Improving transparency and disclosure

Good practice reporting by portfolio companies

Private Equity Reporting Group
The Guidelines for Disclosure and Transparency in Private Equity
December 2018

pwc

Contents

Introduction

The objective of this guide is to assist private equity owned portfolio companies to improve the transparency and disclosure in their financial and narrative reporting by highlighting good practice examples.

The Private Equity Reporting Group (the ‘Group’) was established to monitor conformity of the UK private equity industry with the Guidelines for Disclosure and Transparency in Private Equity (the ‘Guidelines’). The Guidelines resulted from an independent review of the adequacy of disclosure and transparency of reporting by private equity owned companies undertaken by Sir David Walker at the request of the British Private Equity and Venture Capital Association (‘BVCA’). The Group is also responsible for making recommendations to the BVCA for changes to the Guidelines as needed.

After consultation with the market, the Guidelines were refreshed in 2014 following the implementation of The Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013 (the ‘Strategic Report Regulations’). The Group has taken the view that the Guidelines should be aligned with the requirements for quoted companies, with a few exceptions, in order to continue to meet our ambition for large private equity corporate reporting to be at the level of the best in the FTSE 350.

In setting out the Guidelines for Disclosure and Transparency in Private Equity revised July 2014 (‘the Guidelines’) we have continued to make it clear which areas are specific to the Guidelines due to private equity ownership, which would be required by large private companies in any case, and which areas are incremental due to our aspiration of matching the standard of quoted company reporting. This Good Practice Guide has been published alongside our eleventh report on compliance with the Guidelines.

The Group has commissioned PwC to produce this guide to illustrate how the Guidelines should be implemented and to share examples of good practice to encourage the adoption of good practice across all aspects of reporting. They are not a comprehensive analysis of how any individual company complied with any particular guideline criterion, but to illustrate different attributes and styles of reporting that have been determined to have at least some of the good practice qualities.

The Guidelines require portfolio companies to go beyond compliance with accounting standards, laws and regulatory requirements to offer a genuine understanding of performance. The Guidelines support the foundations of a good annual report, which should be the objective for all companies. The annual report is a key tool for portfolio companies to communicate with stakeholders, bringing the business to life through a joined up strategic narrative that covers both current performance and looks to the future.

The Group would like to thank PwC and the BVCA for their continued efforts in assisting the Group with the review of the portfolio companies and the production of this guide.

Nick Land Chairman – Private Equity Reporting Group

Executive summary

Each year a sample of portfolio companies are reviewed for compliance with the Guidelines, and over the last eleven years there has been a sizable shift in the underlying quality and transparency of reporting. Corporate reporting is an area of rigorous scrutiny and change, with the bar moving ever upwards.

This does not mean the requirements of reporting should be getting longer and more burdensome, as in fact there is a clear move to clarity and focus, with stakeholders expecting insight beyond the key financials metrics.
The Guidelines assist in meeting this expectation, but should not be considered in isolation for compliance, rather reflected on as a whole and used to underpin a strategically focused, balanced and truly integrated narrative.

We have outlined here some key themes and recommendations that will assist those responsible for drafting the annual report.

- There should be an **inherent connection between a company's purpose and its business model** with both being explicit about the stakeholders that are key for the business.
  - Articulate a clear purpose and how the business model addresses this.
  - Be clear about the role stakeholders play in the business.
  - Explain how they create value and what makes them unique.
  - Explore outcomes or impacts of the model.
  - Challenge yourself on how the content of the business model can be integrated elsewhere in the strategic report. If it can't, can it really be considered a critical element of the business model?
- Strategy is the bedrock of all Strategic Reports and should be considered the key to which all other elements of reporting link. Investors care about **progress against strategic priorities**, about what is going to impact on that progress, how it is being measured and what the risks are.
  - Start your report planning by setting out strategy on a page and linking other elements to it. If you cannot find a link then this suggests you will have a gap in your disclosure.
  - Put strategy at the heart of reporting.
  - Make use of symbols or numbers to reference strategic priorities through the report and be consistent with the language you use to describe your priorities.
- The need for companies to take a **longer-term view** is a major underlying theme of the governance reform debate, and should extend beyond a twelve-month view.
  - Be clear about the timeframe over which strategy is being presented and ensure messaging in consistent throughout.
  - Provide a view of future market trends supported by quantified data.
  - Consider the balance of lead and lag performance indicators.

All the Guideline areas require careful consideration to ensure good practice can be achieved and this guide provides both an understanding of what good practice looks like and some actual examples from the most recent review. The examples set out **elements** of good practice for the specific criteria disclosed. The Group will review the disclosures in the annual report as a whole when reviewing compliance.

Applying the guidelines – guiding principles

The Guidelines requirements are split into fifteen sections in three broad areas. However when determining what to include in the annual report and constructing its look and feel, in addition to compliance with the individual criteria, the annual report should be fair, balanced and understandable to a user of the accounts. Good annual reports are:

- Tailored to the business and avoid boiler plate language;
- Provide useful and specific information, avoiding generic terms and superficial references;
- Are not cluttered with erroneous or repeated information and help the reader focus on and understand the key relevant information; and
- Are consistent throughout and demonstrate linkage between each area.

No two annual reports will look the same, as no two businesses are the same; but these principles, along with the specific criteria below will enhance understanding and comparability of annual reports. The examples highlighted in this guide are indicative of good practice and represent some of the attributes of requirements, rather than the full disclosure being included, however each company should determine the most appropriate format and content for their relevant circumstances. The Guidelines are summarised below and set out in more detail on the following pages where examples of good reporting are included:

Guidelines specific

Disclosures focussed on the features that occur from being under private equity ownership:

- Identity of private equity firm – page 10
- Details on board composition – page 12
- Financial review – position – page 14
- Financial review – financial risks – page 16

Strategic report – Large private

Disclosures required for all large private companies in order to comply with the Strategic Report Regulations and included in the Guidelines regardless of whether the portfolio company meets the criteria of being a large private company:

- Balanced and comprehensive analysis of development and performance during the year and position at the year end – page 18
- Principal risks and uncertainties facing the company – page 20
- Key performance indicators – financial – page 22
- Key performance indicators – non-financial including environmental matters and employees – page 24

Strategic report – Quoted

Additional elements from the Strategic Report Regulations for quoted companies that have been adopted into the Guidelines for portfolio companies to further explain the business and offer comparability to those disclosures often seen in listed groups:

- Strategy – page 26
- Business model – page 28
- Trends and factors affecting future development, performance or position – page 30
- Environmental matters – page 32
- Employees – page 34

- Social, community and human rights issues – page 36
- Gender diversity information – page 38

Greenhouse gas emissions disclosures

A quoted company must make various disclosures on the quantity of emissions in tonnes of carbon dioxide equivalent from activities for which that company is responsible and from the purchase of electricity, heat, steam or cooling by the company for its own use. Disclosures concerning greenhouse gas emissions are not a mandatory requirement under the Guidelines. However where this information is available and is significant to the understanding of the portfolio company and its operations, its inclusion could only improve the transparency and quality of reporting.

Statement of compliance

A statement of compliance with the Guidelines should be presented in the annual report to demonstrate the Guidelines have been addressed. This does not need to be substantial and can be presented wherever seems most relevant.

A suggestion for this statement would be ‘The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.’

Where the annual report does not fully comply with the Guidelines this should be referenced.

Comply or explain requirement

The extracts of ‘Good Practice’ shown through this guide are examples of disclosures that we see as being consistent with that standard. Where elements of the requirements are not applicable to the specifics of that company, our view is that the Guidelines encourage explanation as to why they are not relevant and why the disclosure may be omitted, under the ‘comply or explain’ philosophy.

Disclosure placement

Compliance with the Guidelines should be addressed in the audited annual report and financial statements and should not rely on other website or review documents for compliance. Most companies will find they include these requirements within their strategic report. Where there is any cross over between the director’s report and other areas of the annual report, appropriate cross references may be used to ensure compliance whilst optimising the most appropriate and clear structure for the accounts.

1. Identity of private equity firm

Requirement

The report should identify the private equity fund or funds that own the company and the senior executives or advisers of the private equity firm in the UK who have oversight of the company on behalf of the fund or funds.

Basic compliance

To comply with this requirement, the identity of the private equity firm managing the fund should be disclosed in the annual report together with the identity of the relevant senior executives of the firm.

Good practice

Attributes of good practice include:

- Name of the fund as well as the name of the private equity firm;
- Background on the private equity firm and explanation of its role; and
- History of the ownership of the company, including that of previous private equity owners.

Parkdean Resorts – 31 December 2017

Private equity ownership

The Company's immediate parent undertaking is Richmond Holdings (Jersey) Limited, which is incorporated in Jersey. Richmond Holdings (Jersey) Limited is indirectly controlled by Onex Partners IV, a private equity fund which is ultimately controlled by Onex Corporation ('Onex'). Onex is a Canadian headquartered private equity investment firm listed on the Toronto Stock Exchange with over $30 billion of assets under management as at 31 December 2017.

Founded in 1984, Onex is one of the oldest and most successful private equity firms in North America. Onex maintains a consistent approach to investing and pursues global businesses headquartered in North America or Europe with world-class core capabilities and strong free cash flow characteristics. Onex creates long-term value by building these high-quality businesses in partnership with outstanding management teams. This successful strategy has produced a track record that spans more than three decades and multiple economic and industry cycles.

Prior to the sale to Onex on 3 March 2017 Parkdean Resorts Topco Limited and all its subsidiaries were jointly controlled by Electra Private Equity Partners 2006 Scottish LP, then managed by Epiris (formerly Electra Partners LLP), and by Alchemy Partner Nominees Limited who held shares on behalf of investors in the Alchemy Investment Plan, controlled by Alchemy Partners (Guernsey) Limited.

This example names the fund, the private equity firm, the background of the private equity firm and details of the history of the ownership of the company.

Pizza Express – 31 December 2017

Hony Capital

Crystal Bright Developments Limited, a company registered in the British Virgin Islands, is the ultimate parent company of the Group, and private equity firm Hony Capital is the ultimate controlling party.

Hony Capital, founded in 2003 and sponsored by Legend Holdings Corporation, specialises in private equity investment. As a 'China expert' and company builder, it focuses on the Chinese market with 'value creation by providing value-added services' as its investment philosophy.

