statement in their Strategic Report, explaining how the directors have had regard to the matters in Section 172(1) (a) to (f) of the Companies Act 2006.

Our client National Express provided a strong example of a Section 172 Statement in its 2020 Annual Report, with the main statement supported by additional information on Board decision making in the Governance section.

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### Our Section 172(1) Statement

In accordance with their duty to do so under Section 172(1) of the Companies Act 2006 (Section 172(1)), the Company's Directors, individually and collectively, have acted in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole. Examples of how they have done so, including having regard to the factors specified in Section 172(1), appear throughout this Annual Report. A guide to these factors and where to find more information about how the Company, under the direction of its Directors, has had regard to them is set out in this statement.

Further specific examples of how the Board of Directors has had regard, in its principal decisions made during the year, to the various factors set out in Section 172(1), and the impact that regard has had, are set out on pages 66 to 68 of the Corporate Governance Report. These are incorporated by reference into this Section 172(1) Statement.



#### Making long-term decisions

We believe that quality mass transit is at the heart of society's response to the climate change, clean air, congestion and inclusive growth challenges we face. We have revised our Vision and Values to meet the demand of this new era and to ensure our decision-making meets the scale of the challenges society faces in the coming years. For more information about:

- why we consider that mass transit services are the long-term answer to today's mobility challenges, see page 12 and 13 of the Strategic Report; and
- why we consider our business model to be sustainable, see pages 10 and 11, and our Company to be viable and a going concern, see page 26 of the Strategic Report.

#### Having regard to employees' interests

Our employees and the members of our wider workforce are our most valuable asset as they enable us to provide our mass transit services and, by doing so safely and well, grow our business by improving our passengers' journeys and our customers' experience. More information about:

- how we invest in and reward our employees is set out on pages 11 and 39 of the Strategic Report;
- how the Board engages with the Group's workforce is set out on pages 71 to 73 of the Corporate Governance Report; and
- how the Company engages with its and its Group's employees is set out on pages 125 and 126 of the Directors' Report.

#### Fostering business relationships

We put our customers at the heart of what we do by ensuring that we provide safe, reliable and great value mass transit services for them. We

develop relationships with our other key stakeholders, including our suppliers, regulators, central and local government authorities and politicians, to ensure we understand how we can best work with them best and achieve mutual goals. More information about:

- who our key stakeholders are, why they are key and how we engage with them is set out on pages 41 to 44 of the Strategic Report; and
- how the Board understands stakeholders' views, including by engaging with stakeholders, is set out on pages 71 to 75 of the Corporate Governance Report.

#### Impact on community and environment

We play a vital role in the communities we serve by connecting the people who live in those communities with their work, leisure, family and friends. Our increased focus on providing mass transit services in a sustainable way is also helping reduce harm to the environment. For more information about:

- our services and the different communities and customers they serve, see pages 2 and 38 of the Strategic Report;
- our investment in our communities through the National Express Foundation, see page 42 of the Strategic Report;
- our annual carbon emissions and intensity metrics, see pages 46 and 47 of the Strategic Report;
- our new environmental KPIs and performance against them, see Managing our environmental impacts on page 46 of the Strategic Report; and
- our new LTIP environmental performance measure, see page 102 of the Annual Statement by the Remuneration Committee Chair in the Corporate Governance Report.

#### Maintaining high standards of business conduct

Our reputation is key. It underpins our ability to earn the loyalty of our customers and thereby to grow our business through increased commercial passenger journeys and winning or renewing concession contracts. We pride ourselves on being one of, if not the, safest mass transit provider in the world and we believe this differentiates us from our peers. We also aim to become a leader in the provision of sustainable mass transit services. For information about:

- how we carry on business responsibly, see pages 37 to 47 of the Strategic Report;
- our safety priorities, policies and performance, see the Safety & Environment Committee Report on pages 94 to 98 of the Corporate Governance Report; and
- our system of internal control including our management of risk, see the Audit Committee Report on pages 87 to 93 of the Corporate Governance Report.

#### Acting fairly between members

Everything we do well benefits our shareholders, whether they are large institutions or private shareholders, financially through the returns we generate for them and reputationally through the way we operate. For more information about:

- our financial performance and the returns delivered to our shareholders in the year under review, see pages 3, 6 to 7, 16, 19 to 20 and 21 to 26 of the Strategic Report and the Consolidated Financial Statements on pages 136 to 210; and
- how we engage with our shareholders is set out on page 74 of the Corporate Governance Report.

### Board leadership and company purpose

#### Board decision-making

In making decisions, the Company's Directors are cognisant of all their legal duties, including their duty under Section 172(1) of the Companies Act 2006 to act in the way that is most likely to promote the success of the Company for the benefit of its members as a whole and to have regard (among other matters) to the factors set out in Section 172(1)(a) to (f) of the Companies Act 2006. Examples of some of the principal decisions taken by the Board during the year and an explanation of which factors the Directors had regard to when reaching such decisions, including those set out in Section 172(1)(a) to (f) of the Companies Act 2006, are set out in the table below:

#### Key factors considered

- |                                  |                         |                               |
|----------------------------------|-------------------------|-------------------------------|
| Financial impact                 | Reputation              | Acting fairly between members |
| Long-term impact                 | Community & environment |                               |
| Fostering business relationships | Employees               |                               |

#### Board decision

Successful bid for and award to the Company's ALSA division of a 15-year contract to operate urban bus services in Casablanca, Morocco

- |                               |  |
|-------------------------------|--|
| Financial impact              | – The contract would generate revenues of c.€1 billion over its 15-year term and contribute to the delivery of the Company's growth strategy by further expanding the urban bus segment of the Company's ALSA business   |
| Long-term impact              | – The Company's investment in a brand new urban bus fleet would improve both the safety of the bus operation and reduce its impact on the environment through newer vehicles emitting lower harmful emissions  |
| Community & environment       | – The Company's commitment under the contract to redesign the urban bus network and introduce a new ticketing and payment system should enhance passengers' experience of urban buses for the benefit of the Casablanca community  |
| Acting fairly between members | – The contract award would mean the assumption by the Group of the incumbent operator's drivers who, through becoming part of the Group and being subject to the Group's Global Safety Policies, would benefit from risk profiling and being provided with further training or other actions to reduce risk profiles |

Acquisition by the Company's UK division of the business of providing Home to School and Ring and Ride services for vulnerable children and adults in the West Midlands (out of the administration of the previous provider)

- |                               |  |
|-------------------------------|--|
| Financial impact              | – The acquisition would enable the Company to access a new UK market, creating potential opportunity in the longer term for further growth in this market  |
| Long-term impact              | – The acquisition would secure the continued provision in the West Midlands of these vital community services  |
| Community & environment       | – The acquisition would secure the employment of c.600 of the employees who worked for the seller companies in administration  |
| Acting fairly between members | – Improvement of the fleet to be carried out immediately post acquisition would improve the safety and reliability of these vital services and reduce harm to the environment through fewer emissions from the improved fleet  |
| Acting fairly between members | – The acquisition would result in all transferring employees being paid at the least the Real Living Wage and having access to wider employment opportunities within the National Express Group  |
| Acting fairly between members | – The acquisition would strengthen the Company's UK bus business' relationship with two of its key stakeholders: Transport for West Midlands and Birmingham City Council, which are invested in the continuation of these vital community services and keen to see the improvements in the services that the National Express Group is able to offer |



#### Casablanca contract – having regard to other stakeholder interests

Subsequent to the award of the Casablanca urban bus contract to the Company's ALSA division, the Casablanca transit authority requested ALSA to start providing services under a transitional contract in advance of commencement of the formal contract to secure the continued provision of services to the public. The Company had due regard to the authority's interest in acceding to such request.



#### Acquisition of West Midlands Home to School and Ring and Ride services business – having regard to other stakeholder interests

One of the principal reasons for the Company's UK division's acquisition of the business of providing Home to School and Ring and Ride services out of the administration of the previous provider was to assist Transport for West Midlands – with whom the Company's UK bus business has been working in alliance to provide public transport services in the West Midlands over many years – in securing the continued provision of these vital services. The Company also had regard to Birmingham City Council's interest in securing these services in accordance with its statutory duty to do so.



# Leading practice examples - People and workforce engagement

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## FRC Lab report 2020

According to the FRC Lab Jan 2020 report on workforce reporting, investors seek a more basic understanding of the composition of the workforce, but also an indication of whether the workforce is a strategic asset and how this relates to longer-term value creation.

Our client the Pensions Insurance Corporation focused in on employees as a key asset, highlighting how this links to the company's values and culture.

Employee engagement is also a key theme in the new Corporate Governance Code and our client National Express included three helpful case studies on engagement events undertaken by the Board in its Governance section.

