Private Equity Reporting Group

Fourteenth Report

December 2021

The independent body promoting enhancements in transparency and disclosure within the UK private equity industry

PERG

Private Equity Reporting Group

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APPENDICES

1

Executive summary

The Private Equity Reporting Group (the "PERG") has reviewed the private equity industry's conformity with the Guidelines for Disclosure and Transparency in Private Equity (the "Guidelines"). The Guidelines, recommended by Sir David Walker in 2007, seek to increase transparency through enhanced reporting and disclosure by the largest UK portfolio companies and their private equity owners. The PERG was established in March 2008 to monitor the industry's compliance with the Guidelines and make periodic recommendations to the British Private Equity and Venture Capital Association (the "BVCA").

1.1 Key findings

- This review covers 64 portfolio companies (2020: 61) that fall within the scope of the Guidelines and the 56 firms (2020: 51) that back them (private equity firms and those operating in a private-equity like manner).
- The Covid-19 pandemic is still having an impact on many portfolio companies in the Guidelines but we have broadly seen a shift back to 'normal' reporting timelines (note these were extended last year by regulators). As expected, annual reports still contain significant levels of commentary on the impact of Covid-19 on the results and liquidity of the business.
- All of the portfolio companies reviewed in the sample complied with the disclosure requirements in the annual report (2020: 93%).
  - 67% prepared disclosures to at least a good standard which is a continued improvement on prior years (2020: 60%, 2019: 53%) and is notable given the larger proportion of new companies reviewed for the first time in the sample. However, no companies produced excellent disclosures this year (2020: Two).
  - Improvements are needed on disclosures related to gender diversity and non-financial key performance indicators where the use of the "comply or explain" principle was more prevalent. Following our previous feedback, there was positive progress on environmental and business model disclosures, as well as continued focus on disclosure on financial position and performance.
- 75% of portfolio companies have published an annual report in a timely manner on their website (2020: 70%). 87% of portfolio companies have published a mid-year update in a timely manner on their website (2020: 68%). As companies adjust to a post-pandemic environment, we would expect a higher proportion of companies to publish information on a timely basis.
- 89% of portfolio companies provided data, which is presented in aggregate in the EY performance report published alongside this report (2020: 87%).
- 9% of portfolio companies have not complied with any of the three components of the Guidelines that apply to them – enhanced disclosures, publication of reports and provision of data (2020: 5%). These companies are majority backed by non-BVCA members and include two companies new to the population.
- All BVCA members have published certain disclosures on their own websites to communicate information about themselves, their portfolio companies and their investors as required by the Guidelines.

- The Guidelines are being reviewed over 2022. This work will take into account changes in the broader narrative reporting landscape for both private and listed companies and the increased focus on climate change and societal challenges.
  - The PERG and the BVCA will engage with external stakeholders to highlight the important role private equity plays in the UK economy, especially given the increased interest in high-profile transactions in the UK.
  - The implementation timeframe for revisions to the Guidelines is projected to be 2023-24 but this is dependent on the finalisation of proposed reforms to corporate reporting in the UK.
  - In the interim, PERG has published recommendations to help improve the quality of reporting by portfolio companies which should be implemented now.

1.2 The requirements of the Guidelines

The Guidelines have four main components – three that apply to portfolio companies and a fourth that applies to the private equity firms managing or advising funds that own the portfolio companies:

Portfolio Companies			Private Equity Firms
Annual report and financial statements should include the additional/enhanced disclosures that normally apply to quoted companies (as set out in the Guidelines) A mid-year update should also be produced.	The reports should be published in a timely and accessible manner on the company website: ■ Annual report and financial statements – 6 months after the year end. ■ Mid-year update – 3 months after mid-year.	Data from the financial statements and other metrics should be provided to EY. The data is presented in an aggregated performance report by EY to illustrate the contribution of private equity to the UK economy.	Private equity firms should publish certain disclosures (as set out in the Guidelines) on their own website.
The Guidelines operate on a 'comply or explain' basis so there is an opportunity to explain instances of non-compliance. The PERG may not always accept these explanations.			

The full Guidelines requirements can be found in Appendix 3. These have been summarised in the compliance checklist in Appendix 6.

1.3 The Private Equity Reporting Group

The members of the PERG are:

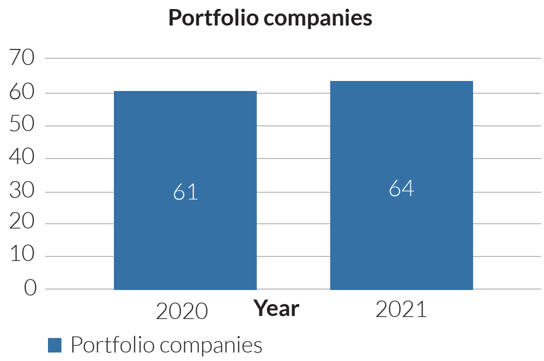
Nick Land	Chairman & independent member
Baroness Drake	Independent member
Glyn Parry	Independent member
Ralf Gruss	Industry representative (Apax)
Tony Lissaman	Industry representative (3i)

Meetings of the PERG are attended by the BVCA including Michael Moore (BVCA Director General), Gurpreet Manku (Deputy Director General and Director of Policy) and Ciarán Harris (Policy Manager). The PERG reports on its review to the BVCA Chair and members of the BVCA Council (board of directors). PwC and EY, both advisers to the PERG and the BVCA, are also invited to attend meetings.

1.4 Portfolio companies required to comply with the Guidelines

The Guidelines apply to the largest private equity-backed companies with a significant presence in the UK. The number of portfolio companies covered by the Guidelines this year is 64 (2020: 61). Since the last report, there have been 5 exits/IPOs, 2 re-entrants (one sale to another private equity fund and one creditor exit to bondholders) and 6 new companies within the scope of the Guidelines.

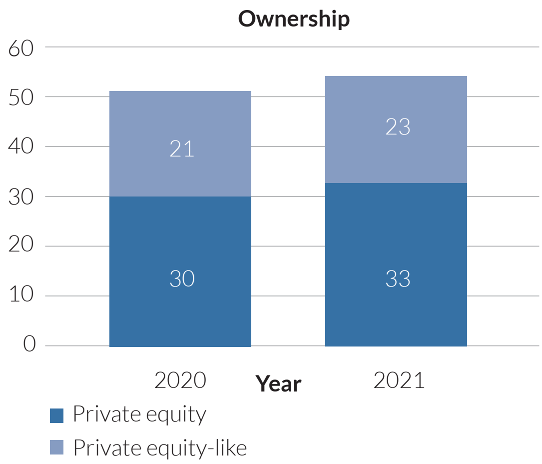
Further details on the portfolio companies are included in Appendix 2. The definition of a portfolio company is in Appendix 3.



1.5 Private equity firms within scope of the Guidelines

Private equity firms managing or advising funds that own portfolio companies (that are in the scope of the Guidelines) are responsible for ensuring compliance with the Guidelines. This includes "private equity-like" firms, being firms that conduct their business in a manner that would be perceived by external stakeholders to be similar to that of other participants in the private equity industry. This may include, but is not limited to, infrastructure funds, sovereign wealth funds, pension funds and credit/debt funds.