Hony Capital currently manages eight private equity funds, two mezzanine funds and two real estate funds with more than RMB 70 billion of assets under management. The investors of Hony Capital include Legend Holdings, the National Social Security Fund, China Life Insurance and leading investment institutions such as Goldman Sachs, Temasek, and Canada Pension Plan Investment Board. The combination of domestic and international high-quality resources enhances the ability of Hony Capital.

This example provides background details of the private equity firm.

Zenith – 31 March 2018

Zenith Automotive Holdings Limited is owned 25% by management and 75% by BEV Nominees Limited a Bridgepoint company. BEV Nominees Limited is owned by a number of limited partnerships comprising the Bridgepoint Europe V Fund.

Bridgepoint is an international fund management group focusing on private equity. Their aim is to deliver attractive returns to investors by investing responsibly in companies and building stronger, broader-based businesses with greatly enhanced long-term growth potential. As a long-established, experienced and responsible private equity investor they help companies and management teams by investing in expansion, operational transformation or via consolidating acquisitions. Bridgepoint funds invest in well-managed companies, typically taking controlling or large minority stakes. They are attracted by opportunities in sectors and niches with strong underlying growth and global competitive advantage or in cash generative businesses with high visibility of earnings.

This example explains the ownership structure, it names the fund as well as the private equity firm and provides background details of the private equity firm.

2. Details on board composition

Requirement

The report should give detail on the composition of the board, identifying separately executives of the company, directors who are executives or representatives of the private equity firm and directors brought in from outside to add relevant industry or other experience.

Basic compliance

The Companies Act requires the disclosure of the directors of the company; but this is not, by itself, sufficient to meet this requirement of the Guidelines. Additional disclosures are required to highlight which of the directors are also directors of, or had been appointed by, the private equity firm.

Good practice

Attributes of good practice include:

- Additional explanations of the industry and other relevant experience that external directors bring to the company; and
- Disclosure of other appointments.

RAC – 31 December 2017

Board of Directors

Rob Templeman | Chairman

Rob is Chairman of the Board of Directors. He joined RAC in September 2011 from Debenhams where he was Chief Executive Officer for eight years. His previous roles also include Chief Executive Officer and Chairman of Halfords, Chief Executive Officer of Homebase and Harveys Furnishing Group and Chairman of the British Retail Consortium. Rob is also Non-Executive Director of the Ladbrokes Coral Group plc and has a number of charitable interests.

Dave Hobday | Chief Executive Officer

Dave Hobday is RAC's Chief Executive Officer. He joined RAC in February 2017 from Worldpay UK the payments company where he was Managing Director for five years. He has previously worked at BT, Telewest, HBOS and Procter & Gamble in areas covering operations, customer service, marketing, sales and technology.

Richard Fairman | Chief Financial Officer

Richard joined RAC in 2011 at the time of Carlyle's acquisition of the business and was promoted to CFO from his former role of Director of Group Finance. Richard's previous experience includes CFO roles at Central Trust plc, a sub-prime mortgage broker/lender and Virgin Money Group, at the time a financial services intermediary business. Richard is a chartered accountant who qualified with Ernst & Young and who subsequently worked at PricewaterhouseCoopers as a Senior Manager.

Mark Wood | Chair of Risk, Audit and Compliance Committee

Mark is Chairman of the Board of Directors' Audit, Risk & Compliance Committee. He joined RAC in September 2011 and was previously Managing Director for Financial Services at the AA. His prior roles also include Chief Executive Officer of AXA UK, Chief Executive Officer of Prudential UK and Europe and Chief Executive Officer of Paternoster Pension Investment Company. Mark also serves as Chief Executive Officer of Jardine Lloyd Thompson Benefit Solutions and Chairman of the Trustees of the National Society for the Prevention of Cruelty to Children.

This example provides details on the background and experience of the board.

Stonegate Pub Company – 24 September 2017

Board of Directors

The Directors, who held office during the period, and since the end of the period, were as follows:

Manjit Dale
Brian Magnus
Marino Gudmundsson (resigned 14 March 2017)
Ian Payne
Simon Longbottom
David Ross

Manjit Dale (Founding Partner of TDR Capital LLP)

Prior to founding TDR Capital LLP in 2002, Manjit was Managing Partner at DB Capital Partners Europe and has almost 20 years' experience in private equity. Manjit graduated from Cambridge University with an Honours Degree in Economics.

Brian Magnus (Senior Partner at TDR Capital LLP)

Brian joined TDR Capital LLP in September 2012. Prior to joining TDR Capital LLP, he was a managing director at Morgan Stanley where he was European head of Morgan Stanley Private Equity, and formerly head of UK investment banking. He joined Morgan Stanley in 2000 having previously worked in the corporate finance division of Schroder's, a company later acquired by Citigroup.

Ian Payne (Chairman of Stonegate Pub Company)

Ian, an accomplished expert in the licensed leisure sector, has held Board positions with Bass Taverns, Stakis plc. and Ladbrokes gaming. He was CEO of the Laurel Pub Company from its inception in May 2001 through to December 2004 and later Chairman of Bay Restaurant Group Limited and Town and City Pub Group Limited prior to the formation of Stonegate Pub Company Limited in November 2010. Ian started his career in the trade behind the bar of a local pub more than 35 years ago.

Simon Longbottom (Chief Executive Officer of Stonegate Pub Company)

Simon has spent much of his career within the licensed industry. Prior to joining Stonegate Simon was a managing director of Pub Partners, a division of Greene King, as well as a managing director of Gala Coral's gaming division. Simon has also held senior positions with Mill House Inns and Mitchell's & Butlers plc.

This example provides details on the background and experience of the board. It clearly explains who has been appointed by the private equity firm.

3. Financial review – position

Requirement

The financial review should cover risk management objectives and policies in the light of the principal financial risks and uncertainties facing the company, including those relating to leverage, with links to appropriate detail in the footnotes to the balance sheet and cash flow section of the financial statements.

To cover the financial review requirement the analysis has been split into two parts. The first looks at information on the position of the entity at year end. The second looks at the financial risks identified (see page 16).

Basic compliance

The review of financial position should include an explanation of the year end debt and capital structure of the company and its funding requirements. This should be linked into the financial statements and notes through appropriate cross referencing.

Good practice

Attributes of good practice include:

- An analysis of the components of debt and the repayment schedule;
- Discussion and quantification of debt covenants;
- A discussion of gearing and leverage;
- A reconciliation of the year end net debt position to the prior year (or to free cash flow);
- Where non-GAAP measures (for example, net debt and free cash flow) are used to support the discussion in the financial review these are appropriately reconciled to the financial statements; and
- Proforma information, where appropriate, to enable meaningful comparatives to be provided (for example where the portfolio company is a NewCo acquisition vehicle in its first years of reporting).

Parkdean Resorts – 31 December 2017

identified by management and agreed with the Board. This gives leverage of 6.3 for 2017 which is comfortably within the level required by the covenant in 2017 of 10.5.

The Group has an undrawn Revolving Credit Facility of £100m of which £10m is allocated as an ancillary overdraft facility. The remaining £90m can be drawn with 1 day's notice and expires in 2023.

A £75m loan note was issued by Richmond Holdings (Jersey) Limited, the Company's parent company, as part of the acquisition of the Parkdean Resorts group. This loan note was outstanding at the year-end and after the balance sheet date, on 2 February 2018, £48.7m was repaid.

Full details of the Group's debt can be found in note 17 of the financial statements.

Total debt and leverage

At the year end, debt comprised two secured term loan facilities totalling £725.0m (2016: £530.0m); the first lien facility of £575.0m expiring in 2024 and the second lien facility of £150.0m expiring in 2025. These facilities were drawn on 3 March 2017 as part of the acquisition of the Parkdean Resorts group. After the balance sheet date, on 31 January 2018, a £16.5m prepayment was made against the first lien term loan facility.

In addition 19 of the holiday parks owned by the Group are held under ground rent finance leases totalling £221.4m (2016: £nil). The ground rent transactions were completed in two phases – the first, completed on 3 March 2017, generated £150.0m through the sale and leaseback of 10 parks and the second on 18 July 2017 generated £71.5m from 9 parks. The leases are for 175 years for 18 of the parks and 130 years for one park. The payments increase annually in line with RPI, capped at 5% with a 0% floor.

The main covenant which the Group must comply with is net leverage and this covenant is included in both secured term loan facilities. Leverage is defined as net debt (external debt less cash and cash equivalents) divided by EBITDA adjusted for ground rent payments. Certain adjustments are allowed to be made to EBITDA for exceptional and non-recurring expenses, and pro-forma adjustments where these are specifically

This example provides detail of the total debt and leverage, it explains the covenants associated with the debt and cross references to the notes to the financial statements where further details are provided.

David Lloyd Clubs – 3 January 2018

The Group's borrowings were refinanced on 8 December 2015 and the new loans have expiry dates falling between 2021 and 2023. All the borrowings are secured by a fixed charge against the assets of the Group.

The key terms of the Group's borrowing facilities are summarised as follows as at 3rd January 2018:

	Facility	Maturity	Amount drawn down
Facility B1	£140.0m	08/12/2022	£140.0m
Facility B2	€138.9m	08/12/2022	€138.9m
Second Lien Debt	£120.0m	08/12/2023	£120.0m
Revolving Credit Facility	£56.6m	08/12/2021	£25.0m
Overdraft	£16.7m	08/12/2021	£nil

During the year the Group reduced the amount drawn down in respect of its revolving credit facility by £31.6m. The current financial arrangements include a leverage covenant, which required that the debt cover ratio did not exceed 6.35:1 at 3 January 2018.

The Group has a gearing ratio of 110% (2016: 112%) based on its total borrowings over total equity and borrowings.

On 23 August 2017 an agreement was entered into to sell and lease back (operating lease) the land and buildings of the Newbury club for a net sale price of £17.1m. The sale completed on 31 August 2017.

Net debt reconciliation

Net debt is defined as total borrowings (being bank loans) plus the finance lease creditor less cash and cash equivalents. Management do not consider the finance lease as debt (consistent with the banking covenant definition) and monitor debt excluding the finance lease creditor for compliance with banking covenants.

	3 January 2017 £ 000	Cash flows £ 000	Non-cash movement £ 000	3 January 2018 £ 000
Cash and cash equivalents	28,262	(4,013)	(100)	24,149
Bank loans	(413,151)	31,633	(9,436)	(390,954)
Finance lease creditor	(171,295)	7,550	(7,174)	(170,919)
Net debt	(556,184)	35,170	(16,710)	(537,724)

This example provides a good summary of the borrowing facilities of the company and there is a net debt reconciliation provided. Maturity dates of debts are provided and gearing ratios are detailed.