## Believe in brilliance

STRATEGIC REPORT  
OUR PEOPLE AND CULTURE

*Central to our success*

**OVERVIEW**  
PIC places great importance on providing a positive and challenging work environment for all its employees. Our purpose, which is paying the pensions of our current and future policyholders, helps set the tone for the way we conduct business, and this is enacted by individual employees and departments, including executive management and the Board. There is a strong belief that our purpose, culture and values are fundamental to the success of the business. This focus helps ensure a collaborative spirit when engaging with our stakeholders, whether internally in cross-team interactions or externally with our clients, suppliers and partners. This results in a hard-working, productive environment, where everyone can take pride in, and be recognised for, the contribution they make to the Company's success.

**WHAT OUR EMPLOYEES SAID ABOUT OUR VALUES**

<b>98%</b>	Believe PIC is customer focused (always seeking to understand and meet customer needs)	"Valuing our customers" We pride ourselves on our customer focus and work hard to ensure that employees feel they can serve our customers' interests efficiently and effectively without undue red tape.
<b>98%</b>	Believe PIC will be successful in the next 2-3 years	"Striving to be the best" and "Providing security" Employees have a demonstrable understanding of PIC's purpose, strategy and focus on the customer. The vast majority of employees feel that PIC is effectively managed and well-run.
<b>97%</b>	Say they have a good understanding of PIC's values	"Good understanding of PIC values" Our values are integral to the way that we work. Every effort is made to live those individuals who are aligned to the importance of organisational purpose, culture and the values which flow from this.
<b>90%</b>	Feel proud to work for PIC	"Doing the right thing" The result clearly demonstrates that a good understanding of the values and a focus on purpose brings pride. Employees expressed very high levels of trust and confidence in the senior leadership team.
<b>89%</b>	Would recommend PIC as a place to work	"Being a team" and "Embracing new ideas" Many employees commented on the recognition they received and the appreciation that managers and the leadership team showed to them for their contribution, reinforcing the team ethos and commitment to innovation that these values represent.

**IN THE WORDS OF OUR EMPLOYEES**

PIC has a true family feel about it with a strong positive culture framed around the organisation's purpose and objectives. People are always willing to support one another and there is a real tendency to work together to solve problems. **The top from the top is consistent and clearly aligns people behind purpose.** Senior management are always visible and happy to engage in open discussions around all topics.

**PIC EMPLOYEE 2019**

**The organisation has a very strong culture and it is clear that everyone is focused on delivering PIC's objectives, which are aligned to our values. The senior management are very accessible and willing to spend time with people across the organisation. The scope of work is varied and challenging, and people engage across teams on a regular basis.**

**PIC EMPLOYEE 2019**

PIC has a strong culture rooted in its values and the top-down messaging is excellent. Colleagues are skilled, respectful and innovative and working with them inspires me to do my best. **I most enjoy using my skills to do something that's genuinely beneficial to a vulnerable section of society and the leaders of the CEO is second to none.**

**PIC EMPLOYEE 2019**

**UK workforce engagement event**  
Mike McKean, a Non-Executive Director, attended the Company's UK division headquarters in Birmingham where, after touring the coach station and customer service centre and receiving a presentation from the IT and digital teams, he hosted a roundtable discussion with a group of workers made up of drivers, vehicle technicians, coach station staff, bus revenue inspectors, and representatives of the UK customer service and UK IT and digital teams.

In view of the Group's strategic priorities of growth, technology and excellence, which are often discussed in the Boardroom, the event was given a national theme of "putting the customer first" and discussions centred on how the UK division was putting the customer first in order to increase patronage and grow the UK bus and coach businesses through technology and excellence. Topics discussed included the new contactless ticketing technology on buses, the 'NX Way' philosophy of how contact centres staff are trained to provide customer service and the new IT applications being developed to improve the customer experience.

On the day, the discussions went wider to cover topics that the members of the workforce were keen to discuss, including how bodycams and DriveCam are making revenue inspectors and drivers feel safer at work and how the outsourcing of the UK, outsource is impacting people and the way they work. As Mr McKean observed when he discussed the event with the Board: "While these latter topics were not 'on point', it demonstrates the success of the event that people are willing to talk openly about subjects that matter to them, which can inform the Board's thinking and decision-making on these or similar matters".

**US workforce engagement event**  
The Chairman and Jane Kingston, a Non-Executive Director, attended a roundtable discussion with a group of workers from the Concord, California, school bus customer service centre. The group included drivers, vehicle technicians and supervisors.

This event started from the premise of a more open agenda, with the workforce members attending invited to share their views generally on what they considered the Company did well and what it could do better. It also gave the Directors the opportunity to ask the workforce about the various safety and excellence programmes the Group had implemented over the last few years and the workforce the opportunity to ask Directors about the Company's strategy and direction.

When reporting back to the Board on the event, Ms Kingston observed that "the members of the workforce participated in the event in a very open way, sharing their views about both positives and negatives". She relayed some examples of the views shared, noting that drivers had praised the training they had received saying how well it had served them and that vehicle technicians had raised concerns about lack of spare parts but confirmed improvements were now being made. One of the Group's major new excellence programmes was also discussed, and ideas were shared about how to communicate the rationale for the programme better, which prompted a Board discussion when the event was reported back to the Board. As Ms Kingston also observed: "It was lovely to hear from the school bus drivers that the best part of their job was looking after the children".

**Spanish workforce engagement event**  
Jorge Cosmen, the Deputy Chairman, hosted a roundtable discussion in Madrid with approximately 20 members of ALSA's Spanish workforce, including drivers, service technicians, depot workers and sales agents who were drawn from multiple regions of Spain, from the North West to the Mediterranean. The event focused on seeking to answer the question: "are we living by our Values?", with a particular focus on Customers and Safety Values.

Members of the workforce shared their views on what ALSA does well with its customers and what can be improved, whether ALSA is considered a safe company by its customers and which features of ALSA's services, in terms of both safety and comfort, are most valued by its customers. Recent technological developments were also discussed, such as the MIALSA app which ALSA uses as a means to communicate with its employees. Members of the workforce raised questions about matters of more individual concern to them and also asked Mr Cosmen about the Company's strategy, including in regard to the Spanish concessions renewal process and international expansion.

As Mr Cosmen explained at the next following Board meeting: "I was pleased to see how deeply the commitment to safety is rooted in the business and that our workforce see safety, as we do as a Board, as a key way in which we differentiate ourselves from other transport providers. I was interested to learn about the different ways we are communicating with the workforce and how technology is making a difference even with this. I was also impressed by how aware our people are of the Company's strategy and the risks and opportunities we face as a business". Mr Cosmen also recommended these events to his fellow Non-Executive Directors, noting that "lots can be learned from them".

Strategic Report

Corporate Governance

Financial Statements

Additional Information



# Leading practice examples - Stakeholder engagement

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## Biffa 2019

Both the the Miscellaneous Reporting Regulations 2018 and the new Corporate Governance Code include new disclosure requirements around stakeholder engagement. Many companies will already have included some stakeholder engagement information in their 2018/19 Annual Report and our client Biffa's award-winning Report provides a good example.

### Strategic Report Our Stakeholders

## Listening and responding to our stakeholders

At Biffa we provide essential services to homes and businesses across the UK. As such, we have a diverse network of stakeholders with whom we engage on a positive and open basis.

### Customers

**How We Engage**  
Ensuring that we work collaboratively with our customers is of vital importance. Our customers rely on the services we provide, therefore the ability to listen, understand and respond to customer feedback is paramount.

Biffa provides clear and structured lines of engagement for our core customer groups. Within the I&C core group, we segment customers into distinct operational sectors and allocate dedicated teams to manage their requirements. These teams live and breathe the day-to-day challenges faced by their clients. This experience is shared across the corporate team to ensure that knowledge is retained,

and best practice delivered. Local Government customers benefit from a similar arrangement, with dedicated contract support built into ways of working for the duration of the partnership. Within the I&C Small Medium-sized Enterprises group, customers are on-boarded by regional teams before assignment to our dedicated Customer Services teams. Increasingly, customers choose to self-serve through our online CustomerZone portal.

**Stakeholder Expectations**  
Expectations are varied and sometimes complex. Structuring our systems and processes to support customer requirements in a timely and consistent way lies at the heart of our offer. Reliability of service is

the central expectation. When issues do occur, dealing with them and ensuring that the customer is kept up to date while we do so are our focus.

**Relevance to the Business Model and Strategy**  
Delivering ongoing and long-lasting customer satisfaction enables Biffa to grow. Ensuring that existing customers are retained and that new business benefits from a consistent experience requires systems and processes that are developed and optimised. All three elements of our core strategy, Grow, Develop, Optimise, are essential to delivering customer satisfaction.

See page 14 for more information

### Shareholders

**How We Engage**  
The Executive Directors, supported by the Investor Relations team, meet in person or via a conference call with both existing and potential investors during the year.