56 firms are covered by the Guidelines this year (2020: 51). This number is large as it includes co-investors in the companies. The full definition is set out in Appendix 3, and Appendix 1 explains how minority and other shareholders are monitored.



1.6 Overall compliance with the Guidelines and impact of COVID-19

Based on our detailed review of the sample and our knowledge of the full population, the majority of the population does comply with all of the requirements of the Guidelines set out in section 1.2.

Six portfolio companies, however, have not complied in full with any of the core components of the Guidelines. Five of these companies are backed by non-BVCA members: Energy Assets Group, Global Risk Partners, London City Airport, Punch Taverns and PureGym. Energy Assets Group and Global Risk Partners are new companies and we are working on engaging with their owners. Pizza Express is the sixth company and it opted not to participate in the process this year as its ownership moved to its creditors (bondholders including debt funds). Pizza Express has historically complied and we hope it will return to the process following engagement with its new owners. The known owners of all of these companies are listed in Appendix 2 and acknowledging the impact Covid-19 had on some of these companies, the PERG and the BVCA will re-engage with their owners in 2022.

1.7 Compliance with the disclosure requirements in the Guidelines

Sample selection

Each year, a sample of approximately a third of the population of portfolio companies is reviewed for compliance with the disclosure requirements. PricewaterhouseCoopers LLP ("PwC") was reappointed as an independent advisory firm to assist the PERG in carrying out this year's review. The sample included companies with accounting years ending up to and including 30 April 2021.

PwC has reviewed a sample of 21 portfolio companies this year (2020: 15) which is higher due to the review of companies that were given first year graces in 2020 because of the pandemic.

Through annual sampling, the PERG aims to ensure that all portfolio companies are reviewed at least once every three years, and will continue with its policy of re-reviewing companies where the reporting does not comply with the Guidelines.

Measuring compliance

Compliance is measured by PwC using the following approach agreed by the PERG:

- PwC first checks if portfolio companies have included the disclosures required by the Guidelines.
- Secondly, PwC forms a view on the quality and standard of the disclosures. These are classified as being excellent, good or meeting the level of basic compliance. This is a subjective judgement made by PwC from assessing how many of the expected attributes of good quality reporting are included in the disclosures. This is assessed for each of the Guidelines' criteria, utilising expectations set out in the PwC Good Practice Guide.
- To help inform this assessment and determine the level required to obtain a "good" rating, PwC also performs a read across of the portfolio companies' disclosures to the standard typically seen in the financial statements of companies within the FTSE 250. PwC also considers other developments in good corporate reporting.

Companies in the FTSE 100 are not generally considered to be comparable to the portfolio companies covered by the Guidelines due to their size and geographical reach as they are generally multinational whereas the portfolio companies have significant UK operations. Therefore the FTSE 100 does not form part of this assessment. Further detail on how compliance is measured is included in Appendix 4.

Quality of disclosures by portfolio companies in their annual report

All portfolio companies reviewed in the sample of 21 companies complied with the disclosure requirements in their annual reports (2020: 93%). 67% prepared disclosures to at least a good standard (2020: 60%), although no companies reviewed prepared excellent disclosures overall (2020: Two). The use of the "comply or explain" basis of the Guidelines was used on three occasions this year for non-financial KPIs (2020: Nil).

The key findings and areas for improvement are summarised below, with more detail included in section 2 of this report. This feedback relates to the sample reviewed in 2021 and comparisons to the prior year's review therefore relate to a different sample of companies.

The Covid-19 pandemic impacted both the current and previous year reporting cycles and understandably has been a substantial discussion area in a large proportion of the annual reports reviewed. There has been increased narrative to provide context to how Covid-19 has impacted business performance in the period and the wider impact on company stakeholders. Reporting on environmental and social matters continued to evolve, and clearly the recent focus on net zero and the pledges from COP26 will drive increased interest and scrutiny in these areas.

Areas with good quality disclosures:

- **Details of board composition:** The quality of disclosures in this area continued to be high.
- **Employees:** This area saw a significant improvement in reporting, with a greater focus on processes around recruitment, health and safety, consultation, training, reviews, and benefits.
- **Financial position and performance:** The continued impact of the Covid-19 pandemic has meant a continued focus on this area.

Areas where there were significant improvements from prior year:

- **Environment:** We have seen a higher proportion of improved disclosure in this area compared to previous years' review, largely driven by the number of companies providing Streamlined Energy and Carbon Reporting in the UK. Given the importance of climate change, and reporting requirements due to be implemented in UK, this is an area where portfolio companies should continue to strive for better disclosures.
- **Business model:** It was good to see improvements in this area from the 2020 review with examples including a dedicated discussion on specific inputs that contribute to operations and how these create value.

Areas requiring improvement:

- **Non-financial KPIs:** This area has seen a greater use of the "comply or explain" basis for explaining why information has not been included. Reasons given include complexity and sensitivity. We believe companies should further consider what non-commercially sensitive information can be provided, as there will be disclosures that can be made (as seen in the listed space).
- **Gender diversity:** This continues to be an area in need of improvement. There was a compliance-led approach to include the metrics only, and this area requires further discussion and improvement around diversity policies and actions.

In an improvement on the prior year, a large proportion of the portfolio companies reviewed achieved a good overall assessment across the Guidelines. In the prior year this was closer to an even split in the population.

A statement of compliance in the annual report of the portfolio company is a requirement of the Guidelines. 62% of companies have included such a statement in their annual report which is a marked improvement from prior years but still needs considerable improvement (2020: 40%). The PERG views this statement as a proxy for the "fair, balanced and understandable" requirement under the UK Corporate Governance Code. This governance statement and the continuing scrutiny placed on FTSE 250 companies by wider stakeholders (such as the media and employees) have driven significant improvements to the standard of reporting by FTSE 250 companies, and portfolio companies need to strive to continually improve their reporting each year.

Feedback for private equity firms and portfolio companies

Private equity firms need to spend more time with their portfolio companies to ensure knowledge of the Guidelines' requirements is embedded in the annual reporting cycle, and that companies seek to continuously improve the quality of the disclosures they provide. This is especially true for new companies in the population that have to comply with the Guidelines for the first time.

Portfolio companies should be aware that producing the same disclosures year-on-year will not necessarily result in the same grading in future years as listed companies generally improve their disclosures continuously due to shareholder, regulatory and other stakeholder pressure. A disclosure measured as being good three years ago, may now only be judged as only being basic when compared to listed companies.

Following the review, the PERG provides detailed feedback to private equity firms including recommendations for improvements. Alongside this report, PwC has published an update to its Good Practice Guide, based on its findings from this year's review. It sets out expectations for compliance with the Guidelines and shares examples of good practice to assist firms and portfolio companies.