4. Financial review – financial risks

Requirement

The financial review should cover risk management objectives and policies in the light of the principal financial risks and uncertainties facing the company, including those relating to leverage, with links to appropriate detail in the notes to the balance sheet and the cash flow section in the financial statements.

To cover the financial review requirement the analysis has been split into two parts. The first looks at information on the position of the entity at year end (see page 14). This second section looks at the financial risks identified.

Basic compliance

The review of financial position requirements should include the following:

- Discussion in the financial statements of the overall risk management objectives and policies of the company; and
- Discussion of the risk management policies relating to the company's leverage.

Good practice

Attributes of good practice include:

- More detailed discussion in the financial statements of the overall risk management objectives and policies;
- Discussion focused on the key financial risks identified (see page 20 for principal risks), for example liquidity and cash flow, credit, interest rate, and how the risk management policies address these risks;
- Quantitative information to support the discussion on risks;
- Disclosure of the likelihood and impact of these risks and clear linkage to how they are managed and monitored; and
- Specifically as part of describing financial performance, position and risks we would expect to see more discussion around taxation, with some discussion on tax policy, uncertain tax positions, and narrative rather than just numbers to explain key items impacting the effective tax rate.

Zenith – 31 March 2018

Interest Rate Risk	**Controls**
Interest on Senior debt is calculated on a floating rate and paid quarterly.	Our senior debt currently stands at £405m and interest rate exposure is 67% hedged until June 2020. Management review the level of debt hedged and are comfortable with the current level of variable exposure.
Managing interest risk on vehicle funding is key. We provide vehicle finance to customers on a fixed interest rate basis on all contracts. Vehicles funded through securitisation are on a variable rate.	100% of agency and back to back funded deals are secured with fixed rate funding from banks. 100% of deals funded through securitisation are hedged by swapping floating rate costs for fixed rate across the term of the lease. Management have effectively removed interest rate risk as a result and will consistently apply this policy.

This example shows how the risk is specifically tailored to the business and is mitigated. This is part of a wider section covering all finance risks.

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The group's activities expose it to a variety of financial risks including credit risk, liquidity risk, market (including currency and interest rate risk) and inflation risk.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls to monitor both the risks and adherence to limits set. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

Credit risk
Credit risk is the risk of financial loss to the group if a customer fails to meet its contractual obligations. The nature of the group's contracts with the NHS Regions means that credit risk is minimised for a significant proportion of group revenue. The patient's contribution to NHS charges is usually collected before treatment in order to minimise risk to the group, however a risk may arise if treatment plans change and additional charges are not collected at the time of the appointment. Payment is also requested in advance for major courses of private treatment. In Dental Directory, new customers are subject to external credit checks using the main agencies. Credit terms are negotiated individually and subsequently monitored closely by the credit control team. Cash deposits are principally held with institutions that hold a minimum credit rating meeting two of the following: BBB+ (Standard and Poor's or Fitch); or Baa1 (Moody's).

Liquidity risk
Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without unacceptable losses or risking damage to the group's reputation.

The group regularly monitors its cash flow forecasts and currently maintains funds on demand to meet all operational expenses including the servicing of financial obligations. Further details of the group's bank facilities and other borrowings are set out in note 24.

Market risk
Market risk is the risk that changes in foreign exchange rates and interest rates will affect the group's income or costs. The group is exposed to currency risk as business units within Dental Directory routinely purchase goods in currencies other than Sterling (principally Euro and US Dollar). The group has policies and procedures in place to mitigate the impact of fluctuations in foreign exchange rates and, in particular, to provide reasonable certainty over the group's cash flows, through the use of, for example, derivative financial instruments such as foreign currency forward contracts or option contracts. This risk is also managed through competitive tendering for the group's significant supply contracts. All other operations are carried out in the United Kingdom and all income, other expenses and facilities are denominated in Sterling.

Until 1 June 2017, the group held two fixed interest rate contracts totalling £125 million. Following the expiry of these contracts on 1 June 2017 and with £275 million of the group's senior secured notes being of a fixed rate nature, interest charges are now fixed in respect of 49% of the group's total drawn debt (2017: 72%). Further details are set out in note 24.

Inflation risk
Inflation risk is the risk that the cost of key services and products procured by the group will rise with inflation and affect the group's income. The rates paid under the terms of the group's NHS contracts are reviewed on an annual basis and, over the course of the past few years, the annual uplifts have typically been lower than the rate of both RPI and CPI.

The group undergoes a regular review of key suppliers through its procurement programme to mitigate cost increases, using tendering processes where possible. In addition, the group seeks to rationalise its supplier base to benefit from its scale.

This example shows the financial risks that affect the business and how these are mitigated. The risks are specific to the business and quantitative information is provided to support the discussion.

5. Balanced and comprehensive analysis of development and performance during the year and position at the year end

Requirement

The strategic report must contain a balanced and comprehensive analysis of development and performance of the company's business during the year and position at the year end. The purpose of this is to inform the members of the company and help them assess how the directors have performed their duty.

Basic compliance

In order to provide sufficient insight into a company's development and performance during the year and its position at the end of the year, this should be a fair reflection of the performance and provide appropriate context to the discussion such as the market environment in which the company operates.

Good practice

Attributes of good practice include:

- Discussion aligned to the strategic priorities, development and performance;
- Explanation of the performance in the wider market context; and
- Discussion at an appropriate divisional level to demonstrate how different parts of the business are performing.

Civica – 30 September 2017

Business review

During the year to 30 September 2017, turnover grew 21.3% to £324.726 million *(year ended 30 September 2016: £267.693 million)* and operating profit before depreciation, amortisation and exceptional charges increased by 24.6% to £68.690 million *(year ended 30 September 2016: £55.109 million)*.

Our performance continues to be driven and sustained by a clear and consistent strategy, aligned to customer needs to improve service delivery and efficiency through automation, which is focused on:

- Maximising the penetration of specialist IPR software;
- Growing the scope and scale of digital solutions for our customers;
- Expanding managed services in areas of domain expertise; and
- Complementary acquisitions to strengthen capability and build scale.

During the year we made good progress across all dimensions of our strategy, increasing our scale of activity. We have also continued to put in place the building blocks for our future growth, with particular focus on a scalable operating platform for product development, sales & marketing and operations globally.

We continue to be regarded as a strong and stable partner by our customers, critical to which is sustained investment in employee development and our culture which continues to be a key differentiator for Civica. The business has also benefitted from a 'One Civica' focus, from building out our hub office strategy to increased collaboration globally.

Our ability to out-perform the market and our competitors demonstrates the resilience of our business model and the value we add to our customers. Together with improved visibility of earnings through long-term recurring revenues which accounted for 46.9 per cent of overall turnover in the year, the Group strengthened its financial position which is also an important determinant for customers as they seek resilient partners as their requirements continue to evolve. Notes 16 and 17 provide further information on the Group's financial position.

This example outlines the importance of the strategy as part of the performance review and links to the business model.

Village Hotels – 31 December 2017

2017 was a milestone year for Village with Group EBITDA exceeding £50m (before £1.6m of hotel pre-opening, new site search and other non-recurring costs) for the first time in its history, up £4.4m (+10%) versus prior year. In addition, the Group opened the first 'next generation' property in Portsmouth in November.

On a Like-for-like basis* Total Revenue grew 5% with Hotel EBITDA** growing by 10% with a strong conversion on incremental revenues of over 50%.

Accommodation performed well with Revenue per available room (RevPar) growing by 6% and occupancy growing 5%-points on previous year - the targeted drive to fill bedrooms on known dip-nights proving successful in generating the incremental guest volumes. Against the market, Village RevPar growth outperformed direct local competitor set by 2.5%-points***.

Health & Fitness delivered an outstanding performance for a third consecutive year with members, yield and profit all significantly up on prior year. The refurbishment programme in 2016, website development, centralised administration and new technology platform all contributed to revenues and profit rising by 7% and 10% respectively on a Like-for-Like basis*.

Like-for-like* Membership grew by 5% and closed at an all-time-high of almost 92,000 members.

Like-for-like* Food & Beverage (F&B) revenues grew by 2%, dampened by heavy High Street discounting and a decision to delay refurbishment investment in this area of the business. Meetings & events suffered disruption across the first half of the year due to a change to IT platforms but gathered pace across the second half and finished the year with a record December for Christmas event covers and revenues.

In November the business opened its first new property in Portsmouth, boasting 153 bedrooms, full service health & fitness club, Pub & Grill, Starbucks and meetings & events space. This new model introduces several new concepts to Village, the smaller but high-tech bedroom, combined Pub & Grill and Business Club. Early trading and feedback has been very positive and the second of this new breed of hotel is now under construction in Bristol and is on schedule to open in November 2018.

This example provides discussion at a divisional level and compares the performance of the business to the wider market.

6. Principal risks and uncertainties facing the company

Requirement

The strategic report must contain a description of the principal risks and uncertainties facing the company.

Basic compliance

To comply with this requirement, the strategic report should contain an explicit identification of the principal risks and uncertainties facing the company. The definition of 'principal' may be unique to a business and the number identified will be dependent on a business size and complexity, however in order to be meaningful long lists of boiler-plate risks should be avoided.

Good practice

Attributes of good practice include:

- Clear alignment between strategy and risks;
- Explanation of how each risk is managed; and
- Assessment of the risk profile – the likelihood versus the impact of each risk – and an explanation of how the profile has changed during the year.

RAC – 31 December 2017

Principal Risk	Mitigation
Damage to the RAC Brand By virtue of the fact that RAC has a highly visible and widely recognised brand, it is particularly exposed to reputational damage from mistakes or misconduct, or allegations thereof, by its Patrols and other employees, contractors or agents, or poor customer service. A decline in favourable recognition of RAC's brand could impact its ability to attract or retain Members or other customers, which could have a material adverse effect on its business, financial condition and results of operations.	All RAC Patrols and other employees are subject to rigorous vetting and training procedures to ensure they meet the high standards required. Where RAC engages contractors or agents, these third parties are vetted and approved before providing services to the Group's Members and customers. Service levels are regularly monitored to ensure the Group continues to deliver the high level of service expected. The Group has in place appropriate committees and other forums to ensure that risks to good customer outcomes are identified and mitigated, and that customer complaints are being addressed appropriately. In addition, a specific entity (RAC Brand Enterprises LLP) has responsibility for ensuring the appropriate use of the brand.
Decline in Service Quality The majority of RAC's revenue is attributable to its roadside assistance service which is the product offering most closely associated with RAC's brand. A material gap in RAC's ability to deliver excellent customer service, or repair vehicles at the roadside could have an adverse impact on the quality of its roadside assistance services.	The Group's repair rate at roadside is a key measure monitored by its operations team and the Group continues to deliver market leading repair rates. The Group's Technical Department monitors vehicle technology developments to ensure that its patrols have the skills and equipment required to maintain the high roadside repair levels. RAC continues to focus on ensuring that customers receive excellent service, and various programmes of work are in place in order to achieve this.