**Stakeholder Expectations**  
Insight into the underlying performance of the business and progress against the strategic targets of growing market share, developing services and infrastructure, and optimising processes and services.

**Relevance to the Business Model and Strategy**  
Good shareholder engagement is fundamental to ensure the long-term funding support for the business.

See page 80 for more information

### Communities

**How We Engage**  
The details of our community engagement activities are given in the Sustainability and Environment section of this report on pages 43 to 63. Activities include local site liaison groups and newsletters, Biffa Award funding support for local projects, local volunteering and fund raising activities, hosting site visits for local schools and groups, communication through municipal contract community liaison officers, and undertaking community volunteering.

**Stakeholder Expectations**  
With high public interest in recycling and environmental protection, we are seen as playing a key role in helping society achieve sustainable resources and waste management solutions. Local communities also expect our sites to be well run and for us to be able to respond to any queries or complaints as quickly as possible. Our actions relating to environmental protection are discussed in more detail in the Environment section on pages 57 to 63.

**Relevance to the Business Model and Strategy**  
Community engagement is a key strand in our Corporate and Social Responsibility and Sustainability initiatives, helping to inform and underpin our commercial strategy. More information about this can be found in the Sustainability section of this report. At the local level, community engagement helps create positive local working relationships and responsive operating practices.

See page 43 for more information

### Local Government

**How We Engage**  
We liaise directly with our Local Government customers in terms of service contracts and also in various other ways. For example, we are currently liaising with the Local Authority Recycling Advisory Committee (LARAC) over national Government consultations on the new Government RWS and we are represented on several regional waste planning forums. We also assist with requests for site visits to our facilities and councillor training sessions, such as the training session on waste planning provided to Staffordshire County Council's planning committee in May last year.

**Stakeholder Expectations**  
Local Government customers expect effective and cost-efficient services from Biffa, backed up by expert knowledge around local requirements as well as advice and support regarding emerging national waste policy and regulation.

**Relevance to the Business Model and Strategy**  
Liaison with Local Government stakeholders helps deliver our service through a collaborative, partnership approach. This supports delivery of waste collection and recycling ambitions at the local level, all of which contributes to the

national picture. Aligned knowledge and ambitions also help to support our infrastructure and service investment decisions.

See page 57 for more information

### Suppliers

**How We Engage**  
We look to secure excellent value for money while minimising risk in key areas such as environment, ethics, quality and supply chain security. Suppliers are engaged by a team of procurement professionals supporting the business in delivering a positive, two-way communication process.

our service at a competitive price from a reliable and sustainable source, introducing innovation where appropriate. We look to build long-term mutually beneficial relationships with all our stakeholders in the belief that all parties benefit from this approach.

**Relevance to the Business Model and Strategy**  
Our suppliers are key in delivering our business model and strategy. During the year the risk of Modern

Slavery was given particular focus to ensure that our suppliers have taken the appropriate steps to protect against it within their supply chains. Working closely with suppliers, we continue to introduce innovation to our business driving service enhancement, safety improvements and business efficiency.

See page 48 for more information



# Leading practice examples - ESG reporting

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## Severn Trent 2019

Our new client, Severn Trent, provided an index of disclosures relating to Environmental, Social and Governance commitments, in last year's Annual Report and our client Sirius Minerals brought sustainability achievements to life with a montage of case studies.

In the light of COVID-19, the ESG focus will inevitably have shifted and the resilience and long-term sustainability of the of the business model will also be important.

**Believe in brilliance**

» Strategic report  
Governance  
Group financial statements  
Company financial statements  
Other information

## Environment, Social and Governance At a Glance

We are proud to be recognised as the first socially purposeful company in the utility sector. The content below pulls together details of our sustainability performance that are integrated throughout our Annual Report and Accounts. It also highlights where you can find more information on our Environmental, Social and Governance (ESG) performance.

We are committed to continually developing and improving our approach, and continue to explore the role accreditations can play in providing legitimacy to this. We've developed a dedicated ESG page on our website where you can find further information.

2020-2025 Commitments	ESG performance	Read more
<b>Carbon and Climate Change</b> Our triple pledge: • Carbon neutral by 2030, more stretching than science based targets; • 100% electric vehicles by 2030 - assumes specialist vehicles such as tankers become available within that time window); and • 100% renewable energy by 2030 (including self-generated and purchased energy).	<b>Carbon reduction</b> - Group net Greenhouse Gas Emissions (GHG) emissions fell by 27% in 2018/19. A reduction of 41% since the beginning of the AMP. Total annual net emissions 268,283 tonnes CO <sub>2</sub> e. <b>Renewable generation</b> - Generated equivalent of 43% of our electricity needs, up from 38% in 2017/18. On track to exceed 50% target by 2020.	<a href="#">Page 126</a> <a href="#">Page 125</a>
<b>Biodiversity</b> Biodiversity - Improve 1070 hectares of land (in km of river) for biodiversity by 2025. Tree planting - Plant the equivalent of one tree for every three households we serve by 2030.	<b>Water Industry Achievement awards</b> - Winner of the Energy and Carbon Initiative of the year. <b>Biodiversity</b> - Improved biodiversity of six hectares of 553ha in 2018/19. On track to reach our target of 75 hectares by 2020. <b>Catchment Management</b> - Gold award winner at the Corporate Engagement Awards 2018.	<a href="#">Page 126</a> <a href="#">Page 39</a>
<b>Water Management</b> Water resources - Reduce unsustainable abstraction by nearly 100 Ml/d. Water management - Triple the rate of leakage reduction across the sector by 2030. Focus on metering households. Education - offering every primary school in the Midlands a visit from our Wonderful Water Tour, inspiring them to change water usage behaviours.	<b>Water resources</b> - Published draft Water Resources Management Plan (WRMP) setting out our long-term plans to accommodate the impacts of population growth, drought, and climate change uncertainty to balance supply and demand over the next 25 years. <b>Leakage</b> - Hit MLE target and have delivered a reduction year-on-year of 16 Ml/d. <b>Water quality</b> - 8% improvement in water quality complaints. <b>Catchment management</b> - Worked in partnership with over 820 farmers to reduce the amount of chemicals entering our raw water sources. <b>Education</b> - Engaged over 130,000 young people this year through our education programme, ahead of 125,000 annual target.	<a href="#">Severn Trent website</a> <a href="#">Page 39</a> <a href="#">Page 35</a> <a href="#">Page 38</a> <a href="#">Page 35</a>
<b>Environmental Stewardship</b> River quality - By 2025 we will have improved the quality of over 50% of rivers in our region. Single use plastic - Prevent the equivalent of four billion plastic bottles ending up as waste by 2030.	<b>Water efficiency</b> - Carried out 26,000 home water efficiency checks to help customers manage their consumption. Installed 35,823 water meters. <b>River quality</b> - On track to improve at least 1,000 km of our rivers by 2020. <b>Single use plastic</b> - Supported Refill campaign, contributing to the 20,000 refill stations in the UK. We have eliminated single use plastic from our office locations. <b>Environmental management system</b> - 35% of our operations externally certified.	<a href="#">Page 36</a> <a href="#">Page 41</a> <a href="#">Page 43</a>

Severn Trent Plc Annual Report and Accounts 2019

» Strategic report  
Governance  
Group financial statements  
Company financial statements  
Other information

## Putting our customers first

Community contribution - We're investing 1% of profits for a new community fund - to make positive impact in our region.  
**Vulnerable customers** - We'll help nearly 50% more customers who are struggling to pay their bills by 2025 and develop a strategy to end water poverty.

ESG performance  
**Vulnerable customers** - £3.5m trust fund donations annually, 2.62 social return on investment. Supported 57,838 people who struggle, against an annual target of 30,000.  
**Our performance for customers** - Overall customer satisfaction is 85%, 7% higher than the national average. Trustworthiness is at 73%, making Severn Trent the most trusted water company in England.  
**Customer Experience** - Maintained 14th position in customer Service Incentive Mechanism (SIM) score. Upper quartile in the Institute of Customer Service's UK index as the top English water and sewerage company (WaSC) and only slightly short of the UK average in all sectors.

Read more  
[Page 24](#)  
[Page 36](#)  
[Page 33](#)

Links to our strategic objectives

## Supporting our communities and wider society

Innovation - Launched the World Water Innovation Fund. Our £5m investment will make a real difference to lives across the world. Doubled the funding for innovation in AMP7.  
UN Sustainable Development Goals (UNSDG) - Aligned our commitments with the UNSDGs, highlighting positive contribution to 11 of the 17 goals.