1.8 Compliance with the portfolio company publication requirements

Portfolio companies are subject to two publication requirements:

Requirement	Results of review
Publication of annual reports: Portfolio companies should publish their annual audited reports on their websites no more than 6 months after the company year-end.	75% of portfolio companies published an annual report within 6 months of year-end on their website (2020: 70%).
Mid-year update: Portfolio companies should publish a summary mid-year update giving a brief account of major developments in the company within 3 months of mid-year.	87% of portfolio companies published a mid-year update within 3 months of mid-year on their website (2020: 68%).

1.9 Compliance with the private equity firm disclosure obligations

The PERG reviewed the websites and/or annual reports of private equity firms covered by the Guidelines to assess compliance with their disclosure obligations, including details on their investment approach, UK portfolio companies, and leadership of the firm. The information published varied with some firms opting for succinct and clear statements and others providing extended information on strategy and detailed case studies. All members of the BVCA have met the requirements.

BVCA members have also signed a statement of conformity with the Guidelines confirming compliance with their own disclosure and data provision requirements, and those of their portfolio companies.

1.10 Performance of portfolio companies

Each year the BVCA commissions research into the performance of portfolio companies compared to public benchmarks and a returns attribution analysis in respect of exits. EY LLP was reappointed in 2021 to undertake this research and this has been published at **www.bvca.co.uk/Research**. The compliance rate for the provision of data is 89% (2020: 87%).

Key findings from the report include:

- The average timeframe of private equity ownership of portfolio companies is 5.9 years and the current portfolio companies have been owned for an average of 4.1 years.
- Annual employment growth of the portfolio companies is below (i) the private sector benchmark of growth at -0.8% versus 0.5% growth (organic), and (ii) the public company benchmark at 0.9% versus 1.5% growth (reported). At the sector and company level, there is a wide range of movements in organic employment (presumably reflecting several factors, including the impact of the global Covid-19 pandemic in 2020). Healthcare significantly outperformed other sectors in terms of year-on-year organic employment growth.
- Average employment cost-per-head in the portfolio companies has increased by 1.8% per annum under PE ownership (2019: 2.3%), with the decrease in 2020 driven by the in-year decline in average employment cost-per-head. This is below the UK private sector benchmark of 2.9%.
- 54% of the current portfolio companies have made net bolt-on acquisitions while 11% have made net partial disposals.
- Capital productivity growth is 10.7% which exceeds the public company benchmark of 0.4% per annum.

- Annual increase in labour productivity in the portfolio companies at 1.3% (GVA/employee) and 2.4% (EBITDA/employee), which is higher than the public benchmarks for EBITDA/employee at 0.8% while below the economy-wide benchmarks for GVA/employee at 1.9%.
- The portfolio companies outperformed the public company benchmarks at a revenue increase of 4.9% versus 1.3% and EBITDA increase at 4.1% versus -2.3% per annum respectively. There is a wide range of results in 2020 trading performance in the current portfolio companies at both a sector and company level, with the healthcare and technology sector outperforming other sectors in terms of profitability and consumer showing the lowest performance.
- The equity return from portfolio company exits is 3.0x the public company benchmark; c.40% of the additional return is due to private equity strategic and operational improvements, and the balance is from additional financial leverage.
- Data on gender diversity was collected for the first time. Female representation is 50% at an overall employee level across the current portfolio companies and 24% at the director level. 33.2% of FTSE 250 board positions are held by females (source: Hampton-Alexander Review).

The research is based on the data received and further interpretative analysis cannot be easily performed given the number of companies included in the dataset e.g. if a metric has increased, the specific reasons behind this cannot be inferred simply based on other data received as there may be other internal and external factors to consider.

1.11 PERG's 2022 activities

Over 2022, the PERG and the BVCA will undertake a detailed review process to update the Guidelines. This will take into consideration current and forthcoming changes to the narrative reporting landscape, as well as increased stakeholder interest in the private equity industry following high-profile transactions involving well-known businesses in the UK.

In this report, we have published a **Roadmap for reviewing the Guidelines** (section 3):

- This sets out all of the areas impacting corporate reporting in the UK, including the government's proposals set out in its 2021 consultation Restoring trust in audit and corporate governance.
- Over 2022, the PERG and BVCA will consult with private equity firms and external stakeholders including government departments, regulators, trade unions and the media.
- At the end of 2022, PERG will publish the findings of its review and recommendations for change. These changes could come into effect over 2023-24. This timetable is dependent on the finalisation of proposals and legislation on corporate reporting in the UK in 2022.

In the interim, the **PERG is recommending improvements** to enhance the quality of disclosures and transparency of reporting:

- To improve and enhance the depth of disclosure on **environmental matters**. The PERG welcomed improvements in this area in 2021 as expectations on the role of business in addressing climate change have been amplified due to COP26 and government net zero commitments.
- To improve and enhance disclosures on **gender diversity** to cover policies and actions to promote diversity (including other characteristics such as ethnicity and sexual orientation). The Guidelines require a numerical disclosure, but further narrative should be provided.
- Improve the level of disclosure on **non-financial KPIs** that are monitored by the company to assess its performance, for example employee-related matters. The PERG noted the increase in the usage of the "comply or explain" basis for opting out of disclosures in this area and believes there is non-commercially sensitive information that can be disclosed.
- Focus on improving the **timeliness and accessibility of reports** as businesses and economies come out of the pandemic. The PERG saw fewer delays compared to 2020 (when regulators had also granted extensions to reporting deadlines), and we encourage private equity firms to be proactive.

- Review **guidance to improve reporting**, including the PwC Good Practice Guide for portfolio companies, and other guidance published by the FRC on the strategic report and climate/energy reporting. Consider linkage to other requirements including reporting on how directors have complied with their duty under s172 of the Companies Act 2006 (to promote the success of the company for its members, whilst having regard to stakeholder interests, including employees, suppliers and customers).

The 2022 Walker Guidelines review provides the private equity industry with an excellent opportunity to engage with stakeholders and articulate its value to society, as well as the economy. As majority owners in major businesses, private equity firms are well placed to lead on the response to challenges such as climate change and supporting sustainable growth and employment. The PERG was pleased to see improvements in certain areas this year, but the increased scrutiny from high-profile deals shows that higher levels of transparency and disclosure need to be sustained.

2

Review of conformity with the Guidelines

This section details the findings of the PERG's review of conformity with the Guidelines. It considers compliance across four areas:

Disclosures by portfolio companies	Publication of portfolio company reports	Communication by private equity firms	Other requirements and recommendations
The requirements to include enhanced disclosures in the audited annual report and financial statements, and prepare a mid-year update.	The requirement to publish the audited annual report and financial statements, and a mid-year update in a timely and accessible manner.	The requirement to make information about the firm available in an annual report on, or through regular updating of, the firm's website.	The requirements for firms and companies to provide data to the BVCA, to follow established reporting and valuation guidelines and to ensure timely and effective communication. There are recommendations for the BVCA relating to research, engagement with "private equity-like" entities and fund performance measurement.
This covers portfolio companies with accounting years ending up to and including 30 April 2021.			

The Guidelines operate on a comply or explain basis. Therefore, firms have an opportunity to explain why they have not complied with the Guidelines or an element of the Guidelines. The PERG may not accept these explanations.