This example shows an extract of two of the wider risks reported on, with a clear narrative explaining the risks and how they are controlled.

Keepmoat Homes – 31 March 2018

	Risk and description	Possible impact	Mitigation	Movement
Health and Safety	▸ The safety and wellbeing of Keepmoat's employees, sub-contractors and members of the public is of critical importance to the Group.	▸ Inadequate health and safety procedures could lead to injury or death, operational failure and possible significant compensation payments and fines.	▸ The Group has implemented a comprehensive safety strategy, which includes bringing safety to the forefront of our culture, measuring safety performance, strong risk management procedures and audits of compliance with these procedures.	▸ No change.
Financial Security	▸ The cash flow requirements of the Group's contracts can be very different and availability of short-term liquidity is critical to the Group's ability to grow and deliver successful projects on behalf of clients. ▸ The Group relies on surety companies to provide performance bonds on certain contracts.	▸ A lack of short-term liquidity could impact upon the Group's ability to invest in land & build WIP, constraining growth, or impacting on the ability to pay sub-contractor and material suppliers resulting in a failure to deliver projects to an acceptable standard and on time. ▸ If the Group were unable to provide appropriate levels of performance bond coverage, it may be unable to compete effectively for new work.	▸ The Group maintains strong financial discipline. Cash generation and facility headroom is monitored by robust budgeting, forecasting and cash management disciplines. ▸ The Group has established strong relationships with providers of surety products and has established suitable bonding facilities in order to support the Group's requirements for the foreseeable future.	▸ No change.
Availability of Resources	▸ Project delivery is dependent upon sub-contractors and material suppliers.	▸ Poor or late availability of labour and materials could significantly impact upon the Group's ability to operate efficiently and deliver projects on time with high levels of partner and customer satisfaction.	▸ The Group maintains strategic supply agreements with major materials suppliers and project scheduling permits material orders to be raised with appropriate lead times for delivery without impacting upon overall project timescales. ▸ A broad sub-contractor base delivers services across the Group, with no dependence upon any single sub-contractor in any region.	▸ No change.
Land and Planning	▸ Inability to source sufficient or suitable land that meets the requirements of a Keepmoat scheme and subsequent delays or issues in the planning process.	▸ Insufficient land would affect our volume growth targets and inability to do so at the required margin would impact future returns.	▸ Our land and partnerships team are in constant dialogue with our partners over the availability and suitability of land. ▸ Thorough due diligence is conducted on all proposed land purchases and is kept under review to ensure capital is used strategically. ▸ We work closely and collaboratively with local authorities on planning requirements and monitor compliance with requirements regularly.	▸ Newly identified.
People	▸ Inability to attract, develop and retain appropriate people across the business.	▸ Insufficient capacity and capability will affect our ability to meet our key strategic targets	▸ We have re-visited our organisational design and people strategy and are in the process of implementing revised structures and strategies. ▸ We review retention rates regularly and assess root cause for departures through structured exit interviews. ▸ We offer competitive salary and benefits packages which are regularly benchmarked regionally. ▸ We have graduate and apprentice training programmes in place. ▸ We offer our staff varied internal and external training opportunities.	▸ Newly identified.

This example shows the risks faced by the firm, describing the possible impact of the risks, how the business mitigates against the risks and the change in the risk over the year.

7. Key performance indicators – financial

Requirement

The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company’s business, include analysis using financial key performance indicators. ‘Key performance indicators’ means factors by reference to which the development, performance or position of the company’s business can be measured effectively.

Basic compliance

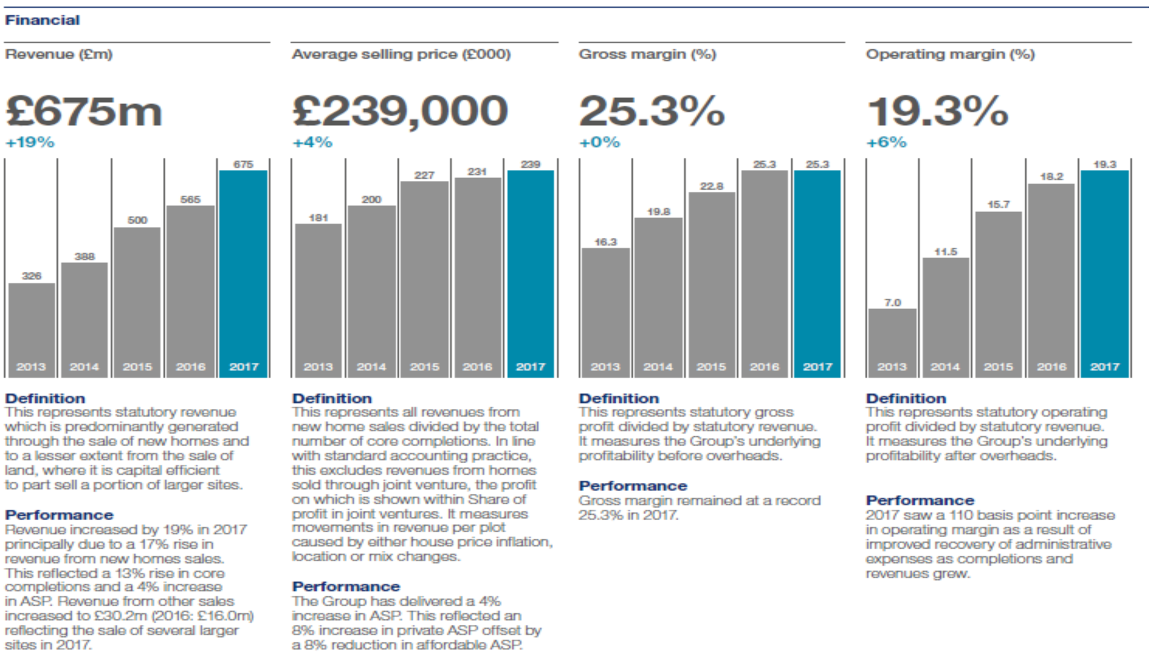
For ease of confirming compliance and effective communication we encourage companies to explicitly disclose their KPIs and not leave it up to the readers to deduce what management consider to be ‘key’.

Good practice

Good practice reporting goes further than just identifying KPIs and also provides:

- A clear alignment of KPIs to the company's strategic priorities and remuneration policies so that their relevance as a basis for management's assessment of strategic success is clear;
- An explanation of why each KPI has been included – it should be clear why this would be considered key;
- A definition of how they have been calculated;
- Quantified trend data; and
- Targets or milestones, whether qualitative or quantitative.

Miller Homes - 31 December 2017



This example clearly defines the KPIs, provides historical data and explains the movements.

Pizza Express – 31 December 2017

Key performance indicators

The senior management teams of each business unit review detailed weekly and monthly information on performance that covers a wide range of financial and non-financial measures to assist them in driving performance and monitoring progress against key targets.

The financial and non-financial KPIs that are used to monitor the business are set out below†.

	Statutory 52-week period ended 31 December 2017	Prior year statutory 79-week period ended 1 January 2017
Group Turnover from continuing operations	£534.2m	£760.8m
Group EBITDA* from continuing operations	£94.6m	£158.7m
Group EBITDA* margin	17.7%	20.9%
Number of restaurants (Group)	607	572

	Statutory 52-week period ended 31 December 2017	Pro forma 52-week period ended 1 January 2017	Variance
Group Turnover from continuing operations	£534.2m	£502.8m	+6.3%
Group LFL* sales growth	1.4%	n/a	n/a
International LFL* sales growth	8.2%	n/a	n/a
UK & Ireland LFL* sales growth	0.4%	(0.9)%	+1.5ppts
Group EBITDA* from continuing operations	£94.6m	£103.9m	(8.9)%
Group EBITDA* margin	17.7%	20.7%	(300)bps
Number of restaurants (Group)	607	572	35

Statutory period 'Statutory 52-week period ended 31 December 2017' refers to the audited 52-week period ended 31 December 2017 and 'Prior year statutory 79-week period ended 1 January 2017' refers to the audited 79-week period ended 1 January 2017.

Pro forma period 'Pro forma 52-week period ended 1 January 2017' refers to the unaudited results for the 52 weeks ended 1 January 2017 showing continuing operations.

* Non-statutory reporting measures:

Like-for-like sales Like-for-like (LFL) sales growth is defined as sales from wholly-owned restaurants that have traded for a full financial year (being a pro forma year where a financial year is of a non-standard duration) at the start of each financial year. Sites that are closed or disposed during a financial year are excluded from the LFL calculation from the point at which the restaurant closes. Growth is measured by reference to the sales generated from LFL restaurants in the same period in the prior financial year.

Group EBITDA Group EBITDA is a non-statutory measure and is calculated as the result for the period excluding taxation, interest, depreciation and amortisation and before deducting share-based payment charges, exceptional items and profit/loss on disposal of fixed assets. Please also see Group EBITDA reconciliation on page 38.

† Values shown at actual FX rates

This example provides comparative information and clearly explains how the KPIs have been calculated.

8. Key performance indicators – non-financial including environmental matters and employees

Requirement

The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include, where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters. 'Key performance indicators' means factors by reference to which the development, performance or position of the company's business can be measured effectively.

Basic compliance

For ease of confirming compliance and effective communication we encourage companies to explicitly disclose their non-financial KPIs and not leave it up to the readers to deduce what management consider 'key'.