Charitable contributions - Founding partner of WaterAid and raised almost £30 million since 1981.  
Volunteering - 32% of employees volunteered in 2018/19 ahead of 30% target; improving 34 km of riverside and planting over 3,000 trees.  
Responsible supply chain - 100% prioritised suppliers signed up to our Sustainable Supply Chain charter.  
FTSE4Good certified

Read more  
[Fund website](#)  
[Page 44](#)  
[Severn Trent website](#)

Links to our strategic objectives

## Committed to the highest standards of transparency and corporate governance

Highly commended - PwC Building Public Trust Award for Executive Remuneration Reporting in the FTSE 350.

Read more

## HIGHLIGHTS AND ACHIEVEMENTS

66% REDUCTION IN NITROGEN OXIDES (NOx) EMISSIONS

£200m GENERATED OVER 6200 MILLION IN THE ECONOMY OF YORKSHIRE AND THE NORTH-EAST

110 NEW CROP TRAILS STARTED

40,000 TREES PLANTED

58 EDUCATION OUTREACH VISITS

50% INCREASE IN APPRENTICESHIPS

0% ENVIRONMENTAL INCIDENTS

30% MORE RIVERS RESTORED

20km<sup>2</sup> OF COASTLINE REPAIRED

Indirect jobs

Reducing emissions

Sirius Minerals Foundation

Engaging the community

Improving access to the National Park

Severn Trent Plc Annual Report and Accounts 2019



# Leading practice examples - Assessment and monitoring of culture

*luminous*



## Saga 2019

The new Corporate Governance Code includes a requirement for the Board to assess and monitor its company's culture and to take remedial action, if required. Here, our client Saga sets out the metrics it uses to monitor culture.

CORPORATE RESPONSIBILITY CONTINUED			
Responsible business practices – an overview			
Activity	Alignment with purpose, values and culture	Board discussion and principal decision making	Example of outcomes
<b>Customer Satisfaction</b>	<ul style="list-style-type: none"> <li>Brand NPS was established in 2018 and currently measures at 20. The Group aims to increase NPS scores across the business and for Saga as a whole</li> </ul>	<ul style="list-style-type: none"> <li>This metric is an index that measures the willingness of customers to recommend products or services to others</li> <li>The business has the responsibility to drive up NPS in their respective areas</li> <li>A Group Executive sponsor has overall responsibility for Saga's responsible business practices</li> </ul>	<ul style="list-style-type: none"> <li>Calculated based on customer survey responses weighted by business units to be representative of the Saga Group</li> </ul>
<b>Financial Crime</b>	<ul style="list-style-type: none"> <li>Supplier risk questionnaire process will include further questions regarding financial crime, modern slavery, corporate responsibility and Environmental, Social and Governance (ESG) factors</li> </ul>	<ul style="list-style-type: none"> <li>Promoting integrity and openness</li> <li>A Group Executive sponsor has overall responsibility for Saga's responsible business practices</li> </ul>	<ul style="list-style-type: none"> <li>Constant review and testing of Group supply chain, ensuring alignment with Group objectives and policies</li> <li>New suppliers to undergo rigorous due diligence and evaluation prior to selection</li> </ul>
<b>Responsible Investments</b>	<ul style="list-style-type: none"> <li>Our approach to investments has been updated during the year to ensure more robust Environmental, Social and Governance (ESG) factors are considered when placing investments</li> </ul>	<ul style="list-style-type: none"> <li>Promoting integrity and openness</li> <li>We trust and challenge each other to be brave and do the right thing</li> <li>Subsidiary boards and committees consider all investment decisions</li> <li>plc Board considers and approves all material investments</li> </ul>	<ul style="list-style-type: none"> <li>On reinvestment of funds, key ESG factors will be considered</li> </ul>
<b>Human Rights and Modern Slavery</b>	<ul style="list-style-type: none"> <li>The Group is committed to transparency within our supply chain. We have carried out risk assessments and conducted due diligence on our material suppliers in respect of our Travel operations, we have continued to strongly encourage hotel suppliers to apply for membership with the independent sustainability audit programme, Travelife, and to work towards obtaining Gold certification which demonstrates compliance with international standards on human rights</li> <li>We aim to continue to increase our portfolio of Gold membership hotels and will proudly state in our brochures which hotels have this certification</li> </ul>	<ul style="list-style-type: none"> <li>Promoting integrity and openness</li> <li>A Group Executive sponsor has overall responsibility for</li> </ul>	<ul style="list-style-type: none"> <li>Saga conducts business in an ethical and</li> </ul>

30 Saga plc Annual Report and Accounts 2020

## How the Board assesses and monitors culture

The Board regularly reviews a range of information to actively monitor Group culture. The table below shows the key sources of data the Board tracks to monitor culture with a view to taking action, as required, where adjustments or remedial action are required.

Cultural identifier	Cultural priorities			
	Promoting integrity and openness	Valuing diversity	Being responsive to the views of stakeholders	Culture aligned to purpose and values
Employee survey data	✓	✓	✓	✓
People Committee feedback	✓	✓	✓	✓
Reports on progress on diversity and inclusion	✓	✓	✓	✓
Whistleblowing reports	✓	✓	✓	✓
Gender pay gap progress	✓	✓	✓	✓
Training investment per head	✓	✓	✓	✓
Absenteeism rates	✓	✓	✓	✓
Health and Safety performance	✓	✓	✓	✓
Internal Audit reports and findings	✓	✓	✓	✓
Stretching environmental targets	✓	✓	✓	✓

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Stretching environmental targets	✓	✓	✓	✓



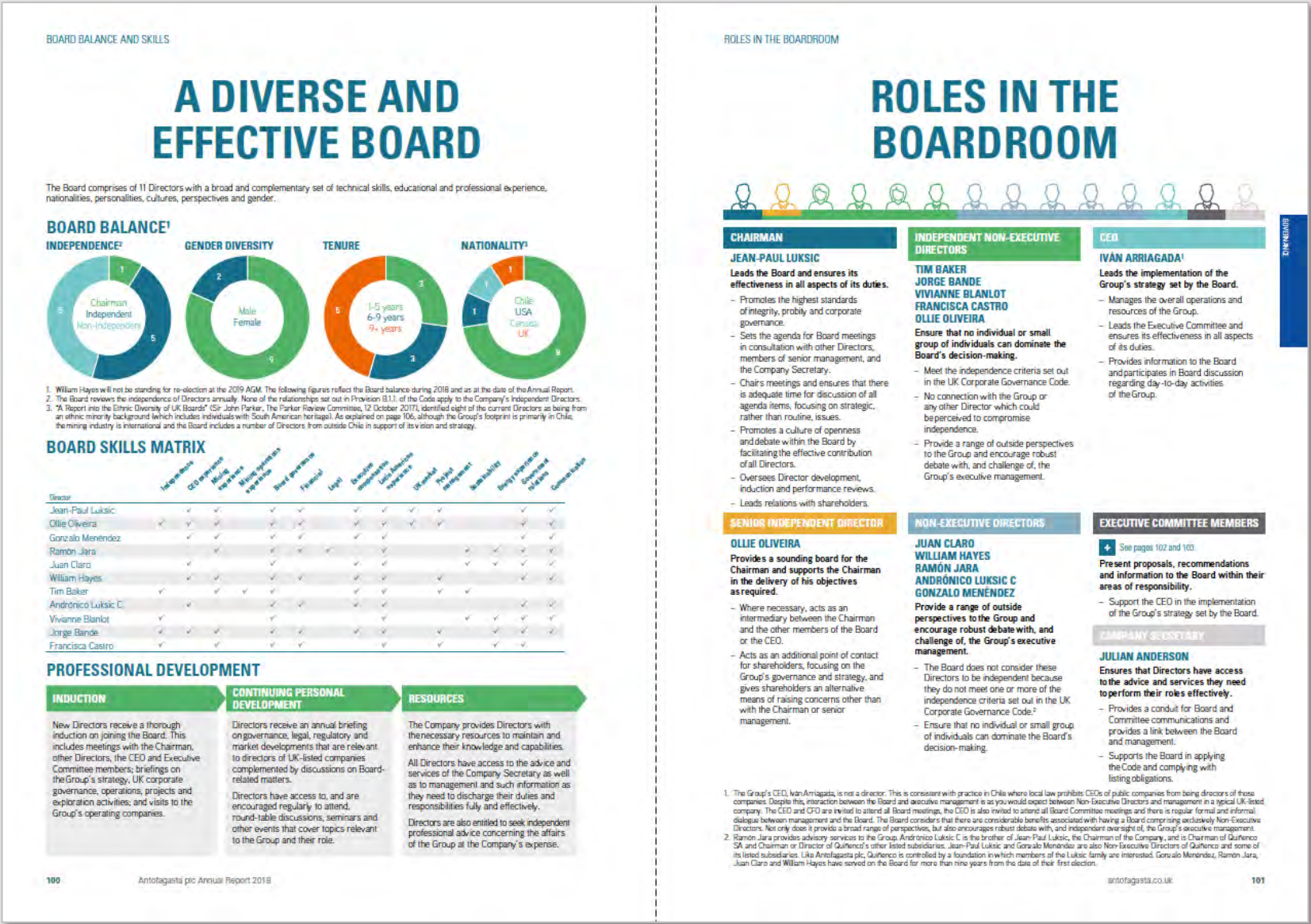
Leading practice examples - Board composition, diversity and succession planning

*luminous*



Antofagasta  
2018

The new Corporate Governance Code has expanded requirements around Board composition, diversity and succession planning. Here is an example of a visually impactful overview, including information on diversity, independence, tenure, nationality and gender, and a Board skills matrix which breaks down the key skills represented by members.