2.1 Overall compliance

64 portfolio companies were within the scope of the Guidelines in 2021 (2020: 61). Of this number, six portfolio companies have not complied with any of the three components of the Guidelines this year (enhanced annual report disclosures and preparation of a mid-year update, the publications of these reports, and the provision of data to EY):

- Energy Assets Group (owned by Asterion Industrial Partners) – the PERG was unable to engage with its owner in 2021.
- Global Risk Partners (owned by Searchlight Capital Partners) – the PERG was unable to engage with its owner in 2021.
- London City Airport (owned by OMERS Infrastructure, Ontario Teachers' Pension Plan, Alberta Investment Management Corporation and Wren House Infrastructure Management) – the company continues to not comply, with no single owner having a controlling stake in the company.
- Pizza Express (owned by Bain Capital Credit, Cyrus Capital Partners and other investors that were previously senior bondholders) – the company has chosen not to comply with the Guidelines this year. It has previously complied.
- PureGym (owned by Leonard Green & Partners) – the PERG has been unable to engage with its owner to date.
- Punch Taverns (owned by Patron Capital) – the PERG has been unable to engage with its owner to date.

The PERG will continue to seek to re-engage with these firms in 2022 acknowledging the impact Covid-19 had on some of these companies.

The PERG notes that all BVCA members and some non-members in scope of the Guidelines and their portfolio companies are compliant with the Guidelines or have provided appropriate explanations. Non-BVCA members back five of the six companies that are non-compliant this year.

2.2 Disclosures by portfolio companies in annual reports

A snapshot of the reporting requirements for portfolio companies is found below, including those required by law.

Guidelines–specific disclosures	
■ Identity of private equity firm ■ Details of board composition ■ Statement of conformity with the Guidelines	■ Financial review – position ■ Financial review – financial risks
Business review – these are included in the Strategic Report for UK companies and could be included in the Directors' Report or another appropriate report for non-UK companies	
Applicable to all companies[1]	**Enhanced disclosures normally applicable to quoted companies that are required by the Guidelines**
■ Balanced and comprehensive analysis of development and performance during the year and position at the year-end ■ Principal risks and uncertainties facing the company ■ Key performance indicators – financial ■ Key performance indicators – non-financial	■ Strategy ■ Business model ■ Trends and factors affecting future development, performance or position ■ Environmental matters ■ Employees ■ Social, community and human rights issues ■ Gender diversity information

[1] *This is applicable to all companies (including private companies) except those eligible for the small companies' exemption per Companies Act 2006. Medium-sized companies per Companies Act 2006 are also eligible for an exemption to provide non-financial information.*

2.2.1 Overview of portfolio company disclosure findings

The PERG's objective is to ensure that all companies covered by the Guidelines strive to report to a level equivalent to FTSE 250 companies. To clarify how this review is carried out, the PERG's definitions for measuring compliance are included in Appendix 4.

Overall quality of disclosures	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed (% and number)	0%	67%	33%	0%	13%	47%	33%	7%
	0	14	7	0	2	7	5	1

It was positive to see all companies reviewed in the sample comply with the disclosure requirements. 67% of the sample reviewed achieved at least a good standard of disclosure, which is a continued increase on prior years (2020: 60%, 2019: 53%). However, no companies prepared excellent disclosures overall in this year's review (2020: Two).

Private equity firms need to continue to spend further time with their portfolio companies to ensure knowledge of the Guidelines' requirements is embedded in the annual reporting cycle, and that companies seek to continuously improve the quality of the disclosures they provide. To do this, portfolio companies should keep in mind the following:

- Whilst all companies in the sample provided disclosure on gender diversity, the standard or quality of this disclosure tended to be basic when expectations to disclose more around policy and practice in these areas is increasing. There may be some misunderstanding about how these requirements interplay with other legal requirements. In addition, a number of key disclosures (financial risks and trends and factors for example) continue to be provided to a basic level in many company accounts. Firms are reminded to refer to the Good Practice Guide for examples of the disclosures expected.
- The quality of reporting by listed companies continues to improve given the particular focus on changes in financial reporting in recent years. Portfolio companies should therefore be aware that producing the same disclosures year-on-year will not necessarily result in the same grading in future years. For example, a disclosure measured as being good three years ago, may now only be judged as being basic when compared to listed companies.

Other key findings are summarised below. This feedback relates to the sample reviewed in 2021 and comparisons to the prior year's review therefore relate to a different sample of companies.

Areas with good quality disclosures or significant improvements from previous years	Additional feedback
Environment	■ We have seen a higher proportion of improved disclosure in this area, largely driven by the number of companies providing Streamlined Energy and Carbon Reporting. This includes substantial disclosure, with quantified metrics, in relation to the environmental impact of the business.
Business model	■ This was an area that also required improvement in 2020. ■ Attention and a dedicated discussion is required on the specific inputs that contribute to portfolio companies' operations and how these create value. ■ Excellent examples include a simple diagram setting out the above, alongside how the business sits in the wider market.
Employees	■ Improvements in reporting were through discussion on: □ employee engagement including details of policy; □ training and recruitment processes; □ rewards; and □ health and safety.
Financial position and performance	■ Information was included on the impact of Covid-19 on performance, even where this was a non-adjusting balance sheet event. ■ Better examples of broader reporting incorporating the pandemic have emerged and there are less examples where Covid is dominating the narrative above all other areas, but it is now more embedded and balanced throughout the annual reports. ■ The disclosures were covered in the narrative on: □ the company's performance; □ net debt reconciliation with covenants; and □ capital structure.
Details of board composition:	■ The quality of disclosures in this area continued to be high. ■ These detailed the experience of board members and why this was relevant to the business.

Areas requiring improvement	Additional feedback
Non-financial KPIs	■ There needs to be a greater effort to provide non-financial KPIs, and further work should be done by portfolio companies to include some metrics. For example, it is common to see metrics on employees or measures that are linked to key strategic priorities, often relating to delivery of goods and services. Specific examples include: □ Customer satisfaction. □ On-time delivery. □ Customer retention. □ New customer development. □ Internal process productivity. □ Product or service quality. □ Company and brand reputation. □ Employee training and development. ■ Organisations should use non-financial metrics in monitoring business performance, and if these are needed to be at a more detailed level, say by division, to be meaningful to a complex, multi segmented group, this would be more in keeping with the spirit of the Guidelines.
Gender diversity	■ The continued lack of good quality disclosures was due to companies only disclosing the diversity metrics i.e. numbers of each gender across different levels. ■ Further discussion and improvement around the diversity policies a company has in place and the actions they are taking is required.

All companies in the sample that did not initially comply with all of the disclosure requirements sought to address their exceptions this year through provision of additional disclosure on their website (2020: 75%). This was with the understanding that the additional disclosures would be included in the company's next annual report.

2.2.2 Portfolio companies reviewed

In relation to the disclosures in the annual report, the PERG has established a policy that all portfolio companies within the population will be reviewed:

- at least once within a three-year cycle; and
- more frequently if a company's reporting has been found to not comply with, or only just meets, the requirements in the Guidelines.