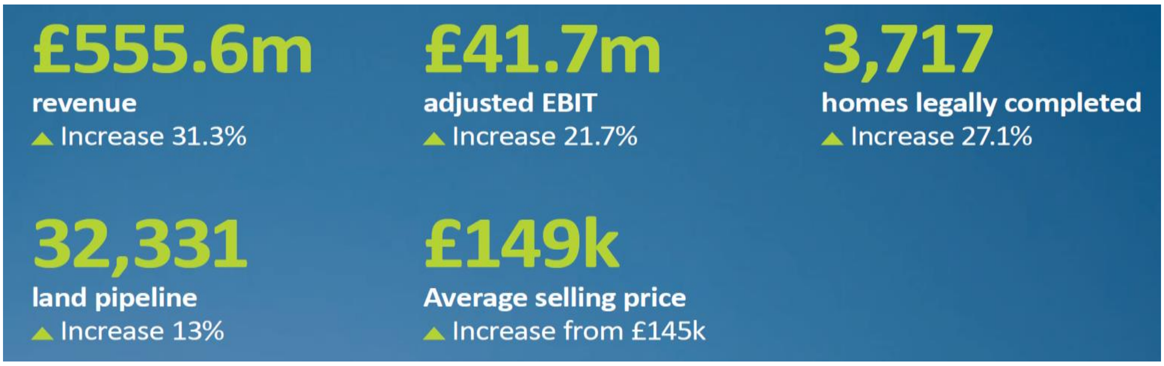
For instance many companies state that their employees, customers or suppliers are important to the ongoing success of their business. In these circumstances there would be a reasonable expectation by the reader to see employee, customer or supplier-based KPIs as a means to demonstrate performance. The relative importance of certain KPIs will differ depending on the company's industry.

Good practice

Good practice reporting goes further than just identifying KPIs and also provides:

- Clear alignment of strategic priorities and non-financial KPIs;
- An explanation of why each KPI has been included and a definition of how they have been calculated; and
- Quantified trend data, targets and milestones, whether qualitative or quantitative.

Keepmoat Homes – 31 March 2018



This example clearly presents both financial and non-financial KPIs and shows the movement from the prior year. This is supported by further analysis later on in the report.

TES Global – 31 August 2017

Key performance indicators

There are a number of key performance indicators measuring the financial and operational performance of the Group:

		2013	2014	2015	2016	2017
Adjusted EBITDA	(£m)	46.5	56.3	51.0	43.0	38.6
Change in working capital (1)	(£m)	(0.1)	1.2	(2.2)	3.5	0.2
Free cash flow	(£m)	42.7	53.2	38.5	39.3	30.6
Recognised subscription revenue (2)	(£m)	2.7	2.8	3.6	7.1	22.8
Annualised subscription revenue (3)	(£m)	-	-	-	9.8	25.6
Subscription renewal rate (4)	(%)	-	-	-	-	87
Advertisement volumes (all)	('000s)	62,387	70,652	69,224	62,896	76,825
No. of Tes.com registered members	('000s)	2,694	3,278	4,005	6,752	8,994
Premium resources purchased	('000s)	-	-	32,466	277,463	868,905

(1) Change in working capital is the cash movement in trade and other receivables and trade and other payables, excluding amounts due to group undertakings.
(2) Subscription revenues in all Tes businesses including Tes school job subscriptions, THE data and job subscriptions and magazine subscriptions.
(3) The annualised value of subscription revenues for all schools (all segments) on a subscription contract at year end including those that expired prior to year end and have subsequently renewed.
(4) The renewal rate for English secondary subscriptions only that expired in the financial year.

This example shows historical results going back 5 years and provides an explanation of both financial and non-financial KPIs where necessary.

Parkdean Resorts – 31 December 2017

KEY PERFORMANCE INDICATORS

	AS REPORTED	UNAUDITED	PREVIOUSLY REPORTED	
		Pro-forma[1]	(Parkdean Resorts Topco Limited Group)[2]	
	Period ended 31 Dec 2017	Year ended 31 Dec 17	Year ended 31 Dec 16	Change v Pro-forma %
Revenue (£m)	402.4	434.1	431.5	0.6
EBITDA (£m)	113.9	107.1	117.4	(8.7)
Holiday sales volume (No. holidays)	N/A	542,718	541,724	0.2
Holiday home sales volume (No. units)	N/A	4,576	5,248	(13.0)
Number of holiday home owners at 31 December (No.)[3]	21,310	21,310	21,774	(2.1)

(1) The unaudited pro-forma results include the results for the Parkdean Resorts business for the calendar year ended 31 December 2017 (to allow a meaningful comparison to be made with the previously reported results for the Parkdean Resorts Topco Limited group for the year end 31 December 2016). During the reported period, Richmond UK Bidco Limited, a subsidiary of the Company acquired the Parkdean Resorts Group, on 3 March 2017.

(2) Results and financial position for the year ended 31 December 2016 are taken from the group financial statements of Parkdean Resorts Topco Limited, the then holding company for the Parkdean Resorts group prior to the sale of the business to Onex Corporation on 3 Mar 2017.

(3) Excluding owner numbers for Waterside holiday park from all periods for consistency.

This example presents the financial and non-financial KPIs with comparative information and explains how they have been calculated.

9. Strategy

Requirement

The strategic report should clearly articulate how the business intends to achieve its objectives.

Basic compliance

The strategy should underpin the reporting and provide a context for the activities and performance of the company. Strategic statements set in isolation from the rest of the company reporting can appear as hollow statements of intent.

Good practice

Attributes of good practice include:

- A clear statement of the strategy and how this is used to underpin the remainder of the report; and
- A clear articulation of the company's strategy to explain the strategic themes, targets, time frames and add further clarity to the reporting.

Miller Homes – 31 December 2017

1. Sales growth

Grow output incrementally to 4,000 units by 2021.

Objectives:
Incremental growth in annual core completions to reach capacity in each of the existing divisional businesses.

Continue to deliver excellent levels of customer service.

Measuring progress

Core completions

2,698
+13%

2017	2,698
2016	2,380
2015	2,153
2014	1,896
2013	1,684

2. Regional focus

Maintain focus on existing regional markets which have the following advantages:

- Less competitive land market
- Reduced subcontractor cost pressures and availability issues
- More favourable planning environment
- Customers are home owners rather than investors

Objectives:
Growth to be delivered from existing regional markets in which the current divisional businesses have a strong presence.

Incremental growth in existing markets to limit both delivery risk and overhead increases.

Measuring progress

Administrative expenses (% of revenue)

5.9%
-17%

2017	5.9
2016	7.1
2015	7.2
2014	8.4
2013	9.4

3. Margin enhancement

Maintain disciplined and selective approach to land acquisitions, optimising margin and capital efficiency.

Objectives:
Increase operating margin to medium term target of 20%.

Maintain return in underlying capital employed in excess of 30%.

Measuring progress

Return on capital employed (%)

32.9%
+9%

2017	32.9
2016	30.3
2015	27.5
2014	17.6
2013	8.4

This example, which is supported by a succinct statement of the strategy explains the business' three strategic measures with quantitative targets and explanations of how they will meet their targets.

David Lloyd Clubs – 3 January 2018

Strategies - Delivering My Club For My Life

Delivering My Club For My Life is underpinned by six strategies:

1. Culture

To create a dynamic, engaging, fun supportive culture where we make decisions close to the member and our teams live the values.

Employee engagement - measures the extent to which our employees feel passionate about their jobs, are committed to the business and put discretionary effort into their work. This is measured by the employee engagement index rising from 80% in 2015 to 90% by 2020. The Group is pleased with progress against the KPI achieving 86% in the current year which is 2% up on prior year.

2. Service

To put service excellence at the heart of everything we do by proactively listening and empowering our teams to swiftly act on what we hear.

Attrition - records the rate of turnover of members, focusing efforts on long-term member retention. This is measured by a reduction in attrition from 36% in 2015 to 30% by 2020. Attrition is calculated by dividing the number of leavers by the opening count. In 2017, the Group achieved an attrition of 32% which was 0.7% better than prior year.

3. Quality

To create and maintain the highest quality facilities and environment by obsessive attention to detail every day.

Quality of facilities - records the level of member satisfaction with their club facilities. The aim is to increase this score from 73% in 2015 to 90% in 2020. The Group has successfully achieved a quality of facilities score of greater than 90% for the second year in a row.

4. Commercial

To realise entrepreneurial commercial opportunities driven by member demand and inspired by our team.

Adjusted earnings - measures the profitability of the Group with a target of increasing by greater than 10% per annum. Adjusted earnings (defined on page 8) is considered the key indicator of profitability and is the financial measure used by the senior management team in driving performance and monitoring progress. The Group achieved an adjusted earnings of £95.1m which was an increase of £17.9m (23%) on prior year.

5. Brand

To be perceived by potential members as the leading clubs for breadth and quality of complete offering.

Brand consideration - measures the surveyed likelihood of a non-member considering joining a David Lloyd Club. The target is to increase brand consideration from 37% in March 2016 to 50% by 2020. The Group achieved 39% in the current year which was 1% up on prior year.

6. Roll out

To grow the number of clubs by developing a strong pipeline of new openings and strategic acquisition opportunities.

The number of clubs rolled-out measures the Group expansion. The target is to open 4/5 new clubs per year, excluding strategic expansion (chain) opportunities. The Group opened 3 clubs during the year. The wider business acquired fourteen racquet and fitness clubs from Virgin Active Limited on 31 May 2017.

This example outlines the strategic aims of the business, how they are measured and is used to underpin further sections of the report. The inclusion of strategic targets is important for context.

10. Business model

Requirement

The strategic report must include a description of the business model.

Basic compliance

The business model should as a minimum identify what the company does to create value and how they do it.

Good practice

Attributes of good practice include:

- An explanation of how the business model builds on the strategy that is set out in the strategic report;
- Gives reference to the key capabilities, resources and relationships the company uses to create and sustain value; and
- Where businesses operate distinct business models with divisions, further disclosures may be required to provide meaningful information that aids understanding of how a company operates.

Village Hotels – 31 December 2017

Business model

Village currently operate 29 hotels around the UK, which are located on the outskirts of cities or major towns and benefit from good access to major arterial roads, a high residential density and the ability to provide adequate car-parking for a high volume of customers concurrently.

The offering

Each hotel comprises several distinct businesses 'under one roof' with the key income streams being the 120-bedrooms* which predominantly service the mid-week corporate guest for 1 or 2 night stays, and the full-service health & fitness club which provide a service to the local residential population and hotel guests alike.