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## Step three: defining new content and structure

- A well-planned, coherent structure will now be required for the Strategic Report and Governance.
- Avoiding unnecessary repetition, in particular around stakeholders, employees, ESG and s172, may be challenging.
- Effective linking of information, especially around the impact of COVID-19 which will appear throughout the Report, will also be important.

Annual Report and Accounts 2019  
Version 1

**Strategic Report**

Cover  
Strapline

Corporate statement: Purpose and Provision  
Contents  
Group highlights  
Business highlights

A balance

Chairman's statement  
(4 pages)

**Strategic Report**

Group strategy

CEO's review  
to include case studies  
(8 pages)

Business Model  
to include:  
Purpose  
Key strengths and relationships  
Divisions  
Markets  
KPIs  
Stakeholder value created  
Guiding principles/values

Our Markets  
to include deep dives on key markets  
(8 pages)

**Strategic Report**

ESG  
(position new spread, serving as an index of ESG disclosures)

Stakeholder engagement  
(8 pages)

Snapshot of our divisions  
(20 pages)

KPIs

**2 Strategic Report**

Section 172 statement

2 Strategic Report

# Section 172 statement

## our approach












A Section 172 matrix is used as a standard agenda item for key meetings below Board level where material decisions are considered and is also included in templates used for meeting minutes. In this way, consideration of Section 172 factors is captured and recorded, and this information is duly reviewed by the Board at the point when a principal decision is to be taken. Where principal decisions are considered commercially sensitive, they have been omitted from this table below.



### Reporting on Section 172 in principal decision making



**Principal decision taken during 2019**  
Based on the list of key Board decisions and principal decisions below:



**Assessment by the Board of Section 172 factors**  
in principal decision making:

**Information on evidence arising for 2019/20**

<b>Strategy:</b> Commercial global omnium investments that real premium equity investment focus areas value focus	 Create value through omnium investment and real estate investments in addition to traditional infrastructure investments to diversify the portfolio and create value through the diversification of the investment portfolio	 New, off the shelf, global capital markets to create value through the diversification of the investment portfolio and create value through the diversification of the investment portfolio
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<b>Strategy:</b> Commercial global omnium investments that real premium equity investment focus areas value focus	 Create value through omnium investment and real estate investments in addition to traditional infrastructure investments to diversify the portfolio and create value through the diversification of the investment portfolio	 New, off the shelf, global capital markets to create value through the diversification of the investment portfolio and create value through the diversification of the investment portfolio
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United Company plc 2019 Annual Report and Financial Statements












Key – Section 172 criteria



-  The body considers all of the factors  
relevant to the company
-  The body considers all of the factors  
relevant to the company
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relevant to the company
-  The body considers all of the factors  
relevant to the company


**Principal decision taken during 2019**  
Based on the list of key Board decisions  
and principal decisions below:

**Assessment by the Board of Section 172 factors**  
in principal decision making:

**Information on evidence arising for 2019/20**

<b>Governance:</b> Commercial global omnium investments that real premium equity investment focus areas value focus	 Create value through omnium investment and real estate investments in addition to traditional infrastructure investments to diversify the portfolio and create value through the diversification of the investment portfolio	 New, off the shelf, global capital markets to create value through the diversification of the investment portfolio and create value through the diversification of the investment portfolio
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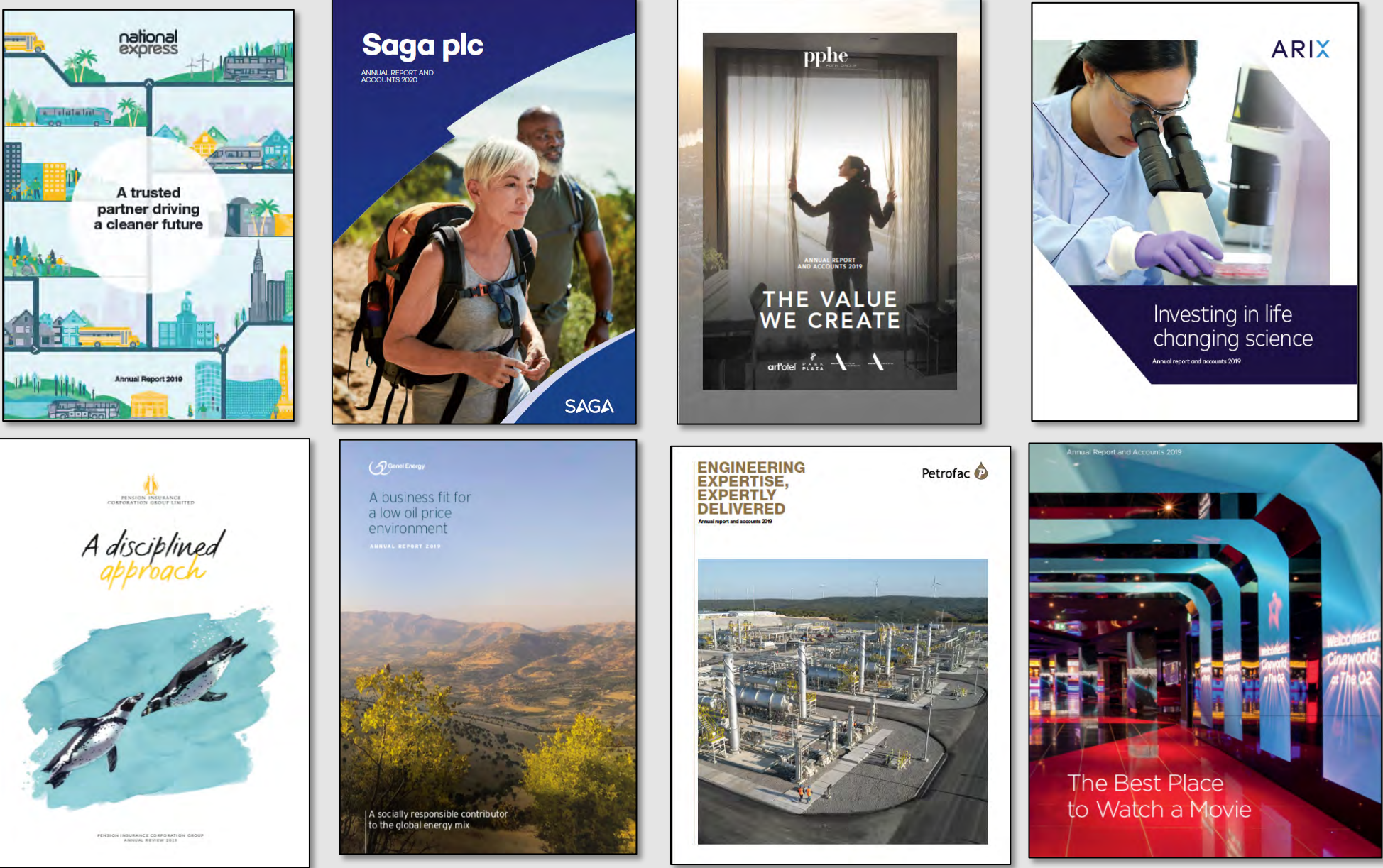
<b>Governance:</b> Commercial global omnium investments that real premium equity investment focus areas value focus	 Create value through omnium investment and real estate investments in addition to traditional infrastructure investments to diversify the portfolio and create value through the diversification of the investment portfolio	 New, off the shelf, global capital markets to create value through the diversification of the investment portfolio and create value through the diversification of the investment portfolio
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<b>Governance:</b> Commercial global omnium investments that real premium equity investment focus areas value focus	 Create value through omnium investment and real estate investments in addition to traditional infrastructure investments to diversify the portfolio and create value through the diversification of the investment portfolio	
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# Some recent Annual Reports