21 portfolio companies were selected for review this year (2020: 15), representing a third of the total population. The Covid-19 pandemic has increased the number of portfolio companies reviewed this year as a number of companies were given a first-year grace in 2020. This sample consists of:

- 13 portfolio companies that have not been previously reviewed, being new entrants to the population (2020: 6); and
- 8 portfolio companies that have been previously reviewed and assessed as compliant (2020: 9).

Portfolio companies have differing year-ends and the annual reports with years ending on or after 1 May 2020, and up to and including 30 April 2021 have been reviewed.

The following companies have not engaged with PERG again this year, hence their annual reports have not been reviewed and are noted as being non-compliant with the Guidelines. The owners are non-BVCA members.

- PureGym (Leonard Green & Partners),
- Punch Taverns (Patron Capital), and
- London City Airport (OMERS Infrastructure, Ontario Teachers' Pension Plan, Alberta Investment Management Corporation and Wren House Infrastructure Management).

The following companies are new to the population and the BVCA has been unable to engage with the owners:

- Energy Assets Group (Asterion Industrial Partners), and
- Global Risk Partners (Searchlight Capital Partners).

Pizza Express (owned by Bain Capital Credit, Cyrus Capital Partners and senior bondholders) have decided not to comply with the Guidelines this year and we will re-engage in 2021. The company has previously complied.

HC-One has not been reviewed this year after being deemed to be non-compliant in prior year. We are actively encouraging the company to improve its disclosures for the next review cycle.

The following companies were given a first year grace from the review process and have committed to comply fully next year:

- Citation Limited (KKR) – Due to timings of the transaction, the portfolio company's annual report did not include the disclosures and has now been onboarded.
- Hermes Group (Advent International) – Control of the portfolio company transferred to Advent at the end of 2020 and its financial year-end was February 2021. As such, private equity ownership was only three months in the financial year. The period of private equity ownership was deemed to be too short to report on.
- Sykes Holiday Cottages (Vitruvian) – Financial year 2021 is the first full year of ownership under which the company will report.
- Study Group International (Ardian) – The portfolio company was onboarded in 2021 and will be fully involved in 2022.
- Viridor Limited (KKR)– Due to timings of the transaction, the portfolio company's annual report did not include the disclosures and has now been onboarded.

All these companies' annual reports will be reviewed in 2022..

2.2.3 Measuring compliance

The basic requirements are set out in the next section along with a link to the Good Practice Guide. In the first part of its review, PwC checks if portfolio companies have included the disclosures required by the Guidelines.

For the second part of the review, the PERG commissions PwC to form a view on the quality and standard of the disclosures and classify them as excellent, good or as meeting the level of basic compliance. In practice, this is a subjective judgement made by assessing how many of the expected attributes of good quality reporting in each of the guidelines criteria are included in the disclosures, utilising those expectations set out in the PwC Good Practice Guide.

To inform this assessment and determine the level required to obtain a "good" rating, PwC also performs a read across of the portfolio companies' disclosures to the standard typically seen in the financial statements of companies within the FTSE 250 and consider other elements of good corporate reporting such as the:

- level of information and the way in which it is disclosed;
- clarity of the narrative;
- cohesiveness and linkage of different disclosure areas;
- use of text and visuals; and
- overall user-friendliness.

The companies in the FTSE 100 are not generally considered to be comparable to the portfolio companies covered by the Guidelines due to their size and geographical reach (the FTSE 100 companies are generally multinational whereas the portfolio companies have significant UK operations) and therefore do not form part of this assessment. Further detail on how compliance is measured is included in Appendix 4.

	Quality of disclosures 2021				Quality of disclosures 2020			
Fair, balanced and understandable	**Excellent**	**Good**	**Basic**	**Non-compliant**	**Excellent**	**Good**	**Basic**	**Non-compliant**
All companies reviewed (% and number)	0%	57%	43%	0%	13%	40%	40%	7%
	0	12	9	0	2	6	6	1

The quality and level of disclosure by the FTSE 250 has increased in the last few years due to new narrative reporting and corporate governance requirements in the UK. In particular, further detail is expected in relation to the risk, viability and going concern aspects of the UK Corporate Governance Code ("the Code") that applies to premium listed companies. The Code also requires listed companies to confirm the financial statements are "fair, balanced and understandable". This governance statement, and the continuing scrutiny placed on FTSE 250 companies by wider stakeholders (such as the media and employees) has driven significant improvements to the standard of reporting by FTSE 250 companies.

To assess the quality of compliance more effectively, the PERG is also monitoring how companies are performing in relation to the "fair, balanced and understandable" requirement. Note that there is no requirement in the Guidelines to confirm this, as it is a requirement of the Code. Instead, portfolio companies are required to state compliance with the Guidelines as a proxy (see below). There has been a slight change in the quality of "fair, balanced and understandable" disclosures this year with 57% of companies achieving at least a good standard (2020: 53%). No company reviewed was non-compliant or excellent in this area.

2.2.4 Feedback for private equity firms and portfolio companies

The PERG will explain where improvements can be made in feedback letters sent to private equity firms and their portfolio companies. To promote good practice, these will highlight areas where disclosures could be improved beyond the basic requirements, as well as flagging where portfolio companies have not included a statement of conformity in their annual report.

Alongside this report, an updated Good Practice Guide has been published by the PERG and PwC, showcasing examples of good practice based on the findings of this year's review.

The PERG is also looking at other activities to improve the quality of disclosures such as working closely with portfolio companies from an early stage and by working with the auditors of the portfolio companies.

2.2.5 Disclosure by a portfolio company – detailed findings

The following section sets out how the sample of portfolio companies reviewed have performed against the individual requirements assessed for compliance and whether the quality of disclosure provided was excellent, good, basic (i.e. the minimum level expected) or non-compliant.

Guidelines specific disclosures

Identity of the private equity firm	Expectations for compliance
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.	See section 1 of the Good Practice Guide (page 4).

Identity of the private equity firm	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	5%	52%	43%	0%	0%	40%	60%	0%

57% of the sample reviewed achieved at least a good standard (2020: 40%), this is a significant increase from last year and one company was considered excellent this year.

Weaker examples referenced the private equity firm and failed to give any history of the ownership or the private equity firms' involvement. This resulted in limited references to the private equity firm through the identity of the directors on the board and the controlling party disclosure within the financial statements. The better performers provided some further insight, such as the firm's history, background, an explanation of its role or a more detailed ownership structure including the name of the fund.

Details of board composition	Expectations for compliance
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.	See section 2 of the Good Practice Guide (page 5).

Details of board composition	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	5%	62%	33%	0%	13%	60%	27%	0%

This criterion continues to be well adhered to by portfolio companies with all companies compliant, however, there has been a drop in the quality of disclosures in the past two years (as there were more basic disclosures). 67% of the companies reviewed produced good or excellent quality disclosures (2020: 73%), clearly articulating the experience of the board members, demonstrating why they are appropriate for that role. The weaker examples only listed the directors for the period, which is the Companies Act 2006 requirement, and identified which directors represented the private equity house. They failed to elaborate further by adding the role and experience of each director.