A typical range of facilities within a Village hotel include:

- 120-bedroom* hotel and New Development 153 bedrooms
- Pub & Grill / Restaurant
- Starbucks coffee shop**
- Function suite and meeting rooms
- Full-service health & fitness Club (together with full-size swimming pool)
- Health & beauty***

**120 represents the average no. of bedrooms for a Village hotel*
***All Village properties contain a Starbucks coffee shop franchise with the exception of Village Liverpool*
****Health & beauty services are offered at 18 of the 29 trading properties*

High footfalls and cross-selling

High volumes of both residents and members are a key feature of the business model, with hotel occupancies reaching an average of 86% and average memberships of 3,400 per property. In turn, F&B income streams benefit from the cross-selling opportunities afforded from the resulting very high level of foot traffic.

"Village" – a Community meeting point

A further key - and unique - feature of the business model is the importance of the local community with a significant proportion of income derived from customers who live within a relatively small radius of each hotel. In addition to those local residents who visit our hotels as health & fitness members, Village also serves as a place for people to meet for both business and pleasure. Village actively encourage use of the hotels by both non-members and non-residents alike.

This example details the key resources the business uses to create value and references some of the key themes included in the strategy

Miller Homes – 31 December 2017

This example details the inputs required, the activities that add value and the outputs across a number of stakeholders with tangible measures.

11. Trends and factors affecting future development, performance or position

Requirement

The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include the main trends and factors likely to affect the future development, performance and position of the company's business.

Basic compliance

The strategic report should have a high-level forward-looking orientation explaining the trends and factors likely to influence the business including market trends, future strategic priorities or investment in research and development. This could be throughout the annual report or in a specifically headed section.

Good practice

Attributes of good practice include:

- Discussion of drivers shaping the future growth of markets in which a company operates;
- Reference to the macro-economic, competitive or regulatory trends and factors shaping the business and identification of product pipeline and expected market size; and
- Discussion of future trends and factors are supported by quantifiable evidence.

Keepmoat Homes – 31 March 2018

The Government continues to find ways to stimulate supply, including:

- Providing a "down payment" of £44bn of financial support over the next 5 years
- Confirmation of a further £10bn for Help to Buy supporting a further 135,000 new homes
- £4.1bn for its Housing Infrastructure Fund
- £1.1bn for a Land Assembly Fund, enabling Homes England to work alongside housebuilders
- Planning reforms to accelerate delivery, encourage use of brownfield land and fast-track planning of sites with high proportions of first time or affordable homes.

At 31 March 2018, the number of plots within our land pipeline, including sites where we have been appointed preferred developer, increased by 13% to 32,331 representing 8.7 years of work ahead based on current build rates (FY17: 28,544 plots representing 7.7 years).

This example discusses external drivers shaping the future growth of the market as well as quantifying the factors affecting the business' plans for the future, and is part of a wider narrative outlining the market in which they operate.

Vue Cinemas – 30 November 2017

Future outlook

The Hollywood slate for 2018 is once again expected to prove highly attractive for audiences, centring around exciting new releases from proven franchises. The year has already seen extremely strong performance from the eighth film in the Star Wars series *Episode VIII: The Last Jedi* as well as *Jumanji: Welcome To The Jungle, The Greatest Showman* and *The Darkest Hour*.

Key Hollywood releases across the remainder of the year include *Jurassic World: The Fallen Kingdom*, three releases in the Marvel cinematic universe *Avengers: Infinity War*, *Black Panther* and *Ant-Man And The Wasp*, a further Star Wars release *Solo*, the Steven Spielberg movie adaptation of the popular novel *Ready Player One*, a Pixar animation sequel to *The Incredibles* as well as *Mamma Mia 2, Deadpool 2* and a second *Fantastic Beasts* movie towards the end of the financial year.

Highly anticipated local productions include *Das Klassentreffen* in Germany, following the strong performance already observed from *Dieses Bescheuerte Herz* which was released in December, *Doris* in the Netherlands and in Poland, sequels in the *Pitbull* and *Planeta Singli* series. December and January have seen strong performances from local comedies in the Italian market, such as *Poveri Ma Ricchissimi* and *Come Un Gatto In Tangenziale*.

This example provides details of specific factors affecting the market over the next year.

Pizza Express – 31 December 2017

Outlook

I am confident that we are putting in place a compelling strategy to help combat challenging market conditions and to drive the future growth of the Group based on a number of fundamental principles. Firstly, we will adopt an employee-first approach that recognises the importance of people in our business, and strives to achieve a high-performing culture. Secondly, we recognise the absolute need to put the customer at the heart of our business if we are to continue to deliver sustainable growth. Finally we are committed to investing in our people and our brands to improve the 'experience economy' of our business.

We will seek to capitalise further on our brand equity across our markets through an increased focus on innovation in our restaurant business—in food, format or design—and by leveraging existing and new partnerships beyond the four walls of our restaurants.

Of course, the UK & Ireland remains a key focus. We plan to drive growth organically in this market, supported by a range of initiatives including the further development of delivery, while also having a much more targeted approach to new site rollouts.

The other crucial part of our strategy is further international growth, especially in China where there is a growing middle class and demand for Western brands like PizzaExpress.

I have taken on the role of leading this business in a challenging period for our industry in the UK and the challenges undoubtedly remain as we look forward to 2018. Cost pressures and a rapid rise in competition have been the focus of considerable recent negative sentiment, but I believe that in such times the strongest brands demonstrate their resilience. PizzaExpress is without question one such brand having recently been voted a 'Superbrand' in the UK and I remain confident in our future success.

This example explains how the business plans to grow and is supported by further details throughout the report.

12. Environmental matters

Requirement

The business review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include information about environmental matters (including the impact of the company's business on the environment), including information about any policies of the company in relation to those matters and the effectiveness of those policies.

Disclosures concerning greenhouse gas emissions are not a mandatory requirement under the Guidelines. However where this information is available and is significant to the understanding of the portfolio company and its operations, its inclusion could only improve the transparency and quality of reporting.

Basic compliance

Basic compliance includes a discussion of the environmental matters affecting the business, the policies in place to address them, and the impact of these policies.

The type of disclosure required is, naturally, dependent on the nature of the business. For example it would be expected that water companies would focus on discussions about the level of water wastage and food manufactures would focus on reducing packaging, the levels of salt and hydrogenated fats in food.

Good practice

Attributes of good practice include:

- Discussion of the specific actions taken to address the environmental matters identified, supported by quantifiable evidence and specific targets where applicable;
- Clear explanation, and alignment, of the specific environmental matters and strategy; and
- Extracts from a company's Corporate and Social Responsibility Report often provide the most relevant disclosure; this can be cross-referenced to avoid duplication.

Zenith – 31 March 2018

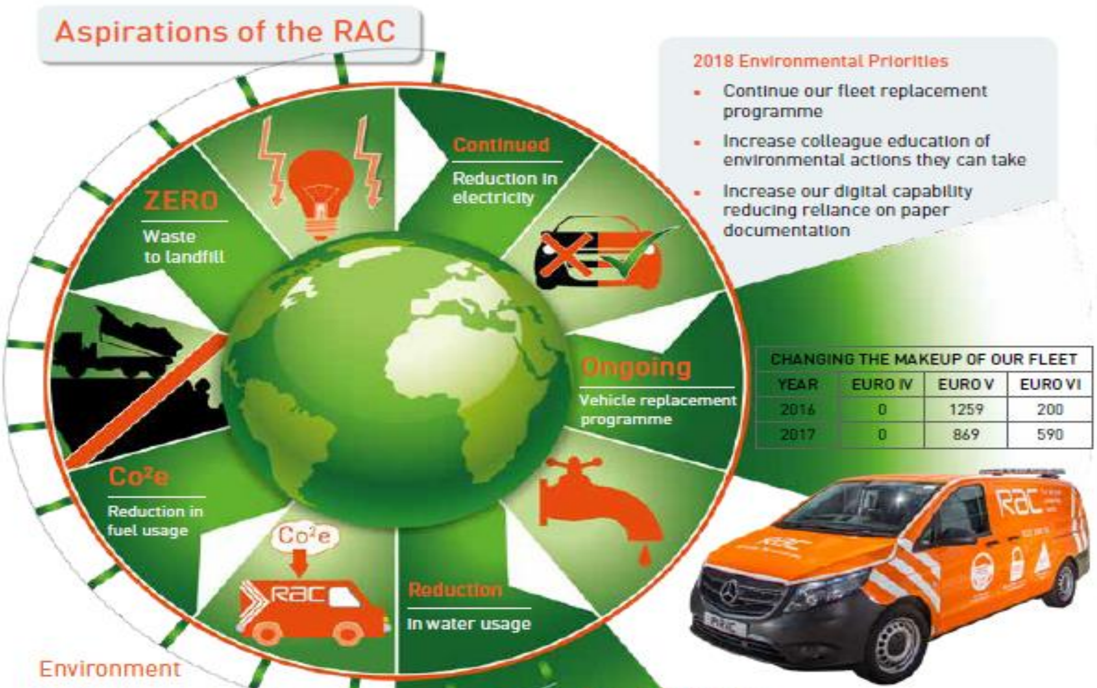
Environment

Operating in the vehicle leasing industry Zenith's primary environmental objective is to provide advice and technical information to encourage our customers to promote and incorporate the most environmentally friendly vehicles and practice within their core fleet policies. This is done by a process of continuous review and assessment, constantly updating latest thinking and technology to refine and improve our customer's CO2 vehicle footprint. This includes:

- Where clients have expressed an interest in their impact on the environment, each regular client review carried out with Zenith has contained a section on CO2 emissions, alternative fuels and clean fleet management.
- These review packs have been sent to customers, prospects and staff to help educate them on how the environment and company cars can work hand in hand in a positive way.
- Zenith has focussed on developing and training Account Managers in areas that cover the environmental issues faced by fleets and how Zenith can address them. Advice is given to fleets as well as ongoing support on developing a green fleet policy.
- Zenith has piloted a scheme with a major blue chip client that ensures that all of their future pool vehicles to be supplied must be Hybrid.
- A key responsibility of Zenith's PR department is to help educate the entire fleet industry about the environment and ways of making themselves greener.

This example aligns the environmental policies to the strategy. It provides several examples of how the business reduces its impact on the environment and provides specific targets.

RAC – 31 December 2017



2018 Environmental Priorities

- Continue our fleet replacement programme
- Increase colleague education of environmental actions they can take
- Increase our digital capability reducing reliance on paper documentation

CHANGING THE MAKEUP OF OUR FLEET			
YEAR	EURO IV	EURO V	EURO VI
2016	0	1259	200
2017	0	869	590

Environment

The fact that we are a motoring organisation means we inevitably have a significant environmental impact.