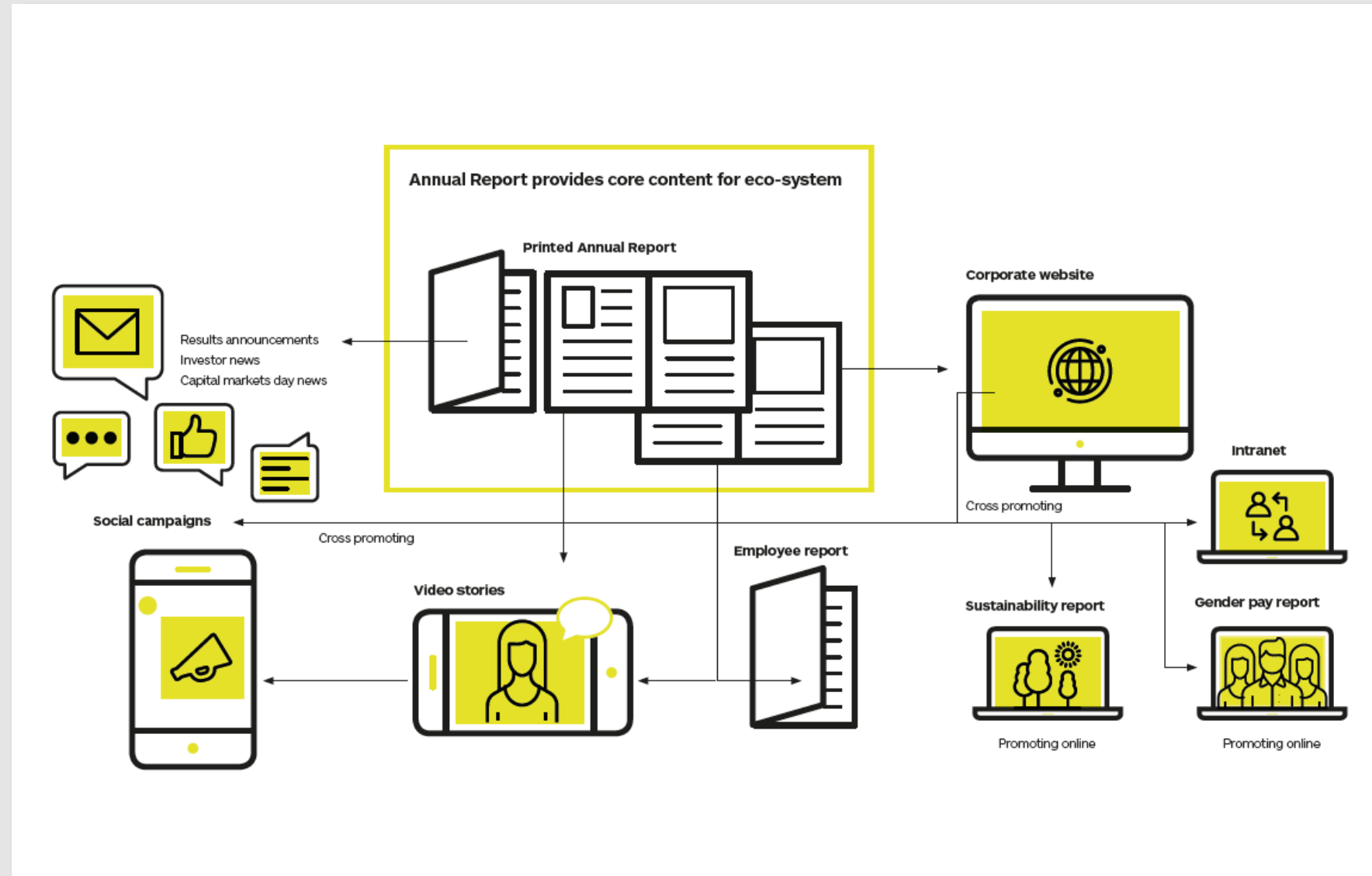
A selection of our most recent Annual Reports which are the product of this approach - we are delighted with how they have turned out.



## Step four - considering the digital ecosystem

*luminous*

Leveraging Annual Report content online, adding lasting value with audited and approved content.



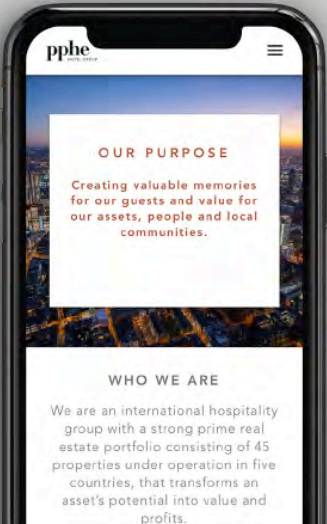
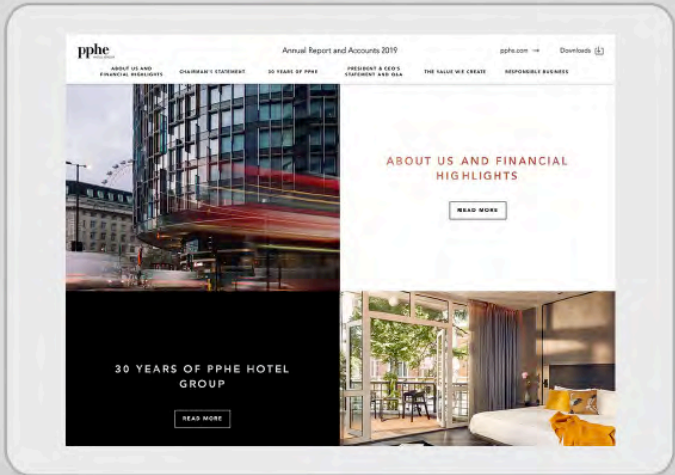
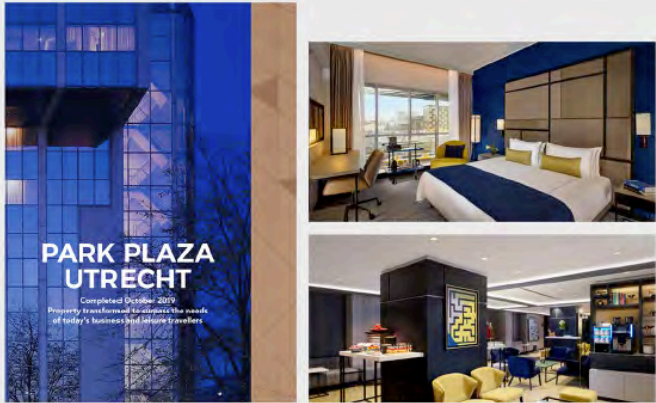
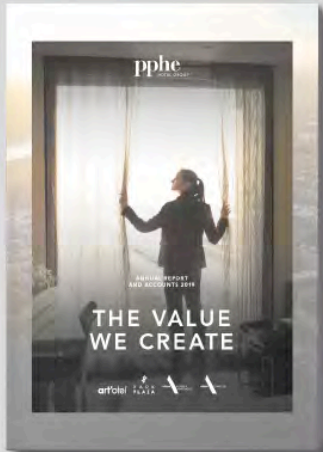
# Print and digital reporting

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## PPHE 2019

Shortlisted in the IR Society's Best Practice Awards for the Most effective overall communication of company investment proposition (FTSE 250).

Luminous created a complete corporate suite of materials to convey a consistent and compelling story, including print and online versions of the Annual Report, results presentations, factsheets and a new investor website.





# Conclusion

A clear, step-by-step process, will help make compiling the Annual Report easier.

1.  Audit to identify new content requirements	2.  Leveraging <b>best practice</b> and developing <b>key messages</b>
3.  Defining <b>new content</b> and <b>structure</b>	4.  Considering the <b>digital</b> ecosystem