5% of companies achieved an excellent disclosure compared to 13% in 2020. These included a significant level of additional disclosure, similar to a listed company, covering the wider aspects of governance and committees in place, as well as how the board members form part of this.

Financial review	Expectations for compliance
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.	See sections 3 and 4 of the Good Practice Guide (pages 6 and 7).

Compliance with this requirement was measured by reference to two areas: the financial position of the company at the year-end and the identification and analysis of financial risks.

Financial position at year-end	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	0%	71%	29%	0%	0%	60%	40%	0%

The quality of disclosures has improved year on year with 71% of companies achieving at least a good standard this year (2020: 60%).

Given the variety of funding structures in place across the portfolio companies reviewed, there was a range of presentations to facilitate the readers' understanding of the financial position. The majority of companies have clearly articulated the year-end debt position, providing sufficient disclosure for the user to understand the profile of the debt, the types of covenants in place and performance against these. Financing arrangements along with details on capital structure and the profile of the debt repayments were positive features of many disclosures.

Where portfolio companies only met the basic requirement there was generally a lack of clarity over the financial position, and no or little information on whether covenants were in place and if they had been met. More discussion on the financial health of the company was needed.

Financial Risks	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	0%	57%	43%	0%	7%	60%	33%	0%

The quality of disclosures is lower this year with 57% of companies achieving at least a good standard (2020: 67%).

Although portfolio companies will have differences in the specific financial risks linked to their operations, this is a Guidelines criterion that can be easily evaluated across the population on an even basis. Portfolio companies achieved a good level of disclosure by avoiding boiler plate and simplistic disclosures (which would only achieve a basic level of compliance) and by including detail on how risks are addressed as well as quantitative information which enhances the disclosure. More work needs to be put into this section due to the fall in good and excellent disclosures.

Where portfolio companies went into their mitigation strategies and provided quantitative information to support the risk assessment, this was beneficial for the users of the accounts and provided the appropriate level of insight.

Strategic report disclosures required by UK Companies Act

Balanced and comprehensive analysis of development and performance during the year and position at the year end	Expectations for compliance
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 end. The purpose of this is to inform the members of the company and help them assess how the directors have performed their duty.	See section 5 of the Good Practice Guide (page 8).

Balanced and comprehensive analysis of development and performance during the year and position at the year-end	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	0%	67%	33%	0%	13%	47%	40%	0%

The quality of disclosures has improved year on year with 67% of companies achieving at least a good standard this year (2020: 60%).

Good levels of disclosure require a balanced discussion on the development and performance during the year, fairly reflecting the business and its divisions. Some of the stronger performers were able to narrate this succinctly and provide a direct insight into operations in a distinctive and strategic way that is relevant. The annual reports expanded beyond the income statement to give detailed insights. A notable inclusion in many annual reports was the impact on results by the Covid-19 pandemic.

The minority of companies that achieved a basic level of disclosure did not provide greater insight into their operations, and largely summarised the primary financial statements.

Principal risks and uncertainties facing the company	Expectations for compliance
The report must contain a description of the principal risks and uncertainties facing the company.	See section 6 of the Good Practice Guide (page 9).

Principal risks and uncertainties facing the company	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	9%	48%	43%	0%	7%	60%	33%	0%

Portfolio companies that performed reasonably well this year produced disclosures on the principal risks and uncertainties they face covering the alignment between the risk and strategy, providing an assessment of their risk profile, as well as management and mitigation processes.

There was a mixed level of discussion on risks, with some including generic points that could relate to any business, while others performed very well on one or two specific risks which were truly key to the business, but with no input on operational risk. Companies included Covid-19 in their risk discussion, which we expected to see.

The quality of disclosures has dropped with 57% of companies achieving at least a good standard this year (2020: 67%). Basic disclosure presented a limited view on movements in risks and uncertainties in the year.

Key performance indicators (KPIs) – financial and non-financial	**Expectations for compliance**
The 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, and 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.	See sections 7 and 8 of the Good Practice Guide (pages 10 and 11).

Financial KPIs	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	5%	52%	43%	0%	13%	47%	40%	0%

The quality of disclosures has largely remained the same with 57% of companies achieving at least a good standard this year (2020: 60%).

Measures that generally appear in most reports are revenue, EBITDA and profit before tax, although sophisticated financial measures are reported in a number of reports to analyse the performance of the business in real detail. A number of companies included quantified current year performance and comparatives, as well as providing an explanation of why the KPI was included. The companies that did achieve an excellent standard defined the KPIs, provided trend data over a number of years, and explained the movements.

Non-financial KPIs	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Explanation provided	Excellent	Good	Basic	Explanation provided
All companies reviewed	5%	33%	48%	14%	13%	34%	53%	0%

The quality of disclosures has dropped with only 38% of companies achieving at least a good standard this year (2020: 47%).

Where value is well delivered in annual reporting these non-financial KPI measures are linked to key strategic priorities, often relating to delivery of goods and services. They are presented alongside the financial key performance indicators and shown to have a similar level of importance and management focus. Basic disclosures did not include an analysis of performance against the KPIs presented.

A significant number of companies gave an explanation for non-compliance with reasons such as complexity and sensitivity given as to why no non-financial KPIs could be provided. If a portfolio company were to use non-financial KPIs to monitor and manage the business performance, we think that is important information to be disclosed.

Enhanced business review

Strategy	Expectations for compliance
The report should clearly articulate how the business intends to achieve its objectives.	See section 9 of the Good Practice Guide (page 12).

Strategy	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	5%	52%	43%	0%	7%	46%	47%	0%

Portfolio companies have improved their performance in disclosing a strategy that ran throughout the narrative, focused on priorities and how to enact them, with 57% of companies producing at least a good standard of disclosure (2020: 53%).

Linkage between strategies, risks and KPIs was an important part of a coherent narrative that delivered a fair, balanced and understandable report. This ensures that strategy is focused across all aspects of the business and at all levels in the reporting.

43% of companies disclosed a basic level of disclosure on strategy, presenting a generic and isolated statement, which in many cases lacked focus, clear articulation of targets and timing, and an understanding of how this could be delivered (2020: 47%). The disclosure would be better presented if clearly stated upfront.

Business model	Expectations for compliance
The report must include a description of the business model.	See section 10 of the Good Practice Guide (page 13).

Business Model	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	14%	38%	48%	0%	13%	20%	60%	7%

This requirement continues to be met in a number of ways with the standard of disclosure improving year on year. Some companies provide a diagram, some provide a full narrative of their operations, and some combine the business model with the strategy section. The weakest companies relied on the narrative of their operations in a wider context. Taking the latter approach tended to result in a basic level of compliance (2021: 48%; 2020: 60%).

Good or excellent examples of business models (52% of portfolio companies; 2020: 33%) articulated clearly and simply how the business generates revenue and value, often through a simple diagram, to show where the business sits in the wider market and how this creates value for the end user of the annual report, including the inputs and outputs that are identified as important. Less developed discussions allowed the reader to understand the segments of the business, but left them to extract how value is created.