Managing our impact is a strategic imperative for us. It helps us to control our costs, support business performance and to preserve the natural environment in which we operate.

With around 78% of our carbon emissions arising from our roadside operations, the greatest role we can play in tackling climate change is to effectively manage our fleet.

We have attained ISO14001 accreditation across the whole of our operation and use a risk management process to identify and address environmental issues resulting from our business.

Our environmental management system focuses on the following areas:

- Identify opportunities to reduce fuel consumption and cut greenhouse gas emissions from our fleet and in our offices.
- Minimise the amount of waste we create, recycle where we can and avoid waste going to landfill.
- Reducing our demand for water and the amount of water that is lost or wasted on our premises.

Fleet Performance

We continually look at technological advances and new materials to improve the performance of our vehicles so they use less fuel and produce less emissions. Our vehicle replacement programme has been in place over the last 7 years, as you can see from the graph we have been replaced our fleet with more environmentally friendly vehicles a practice which we will continue. Eco driver training, telematics deployment and refreshed roadside deployment tactics are all helping to reduce our Co²e footprint and fuel consumption.

Offices

Our environmental focus in not purely aimed at roadside, our offices have also been subject to similar scrutiny in order to reduce our environmental impacts. We have a low-energy lighting replacement programme in place and our wash room facilities have been overhauled across all sites which includes low-water usage utilities all which contribute to reduced energy and water consumption.

Waste and Recycling

All our buildings participate in our recycling scheme where everything that can be recycled is segregated into separate bins or bags. This is a key initiative enables us to declare that we have zero waste to landfill.

This example clearly presents the business' specific actions to address the environmental issues identified and presents the environmental priorities for the business.

13. Employees

Requirement

The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include information about the company's employees including information about any policies of the company in relation to those matters and the effectiveness of those policies.

Basic compliance

The Companies Act requires, for all companies with greater than 250 employees, the disclosure of the company's policy in respect of the employment of disabled persons, of the health, safety and welfare at work of employees and of the involvement of employees in the management of the company. To comply with the Guidelines, to the extent that employees are considered a critical resource of the business, disclosures should also include a discussion of the management and development of employees, including recruitment, training and development practices.

Good practice

Attributes of good practice include:

- Alignment of strategy and employee policies and actions;
- Detailed discussion of employee policies including benefits, share schemes and performance bonuses and explanations of how these link to performance and development;
- Policies around recruitment, training and development;
- Quantifiable evidence of performance; and
- Disclosure of targets, qualitative or quantitative, and discussion of performance against targets.

Pizza Express – 31 December 2017

UK & IRELAND

People are at the heart of our business and we are passionate about being a great place to work. Last year we launched our *People Deal*. This outlines the things that make PizzaExpress a great place to work, and the things that we expect from the people who work for us.

We conducted employee research to understand what our people love about PizzaExpress and what keeps them engaged in our business. The research identified eight pillars which make up our People Deal:

- Family
- Heritage
- Opportunities
- Recognition
- Our Food
- Ways of Working
- Fun and Flexible
- Inclusivity and Respect

These principles underpin our internal and external communications to promote PizzaExpress as a great place to work.

Qualifications and apprenticeships

As one example of our 'Opportunities' pillar, we relaunched our Qualifications programme in September. This gives our team members the chance to study for a National Vocational Qualification while working for PizzaExpress. In 2017, over 250 team members embarked on qualifications in Team Leading, Kitchen Services, Food & Beverage Services, or Hospitality Supervision & Leadership.

This example shows how the business develops, recognises and supports employees, as part of a wider narrative on employee policies.

MyDentist – 31 March 2018

DEVELOPMENT

Two years ago we launched our in-house dental nurse training programme via the mydentist Academy, replacing apprenticeships because we believed we could offer a better quality of training and support. Earlier this year, the first students who enrolled on our programme took their OSCE exam achieving a 95% pass rate. This compares to the national average of 65%. Nurses from around the country celebrated their achievement with a graduation ceremony held in Birmingham and we now have a further 700 students enrolled on the course.

These nurses were also first to benefit from a £500 qualification bonus that is part of an industry-leading development programme we launched in 2018.

The programme is a £2.5million investment with pay increases for our 4,000 dental nurses and the introduction of five levels of nursing, each with guaranteed minimum national pay rates. It has been designed to recognise the importance of dental nurses in every practice and will reward and support them as they gain new skills and experience. As a result, a full-time dental nurse earning the minimum rate now takes home an extra £2,288 per year before tax.

RECOGNITION

Our practice teams do great things each and every day. To recognise their achievements we hold the 'Clinical Excellence Awards' at our annual conference. We encouraged colleagues and patients alike to nominate, and received more than 750 entries across eight categories, each highlighting a different way one of our people is making a difference to their practice or community.

Our PMs and support teams have also been recognised via a series of regional leadership conferences where we outlined our strengths and vision for the future. Awards were presented to colleagues driving growth and change for their practices.

GREAT PLACE TO WORK SURVEY

We conduct our Great Place to Work (GPTW) engagement survey each year. We gain valuable and constructive insight on the issues that really matter and the feedback assists us in determining what changes we should make moving forward. We share the results of the survey and then regularly communicate via Wisdom, our intranet, the changes that we have made and the projects that we are working on as a result of their feedback.

YOUR VOICE FORUM

Additionally we have our Your Voice Forum which is made up of champions from across the business who have a real passion and commitment for supporting us on our journey. We hold quarterly regional forums (plus a Support Centre forum) where we seek Champions' feedback on changes that are in development, we share updates for cascade and importantly we listen to the feedback and ideas they put forward. We communicate responses to all ideas tabled each quarter and the insight we gather from our forums is invaluable in making mydentist a better place to work.

This example shows how the business values employees. It provides details of training and development and also how employees are recognised and rewarded.

14. Social, community and human rights issues

Requirement

The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include information about social, community and human rights issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies.

Basic compliance

Basic compliance includes a section of the annual report describing, at a high level, the social, community and human rights issues affecting the business and the company's policies to address them. A compliance led statement is a minimum, identifying what the company does in these areas and confirming, if appropriate, that human rights is not a material issue for the company.

Good practice

Attributes of good practice include:

- Alignment of social, community and human rights issues to strategy;
- Explanation of the actions taken to address the specific social, community and human rights issues for example, local recruitment, investment in education and overseas employment policies;
- Supply chain management monitoring to ensure social policies are consistent throughout, for example use of labour and the wider impact on society in overseas locations; and
- The discussion is supported by quantifiable evidence.

Extracts from a company's Corporate and Social Responsibility Report often provide the most relevant disclosure and can be cross-referenced to avoid duplication.

TES – 31 August 2017

Human rights

The Group is fully committed to respecting the human rights of our employees and to compliance with all applicable laws regarding, among other things:

- prohibition of child, forced, bonded or indentured labour;
- providing compensation and benefits that are competitive and comply with applicable minimum wages, overtime hours, and mandated benefits;
- respecting the cultures, customs and values of the people in communities in which we operate;
- promoting workplace diversity;
- protecting the privacy of employees;
- promoting environmental stewardship;
- promoting health and safety practices; and,
- promoting ethical behaviour, business integrity and fair competition.

The Group seeks to provide consistent and comprehensive guidance to our employees through internal training regarding human rights and employment issues across the Group. As a responsible corporate citizen, the Group operates in accordance with all applicable human rights laws and respects and promotes human rights through our employment policies and practices, through our supply chain and through the responsible provision of our products and services. Through our various efforts to promote human rights, we seek to drive a consistent message that human rights form a part of our corporate culture and principles.

This example provides a clear statement on human rights and how the business addresses human rights issues.

RAC – 31 December 2017

Community Matters

As a responsible business, we strive to create long-term benefits for the communities we serve. We do this mainly through the jobs we create across the country, and the support we provide to motorists through our products and services. We extend our positive impact through strategic community initiatives which primarily fall under three areas. Improving Motorists Experience and Safety on Our Roads, Investing in Young People and supporting Charities close to colleague's hearts.

2018 Community Priorities

- Pilot Princes Trust Get Into Customer Service Programme
- Refocus resources from individual cub visits to large scale events so we can provide road safety education to even more children
- Spearhead a road safety campaign to improve road safety for contractors working at the roadside with a specific focus on our Motorway networks
- Work closely with our charity partners to help them achieve their aims and engage our colleagues with these worthy causes

Improving Motorists Experience

The RAC uses the results of its annual Report on Motoring survey to inform its campaigning activities and identify the key issues which matter to the UK motorist experience. Here are just a few examples of how we are making a difference.

Scouting Partnership Over 40,000 Cubs have received an RAC branded road safety badge

Celebrating our RAC Academy apprenticeship scheme graduates as our newly qualified patrols complete their 2 year course

In 2017 we introduced our new community imitative called You Choose. Over 1,800 colleagues took the opportunity to vote for their charity of choice

RAC's Report on Motoring now in its 29th year, represents important insights into driver behaviours

RAC is committed to playing its part in changing driver behaviour - by encouraging all of us to Be Phone Smart

RAC is a key supporter of Walsall National Citizen Service The challenge programme

Be Phone Smart

Using handheld mobile phones whilst driving had reached epidemic proportions, our successful campaigning helped lead to the penalty for the offence being doubled to a £200 fine and six point penalty points. While this is clearly a step in the right direction we wanted to do more to break this habit which is the reason we launched our Be Phone Smart campaign which encourages motorists to make a personal commitment not to use their handheld phone when at the wheel. The department for transport expanded this campaign with their "Pink Kitten campaign" which helped demonstrate just how much you miss by just glancing at your phone.

BE PHONE SMART

RAC Pothole Index and RAC Fuel Watch

The condition of our roads and fuel prices are also a top concern for motorists, we keep a watching brief on both hot topics. We monitor both wholesale and fuel prices daily to make sure retailers are charging a fair price on the forecourt and also track faults attended by our patrols that could be attributed to potholes using the findings on a quarterly basis to highlight the scale of the problem as part of our campaign for better quality roads.

RAC Road Child Safety

The RAC thinks every child should know how to stay safe around roads and vehicles. With this aim in mind we launched our Road Safety Awareness Charity to further our community objectives which includes partnering with The Scouts Association and Sponsorship of the Cubs Road Safety Activity Badge.