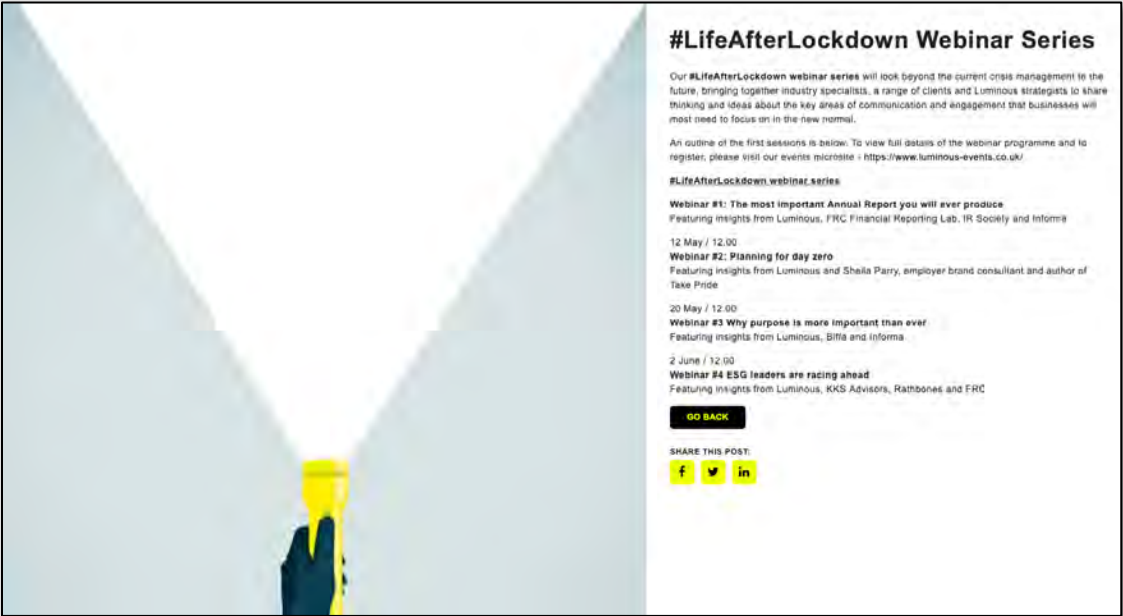
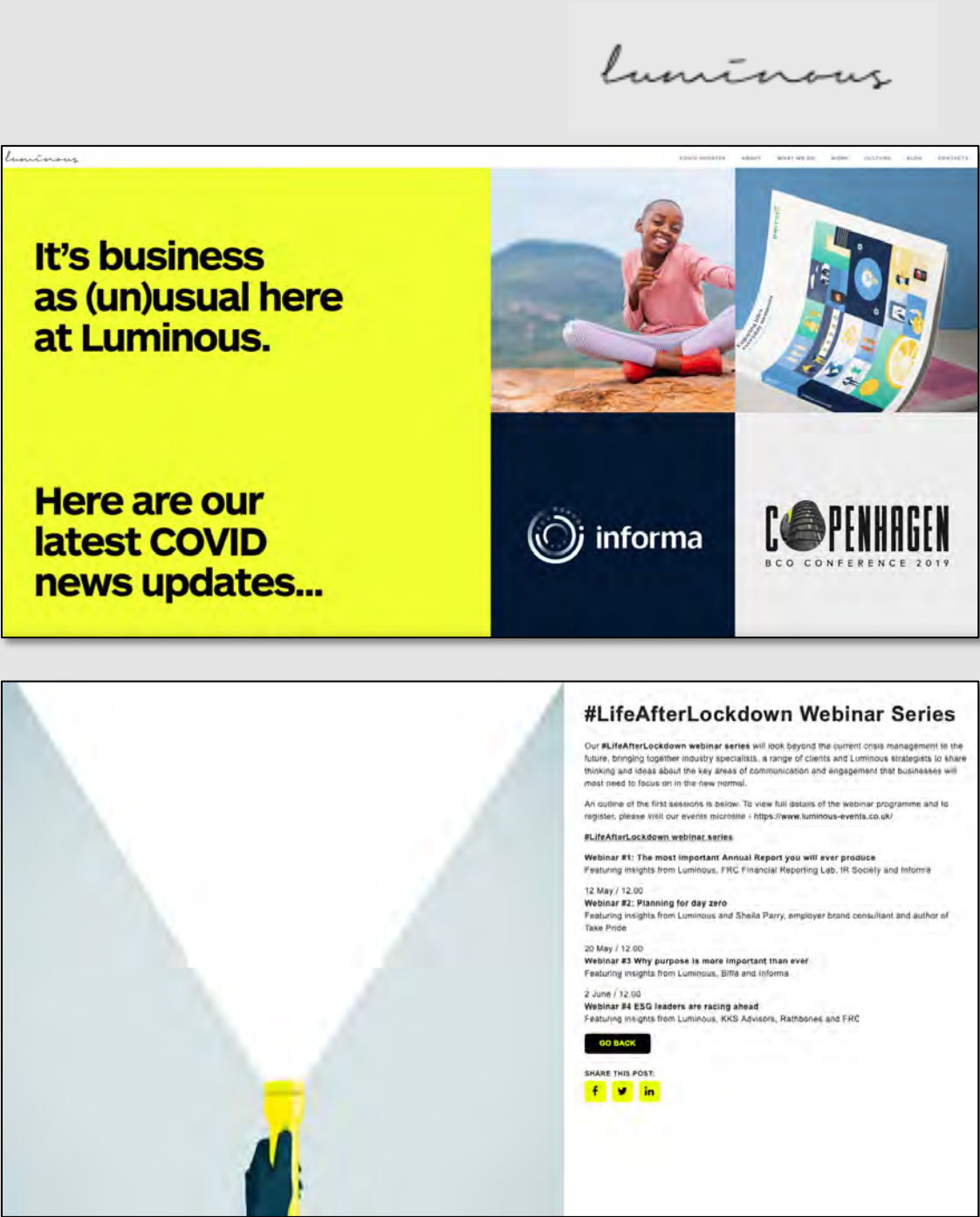
In an environment that will remain uncertain for some time yet, there is plenty of helpful guidance out there which will continue to evolve in the months ahead.

Luminous would be delighted to provide further guidance.

# Thank you

Harriet.Rumball@luminous.co.uk

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Financial Reporting Council

Financial Reporting



# Financial Reporting Lab

Phil Fitz-Gerald

# Five current questions investors seek information on...

Resources		Action		The future
1	2	3	4	5
How much cash does the company have?	What cash and liquidity could the company obtain in the short-term?	What can the company do to manage expenditure in the short-term?	What other actions can the company take to ensure its viability?	How is the company protecting its key assets and value drivers?
Helpful disclosure might include:	Helpful disclosure might include:	Helpful disclosure might include:	Helpful disclosure might include:	Helpful disclosure might include:
<ul style="list-style-type: none"> <li>The amount and nature of cash and liquid resources.</li> <li>Where the cash is located within the group (legal entities, countries, currencies etc).</li> <li>Whether there are any barriers to accessing the cash (capital controls, regulatory issues).</li> <li>Whether there is an impact from accessing the cash, such as tax or other liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>Information about the company's short-term financing arrangements, facilities and other obligations and likely changes.</li> <li>Information about the credit lines (committed and uncommitted, drawn and undrawn) the company has access to.</li> <li>Whether the company has additional support e.g. from related businesses, shareholders, suppliers.</li> <li>Whether there are any covenants that are being imposed or waived.</li> </ul>	<ul style="list-style-type: none"> <li>Whether the company is changing its dividend policy or cancelling a dividend.</li> <li>Information on the extent to which supplier financing schemes are being used, and what commitment the provider has given to maintain access to these schemes.</li> <li>Information about the nature and timing of capital expenditure commitments, and whether there is any flexibility.</li> <li>Information about any payments that may be deferred e.g. tax payments.</li> <li>Information about the company's approach to its pension funding.</li> </ul>	<ul style="list-style-type: none"> <li>Information of the nature of any government-backed support, by country and any conditions that attach to this.</li> <li>Information about any stress testing/reverse stress testing carried out and how the viability of different parts of the group are being affected.</li> <li>Whether there are any intergroup guarantees and commitments.</li> <li>Details of how the board is monitoring the situation.</li> </ul>	<ul style="list-style-type: none"> <li>Plausible scenarios on revenue and costs over the short-term and into a longer transition period.</li> <li>Details of the likely impact of shorter-term decisions on the company's key assets and longer-term drivers of value, e.g. people, brands, licences.</li> <li>Approach to support for employees.</li> <li>Information about how the company is managing commitments with customers where services are delayed.</li> <li>Information about how the company might adapt its business model and strategy in the short/medium term.</li> </ul>

More guidance is available on the FRC website - <https://www.frc.org.uk/about-the-frc/covid-19>

<https://www.frc.org.uk/getattachment/be8df00e-b0d8-4674-9a7f-104c2680af36/FR-Lab-infographic-250320.pdf>

# Climate-related reporting

Companies should consider the likely consequence of climate change on their business decisions, in addition to meeting their responsibility to consider the company's impact on the environment. There are a number of areas within the Companies Act in which companies need to have regard to, and report on, environmental matters and impact, including section 172, section 414C and in relation to GHG reporting.

The Government has set out its expectation for all listed companies and large asset owners to disclose in line with the TCFD recommendations by 2022.

A number of financial regulators put out a joint statement alongside the Green Finance Strategy.