We are particularly pleased with this improvement as it was noted in the prior year report as an important area for improvement.

Trends and factors affecting future development, performance or position	Expectations for compliance
The 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.	See section 11 of the Good Practice Guide (page 14).

Trends and factors affecting future development, performance or position	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	0%	52%	48%	0%	0%	53%	47%	0%

52% of companies this year achieved at least a good level of compliance and provided analysis and clear disclosure specific to the portfolio company and/or the market in which it operates and provided context to the portfolio company's current and expected performance (2020: 53%). The disclosures were forward looking and explained the companies' expectations. There was clear linkage included between trends and changes in the external market and the results of the business in the period.

Basic disclosures included statements that were general enough that they could have been included in most annual reports, despite other sections of the annual report highlighting short term financial risks e.g. economic impact of Brexit and Covid-19. These statements provided little additional information for the users of the accounts, although included sufficient appropriate references to comply with the basic guideline requirements. 48% of companies produced such basic disclosures (2020: 47%).

Environmental matters	Expectations for compliance
The report 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.	See section 12 of the Good Practice Guide (page 15).

Environmental matters	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	0%	57%	43%	0%	20%	20%	60%	0%

Overall, compliance with this disclosure has improved this year. The focus of environmental reporting tends to be on the resource, energy and waste management policies of the portfolio company and, in most cases, this would seem to be the most relevant approach. Where portfolio companies have specific policies for measuring their performance in this area and have included these metrics, it significantly assists the user in understanding what has and/or will be achieved. Many reports contained substantial disclosure, with quantified metrics, in relation to the environmental impact of the business, as the Streamlined Energy and Carbon Reporting requirements had been adopted. In addition to these, there is a discussion on the principal energy efficiency actions that have been undertaken.

Basic disclosures included a broad statement not supported by applicable evidence. This disclosure can be improved by including actions, policies and quantifiable measures to support the discussion.

Employees	Expectations for compliance
The 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.	See section 13 of the Good Practice Guide (page 16).

Employees	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	0%	76%	24%	0%	13%	34%	53%	0%

Employees are essential for nearly all businesses and it is vital that portfolio companies are able to articulate the importance of their employees and comply with the Guidelines in this area. To achieve compliance in this area, disclosures should set out the clear alignment between overall strategy and employee policies, detailing employee engagement, community, and training and development. 76% of companies reviewed provided at least a good level of disclosure (2020: 47%), which is a significant improvement on prior year and pleasing to see.

The basic disclosures tended to make blander statements on employee areas without giving details of how the policies were practically put into action.

Social, community and human rights issues	Expectations for compliance
The 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.	See section 14 of the Good Practice Guide (page 17).

Social, community and human rights issues	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	10%	42%	48%	0%	7%	26%	67%	0%

To achieve basic compliance a section in the annual report should include, 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 are not a material issue for the company.

There has been a significant improvement in disclosures this year with 52% of portfolio companies providing at least a good level of disclosure (2020: 33%). Where the annual report included the above as well as an explanation of the actions taken to address the issues with quantifiable evidence, the company would have produced a good disclosure.

Gender diversity	Expectations for compliance
The report must include a breakdown at the end of the financial year to show: ■ the number of each sex who were directors of 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 updated Guidelines allow the portfolio company to apply their own definition for the role of a senior manager.	See section 15 of the Good Practice Guide (page 18).

Gender diversity	Quality of disclosures 2021				Quality of disclosures 2020			
	Excellent	Good	Basic	Non-compliant	Excellent	Good	Basic	Non-compliant
All companies reviewed	0%	19%	81%	0%	0%	20%	80%	0%

The level of compliance on gender diversity disclosures continues to disappoint as 81% of disclosures are rated as basic compared to 80% in 2020.

This is an area of increasing focus in the wider corporate reporting environment because of the gender pay gap reporting requirements for large companies. However, portfolio companies should be aware that the Guidelines requirements differ from the gender pay gap reporting requirements and production of disclosures for one requirement will not be sufficient to be compliant with the other.

Disclosures are considered basic where they provide a summary of the gender split across the various levels of the company, but are not supported by details of the relevance of the diversity statistics, the policies in place and how these link to the overall strategy of the company. It is disappointing to see that the majority of the population reviewed failed to get above basic compliance given the importance of this topic to society more broadly. The PERG is recommending that companies pay greater attention to this requirement and go beyond providing just the minimal level of disclosure.

Statement of compliance	Expectations for compliance
The report should include a statement by the directors of the portfolio company confirming compliance with the Guidelines or setting out explanations for areas of non-compliance.	See page 3 of the Good Practice Guide.

	2021		2020	
Statement of compliance	**Included**	**Not included**	**Included**	**Not included**
All companies reviewed	62%	38%	40%	60%
	14	7	6	9

62% of companies reviewed included a specific statement of compliance with the Guidelines in the annual report (2020: 40%). The PERG believes a statement of compliance with the Guidelines can be incorporated into a company's annual report with relative ease and it should not be contentious to comply with this requirement. It is disappointing that 38%of the sample reviewed did not include a statement and the PERG will be working with portfolio companies and their private equity owners to remedy this.

2.3 Publication of portfolio company reports

The Guidelines require portfolio companies' audited report and accounts to be readily accessible on the company website no more than six months after the company year-end. Additionally, a summary mid-year update giving a brief account of major developments in the company (but not requiring updated accounts) should be placed on the website no more than three months after mid-year.

Publication of annual reports

Portfolio companies should publish their annual audited reports on their websites no more than six months after the company year-end. Annual reviews or similar narrative reports are not acceptable alternatives to a portfolio company's annual report and financial statements within which the Guidelines disclosures should be found in the front half. Additionally, it should be readily accessible on the portfolio company's website, and not behind a login page. To calculate the compliance rates below, we have not included the six companies (noted in section 2.1) that are not complying with any aspect of the Guidelines or those companies given a first year grace. Further improvements are required on this aspect of the Guidelines as the compliance rates should be higher.

75% of portfolio companies have published an annual report within six months of year-end on their website (2019: 70%):

- A first-year grace was given to:
  - Citation Limited (KKR),
  - Hermes Group (Advent International),
  - Study Group International (Ardian),
  - Sykes Holiday Cottages (Vitruvian), and
  - Viridor Limited (KKR).

- HC-One (Formation Capital and Safanad) has not published its annual report.
- The following portfolio companies did not publish their annual reports within six months of year-end, however did so subsequently:
  - Advanced Computer Systems (BC Partners),
  - Care UK (Bridgepoint),
  - Edinburgh Airport (Global Infrastructure Partners),
  - Hyperoptic (KKR),
  - KCOm (Macquarie),
  - LGC (Cinven)
  - MyDentist (Carlyle),
  - Village Hotels (KSL Capital), and
  - Westbury Street Holdings (Clayton Dubiler & Rice).
- Ambassador Theatre Group (Providence Equity) and Williams Lea Tag (Advent International) have provided an explanation to the PERG as to why the company has been unable to publish its annual report on its website. However, the PERG felt this outcome was unsatisfactory.