This example focuses on the different ways in which the business engages with the community and is part of a wider discussion on social responsibility.

15. Gender diversity information

Requirement

The strategic report must include a breakdown at the end of the financial year showing the number of people of each sex who were directors the (parent) company, the number of people of each sex who were senior managers of the company (other than those already identified as directors) and the number of people of each sex who were employees of the company. The Guidelines allow the portfolio company to apply their own definition in relation to the role of a senior manager.

Basic compliance

Basic compliance includes a section of the annual report describing, at a high level, the gender diversity under the three required headings.

Good practice

Attributes of good practice include:

- Clear overview of diversity statistics identifying the split at the three levels described;
- Policies and actions to promote diversity and actions taken to avoid discrimination;
- Detail about the relevance to the business of diversity and how this links in with the strategy; and
- Explicit detail about the definition of a senior manager to the business.

RAC – 31 December 2017

Human Rights Equality and Diversity

Our employment policies and practices reflect a culture where decisions are based on individual ability and potential in relation to the business' needs. We are committed to promoting equal opportunities and diversity as part of creating an inclusive working environment that attracts, develops and retains the best people. Individuals are treated in a non-discriminatory manner at all stages of their employment, including recruitment and selection, reward, training and development and promotion and career development.

Our Equality and Diversity Policy ensures that every colleague is treated equally and fairly. The policy confirms that there will be no direct or indirect discrimination in respect of age, disability, religious belief, gender, sexual orientation, race, colour, marital status, political belief and nationality, or any other category defined by law in all aspects of employment including recruitment, promotion, and opportunities for training, pay and benefits.

Our inclusive approach means we work in partnership with Unite the Union and colleague representatives from an elected forum to engage and involve colleagues in the direction of the business.

The following table sets out our diversity balance as between men and women at the end of FY2017.

	2017			2016		
			Total			Total
At 31 December						
Director	-	8	8	-	9	9
Senior Manager	7	27	34	11	27	38
Employee	1,118	2,776	3,894	1,031	2,666	3,697
Total	**1,125**	**2,811**	**3,936**	**1,042**	**2,702**	**3,744**

This example provides a clear presentation of the gender diversity numbers in each of the three categories required by the Guidelines as well as providing a discussion of how the business promotes diversity.

Vue Cinemas – 30 November 2017

Equality of opportunity and human rights

The Group is committed to making full use of the talents within the business and therefore provides equal opportunities for all. Employment decisions which include recruitment, promotion, compensation, benefits, performance management and training are based on an individual's skills, performance and behaviour and how these relate to the requirements of the business. The Group seeks to treat all its employees with dignity and respect.

Gender breakdown

Gender diversity within the Group as at 30 November 2017 was:

Level	Definition	Male	Male %	Female	Female %	Total
Board directors	Statutory Board Members	7	100%	-	0%	**7**
Senior Managers	Group Executive Directors, Territory Managing Directors ("MDs") and Directors reporting to MDs	34	84%	6	16%	**40**
Employees	All employees excluding those mentioned above	4,708	49%	4,959	51%	**9,667**
Total		**4,749**	**49%**	**4,965**	**51%**	**9,714**

This example provides the gender split at the three levels required as well as also explaining how they are each defined.

Stonegate Pub Company – 24 September 2017

Equality and Diversity

Stonegate is an equal opportunities employer committed to providing equal employment opportunities to all employees regardless of personal status and to prohibit all forms of discrimination. Our policy is to ensure no unlawful discrimination occurs in the recruitment and selection process on the grounds of sex, race, disability, age, sexual orientation, and religion or belief. Our selection decisions are based on objective, non-discriminatory, job related criteria, consistently applied to all candidates.

We strive to create a work environment free of discrimination, harassment and bullying, where everyone is treated with dignity and respect and all employment decisions are based on merit, qualifications and abilities. Stonegate operates a robust grievance procedure which enables employees to raise concerns they may have.

The following table sets out our diversity balance as between men and women at the end of FY 2017:

	Male	Female
All employees (site and Head Office)	50%	50%
All Head Office employees	52%	48%
Senior management team (excluding Board)	70%	30%
Board	73%	27%

Senior Management Team

The Senior Management team at year end consisted of Ian Payne (Chairman), Simon Longbottom (CEO), David Ross (CFO), Suzanne Baker (Commercial Director), Nick Andrews (Managing Director Traditional Pubs), Helen Charlesworth (Managing Director Branded Bars and Venues), Nicola Pryce (Marketing Director), Tim Painter (HR Director) and Daniel Wilkinson (Director of Strategy and Corporate Affairs).

This example shows the gender split at the three levels required by the Guidelines as well as some narrative on ensuring recruitment is based on objective criteria. The senior management team members are defined in the report, with biographies on each member.

Appendix

Guidelines for disclosure by portfolio companies and private equity firms

The requirements of the update Guidelines for the form and content of disclosure by portfolio companies within their annual report and accounts are set out below:

1. Definition of a portfolio company to be covered by the Guidelines

A portfolio company is a UK company:

- Acquired by one or more private equity firms in a public to private transaction where the market capitalisation together with the premium for acquisition of control was in excess of £210 million and more than 50% of revenues were generated in the UK or UK employees totalled in excess of 1,000 full-time equivalents; or
- Acquired by one or more private equity firms in a secondary or other non-market transaction where enterprise value at the time of the transaction is in excess of £350 million and more than 50% of revenues were generated in the UK or UK employees totalled in excess of 1,000 full-time equivalents.

Private equity firms for the purposes of the Guidelines include private equity and 'private equity-like' firms (together "PE firms"). PE firms include those that manage or advise funds that either own or control one or more companies operating in the UK and the company or companies are covered by the enhanced reporting guidelines for companies. PE firms include those that acquire portfolio companies: i) with funds provided by one or more investors; ii) an exit/disposal of the company is envisaged and iii) may play an active management role in the company. This would therefore include, but is not limited to, other types of investment funds including infrastructure funds, pension funds, sovereign wealth funds and credit/debt funds. It also applies to firms that may be headquartered outside of the UK. Banks and credit institutions, other than their asset management operations, are specifically excluded.

A portfolio company of a PE firm or firms becomes a Walker company, subject to meeting the other criteria as laid out in the Guidelines, when any one of the following criteria is met:

- It is evident the PE firm holds a majority stake (>50% of the ordinary shares) in the underlying business;
- If a PE firm, in its own financial statements, discloses that it maintains control of the portfolio company;
- A PE firm has the ability to direct the financial and operating policies of a portfolio company with a view to gaining economic benefits from its activities. Consideration shall include, but not be limited to: management control; board seats; directors indicative of significant influence.

Where more than one PE firm invests in a portfolio company, those firms will be jointly responsible for ensuring that the portfolio company applies the Guidelines.

The Group continues to review whether the transaction size criteria should be lowered to bring more portfolio companies into scope. Further communication will be issued if new criteria become applicable.

2. Content of disclosure by a portfolio company

A portfolio company should include as part of its audited annual report and accounts the following disclosures, none of which call for disclosures beyond those specified for quoted companies in the Companies Act 2006 or other disclosure requirements applicable to quoted companies. Such reporting should throughout focus on substance rather than form and on the economic reality of a company or group rather than its legal structure.

The report should identify the PE fund or funds that own the company and the senior executives or advisers of the PE firm in the UK who have oversight of the company on behalf of the fund or funds.

The report should give detail on the composition of the board, identifying separately executives of the company, directors who are executives or representatives of the PE firm and directors brought in from the outside to add relevant industry or other experience.

The financial review should cover risk management objectives and policies in the light of principal financial risks and uncertainties facing the company, including those relating to leverage, with links to appropriate detail in the footnotes to the balance sheet and cash flow section of the financial statements to explain the financial position of the company and/or group.

The directors of a company must prepare a strategic report for each financial year of the company. The purpose of the strategic report is to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company). The report should also include a strategic report that substantially conforms to the provisions of Chapter 4A of Part 15 of the Companies Act 2006 including sub-sections 7 and 8 of section 414C (which are ordinarily applicable only to quoted companies):

- The strategic report must contain— a) a fair review of the company's business, and b) a description of the principal risks and uncertainties facing the company.
- The review required is a balanced and comprehensive analysis of— a) the development and performance of the company's business during the financial year, and b) the position of the company's business at the end of that year, consistent with the size and complexity of the business.
- The review must include— a) analysis using financial key performance indicators, and b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters. The term 'key performance indicators' means factors by reference to which the development, performance or position of the company's business can be measured effectively.
- s414C(7) requires in the case of a quoted company and as adopted by the Guidelines the strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include:
  a. the main trends and factors likely to affect the future development, performance and position of the company's business, and
  b. information about— i. environmental matters (including the impact of the company's business on the environment), ii. the company's employees, and iii. social, community and human rights issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies. If the report does not contain information of each kind mentioned in paragraphs (b)(i), (ii) and (iii), it must state which of those kinds of information it does not contain.
- s414C(8) requires in the case of a quoted company and as adopted by the Guidelines the strategic report must include:
  a. a description of the company's strategy,
  b. a description of the company's business model,
  c. a breakdown showing at the end of the financial year— i. the number of persons of each sex who were directors of the company; ii. the number of persons of each sex who were senior managers of the company (other than persons falling within sub-paragraph (i)); and iii. the number of persons of each sex who were employees of the company.

In subsection (8), 'senior manager' means a person who — a) has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company, and b) is an employee of the company.

In relation to a group strategic report a) the reference to the company in subsection (8)(c)(i) is to the parent company; and b) the breakdown required by subsection (8)(c)(ii) must include the number of persons of each sex who were the directors of the undertakings included in the consolidation.

3. Form and timing of public reporting by a portfolio company

The audited report and accounts should be readily accessible on the company website. The report and accounts should be made available no more than six months after the company year end; and

A summary mid-year update giving a brief account of major developments in the company (but not requiring updated financial statements) to be placed on the website no more than three months after mid-year.

4. Conformity by a non-UK portfolio company or group

Where a portfolio company is applying the Guidelines in an audited annual report which is not covered by the Companies Act 2006 it should look to ensure all the requirements are met in this annual report but does not need to explicitly produce a separate strategic report.

5. Conformity with each of the Guidelines should be on a ‘comply or explain’ basis.

Where an explanation is given for ‘non-compliance’, this should discussed with other related relevant disclosures called for under these Guidelines in the annual report and financial statements which should be on the website of the PE firm or portfolio company.

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