Lab report available [here](#)





# Workforce-related reporting

- Companies and investors are interested in a range of different areas, from health and safety to diversity or culture
- Investors are looking for insights into the use of the workforce as a strategic asset within the business model, but also call for more basic data on workforce composition.
- The board plays a central role, and investors want to understand how boards engage with the topic
- Data is important, with increasing calls for quantitative information
- The report can be found [here](#)

*luminous*

# Graham Jerome-Ball

## Director of Global Branding, Informa

informa



# Investor Relations Society

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Laura Hayter, CEO

# The IR Society's Best Practice Awards

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- Support implementation of best practice IR
- Recognise those companies which have achieved successful results and gained the support of the investment community for their strong understanding of and proactive efforts to promote investor relations communications
- Why enter the IR Society Awards?
- Deadline for 2020 entries – June 30



# Underpinning all Awards: IR Principles

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- Having an equity story and investment case that are clearly communicated across all stakeholders and deliver long-term value creation
- Helping investors, analysts and others to understand the growth and value drivers of a company, such that there is a fair and orderly market in its shares
- Meeting or exceeding all regulatory requirements around disclosure and focusing on greater transparency of information both internally and externally



# Self-entry Awards - categories

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## **Five awards categories based on best practice industry guidelines:**

1. Most effective overall communication of company investment proposition
2. Best communication of ESG
3. Most effective use of digital communications
4. Best annual report
5. Best IR relating a corporate transaction

## **Broad reach of company categories:**

- FTSE100, FTSE250, Small Cap & AIM, International

# Best Annual Report

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## A 'shop window' into your company and its culture

Best practice considerations include:

- A forward looking, engaging, concise and entity-specific report
- Clear links between strategy, KPIs, risk and remuneration
- An investment case that explains the growth drivers that promote long-term value
- Explanation of how the company is actively incorporating sustainable practices into its strategy, operations and governance agenda

# How to enter that award winning report

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- What are the key objectives for your Annual Report this year?
- How does your Annual Report fit into your wider IR/communications strategy
- How do you use your reporting to meet the communication needs of your audiences, both internally and externally?
- How does your Annual Report articulate your organisation's purpose, values and culture?
- What are the key developments/improvements in your Annual Report compared with the previous year?
- Evidence is key

# Key considerations in the current environment

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- The basic principles of annual reporting remain unchanged
- The revised Codes – Corporate Governance and Stewardship
- Reporting on and measuring stakeholder engagement
- The current crisis is likely to sharpen the focus on ESG reporting
- Practical considerations and planning still key for a successful report
- More information: [www.irsociety.org.uk](http://www.irsociety.org.uk)

# Thank You

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Laura Hayter, CEO, The IR Society  
[Laura.hayter@irsociety.org.uk](mailto:Laura.hayter@irsociety.org.uk)

*luminous*

**Q&A**

*luminous*

# What's next?

The most important Annual Report you will ever produce

*luminous*

**What's next?**

Visit our website: [www.luminous.co.uk](http://www.luminous.co.uk)  
for more information

Event #02

**Planning for Day Zero**

12 May / 12.00

Event #03

**Why purpose is now more  
important than ever**

20 May / 12.00

Event #04

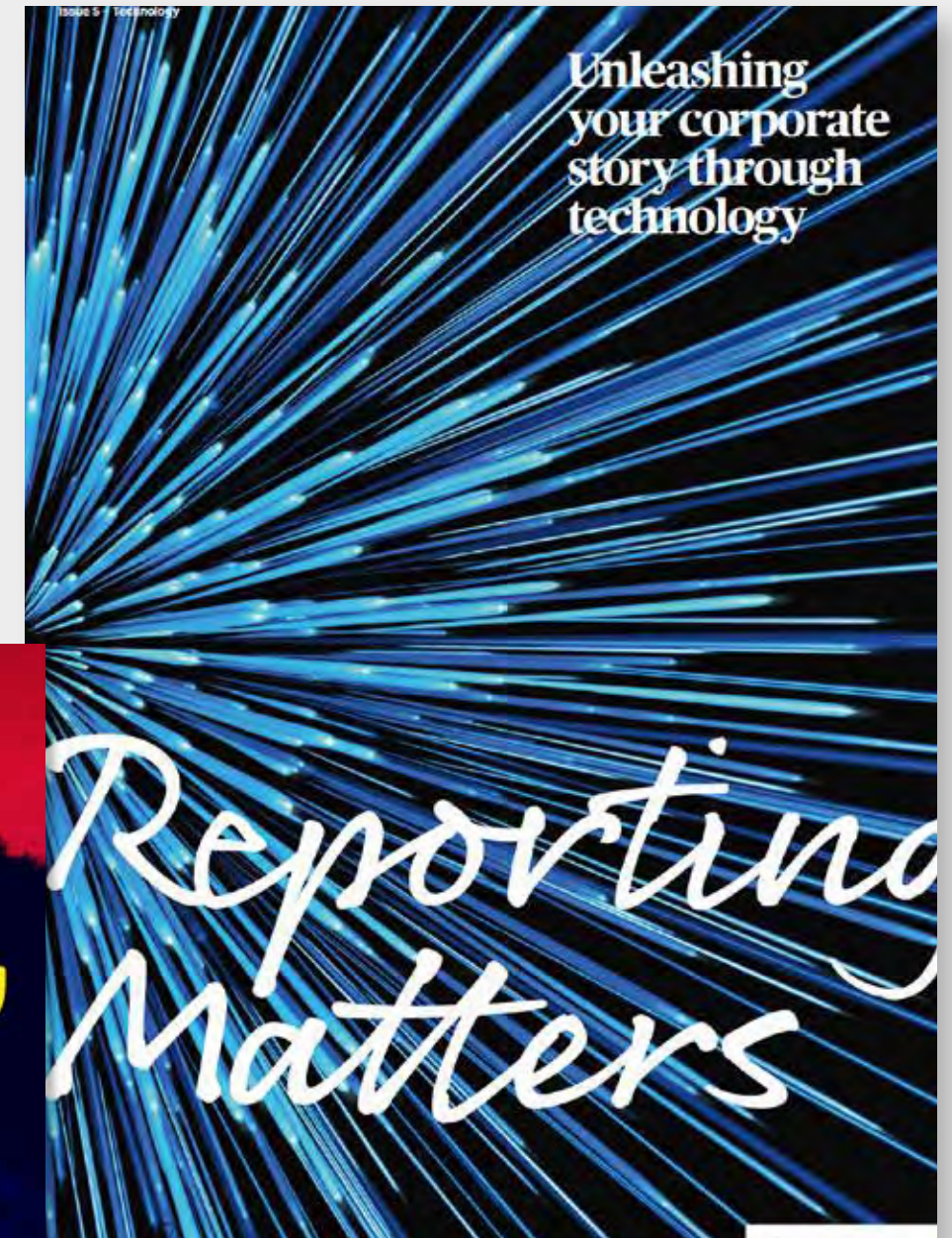
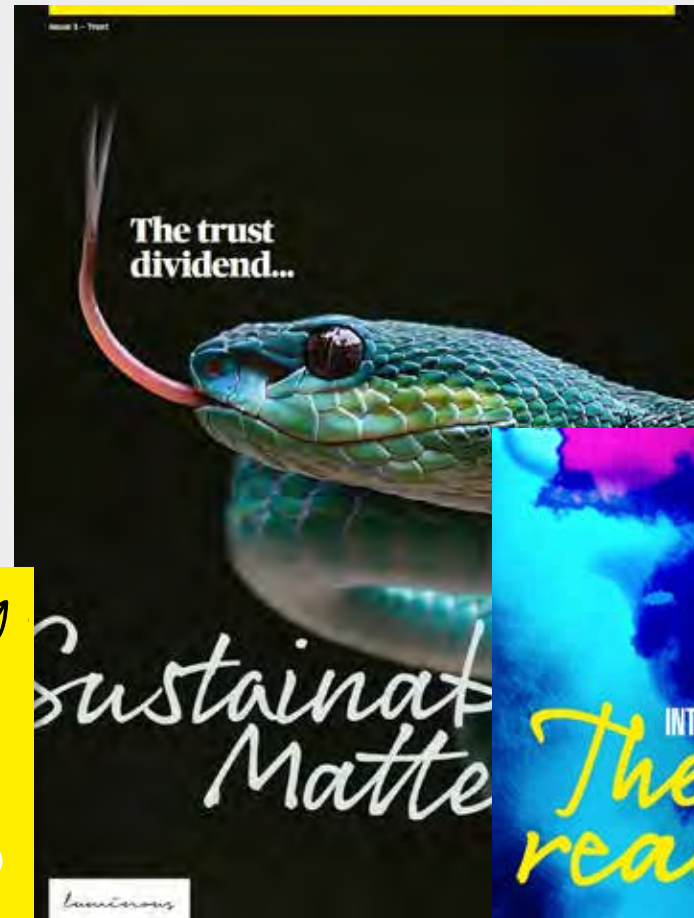
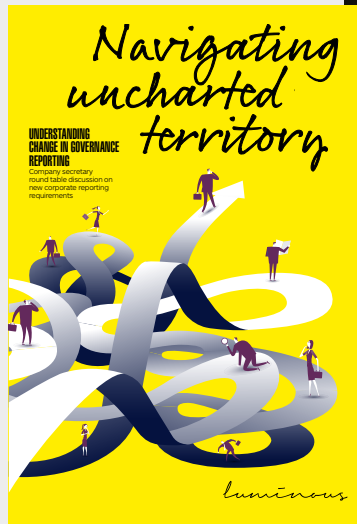
**ESG leaders are racing ahead**

2 June / 12.00



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Get in touch

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