Mid-year update

Portfolio companies should publish a summary mid-year update giving a brief account of major developments in the company within three months of mid-year.

87% of portfolio companies published a mid-year update within three months of mid-year on their website (2019: 65%).

- A first-year grace was given to:
  - Citation Limited (KKR),
  - Hermes Group (Advent International), and
  - Viridor Limited (KKR).
- HC-One (Formation Capital and Safanad) has not published its mid-year update.
- The following portfolio companies missed the deadline to publish their mid-year updates on their respective websites. However, all companies have subsequently published their mid-year updates.
  - Hyperoptic (KKR),
  - M Group Services (PAI Partners), and
  - Westbury Street Holdings (CD&R).
- Rubix (Advent International) and Williams Lea Tag (Advent International) have provided explanations to the PERG as to why the companies have been unable to publish a mid-year update on their respective websites.

2.4 Communication by private equity firms

Review of disclosure by private equity firms	Expectations for compliance
A private equity firm should publish an annual review accessible on its website or ensure regular updating of its website to communicate information about itself, its portfolio companies and its investors along with a commitment to the guidelines.	The requirement allows firms to either prepare a separate annual report or include the information generally within the firm's website.

The PERG has reviewed the websites and/or annual reports of all private equity firms covered by the Guidelines to assess if they met the disclosure requirements above. This includes the publication of information covering details on their investment approach, UK portfolio companies, and leadership of the firm (see Appendix 3 for further detail). Private equity firms were also required to sign an annual statement of conformity to the Guidelines.

All members of the BVCA have met the requirements. This is not the case for all non-BVCA member firms covered by the Guidelines. In practice, it is difficult to compel non-members to provide this information even though the PERG and BVCA strongly encourage it.

Our review of private equity firms' disclosures considered: a) the extent to which firms complied with the separate criteria; and b) the accessibility of the information and the clarity of their commitment to the Guidelines.

The detail included in annual reports and/or websites varied with some firms opting for succinct statements to ensure compliance, and others providing extended information on strategy and detailed case studies. Since the Guidelines were first implemented the level of disclosure by firms has generally increased, and with some firms now listed, the detail of some of these disclosures is much higher. As in previous years, the requirements least adhered to and most difficult to find are the statement of investment holding periods, and confirmation that arrangements are in place to deal with conflicts of interests. We are seeing more "boiler plate" statements which reference the long term nature of the investments in portfolio companies. The conflicts of interest policy requirement is somewhat outdated as private equity houses are regulated and so this is implicit in their operations. As a result, both of these criteria can be difficult to locate as there are a number of relevant webpages where this information could be displayed and only a few words are required for each. Providing case studies is another criterion that some firms do not adhere to, however this is not a compulsory requirement.

Firms provided these disclosures through regular updating of the website or an annual report. Some firms included these disclosures in prior years' reports still accessible on the website and it is recommended to re-confirm these each year. Those firms' websites that dedicated a page or section to state their commitment to the Guidelines and to demonstrate their compliance with the criteria appear to be more accessible and make the process of monitoring their adherence much easier. Other firms provide the same level of commitment; however, the disclosure requirements are spread through a large website and are less straightforward to locate. There were also instances where firms provided some disclosures on their website and others in their annual report, which reduces accessibility.

Some firms display their commitment to the Guidelines in what might be considered an "unusual" place. For example, international firms may include this information in a "Global reach" section. The expected and common area for these disclosures would be under any of the following headings: transparency, disclosure, governance, ESG or reports. There are a few examples of reference to the Guidelines being in the small print of the website, alongside links to terms and conditions and the sitemap.

Another point to consider when analysing firms' websites is their size, particularly for global firms or those with different investment strategies including private equity. Having a large website can make it more difficult to find the Guidelines disclosures. Disclosures can be spread across a number of webpages or microsites, which stem from the parent website, or in the detail of specific strategies or funds. Therefore, for larger websites, it would be beneficial to have a separate page or document for Guidelines disclosures.

Statement of conformity with the Guidelines

The statement of conformity requests the private equity firm to confirm which companies are within scope of the Guidelines and confirm they are aware of the various disclosure recommendations made in the Guidelines. BVCA members have signed the statement, which is an annual requirement.

Private equity firms are encouraged to share the Guidelines checklist (see appendix 6), which accompanies the statement of conformity, and discuss all of the detailed requirements with their portfolio companies on a regular basis. This, coupled with the PERG's findings, will ensure compliance levels and the quality of disclosures are maintained and improved.

2.5 Other requirements and recommendations

The Guidelines include additional requirements for private equity firms and portfolio companies regarding the provision of data to the industry association, the adoption of established valuation and reporting guidelines and timely and effective communication at a time of significant strategic change. They also include recommendations for the industry association regarding research capabilities and activities, engagement with "private equity-like" entities and fund performance measurement.

Findings

- The private equity firms apply guidelines published by Invest Europe, the International Private Equity and Venture Capital Valuation Guidelines Board or applicable accounting standards and reporting requirements agreed with their investors.
- The PERG did not identify any instance where a private equity firm had not ensured timely and effective communication of a significant strategic change in a portfolio company.

2.5.1 Performance of portfolio companies

The annual review of the performance of portfolio companies, undertaken by EY at the request of the BVCA, has been published alongside this report. Its purpose is to present an independently prepared report on several measures of performance of the portfolio companies whilst under the ownership of private equity investors, in order to assess the effect of private equity ownership on key areas of stakeholder interest.

The research states the results based on the data received and further interpretative analysis cannot be easily performed given the number of companies included in the dataset e.g. if a metric has increased, the specific reasons behind this cannot be inferred simply based on other data received as there may be other internal and external factors to consider.

Key findings form the report include:

- The average timeframe of private equity ownership of portfolio companies is 5.9 years and the current portfolio companies have been owned for an average of 4.1 years.
- Annual employment growth of the portfolio companies is below (i) the private sector benchmark of growth at -0.8% versus 0.5% growth (organic), and (ii) the public company benchmark at 0.9% versus 1.5% growth (reported). At the sector and company level, there is a wide range of movements in organic employment (presumably reflecting several factors, including the impact of the global Covid-19 pandemic in 2020). Healthcare significantly outperformed other sectors in terms of year-on-year organic employment growth.
- Average employment cost-per-head in the portfolio companies has increased by 1.8% per annum under PE ownership (2019: 2.3%), with the decrease in 2020 driven by the in-year decline in average employment cost-per-head. This is below the UK private sector benchmark of 2.9%.
- 54% of the current portfolio companies have made net bolt-on acquisitions while 11% have made net partial disposals.
- Capital productivity growth is 10.7% which exceeds the public company benchmark of 0.4% per annum.

- Annual increase in labour productivity in the portfolio companies at between 1.3% and 2.4%, which is higher than the public benchmarks for EBITDA/employee (at 0.8% vs 2.5%) while below the economy-wide benchmarks for GVA/employee (at 1.9% vs 1.2%).
- The portfolio companies outperformed the public company benchmarks at a revenue increase of 4.9% versus 1.3% and EBITDA increase at 4.1% versus -2.3% per annum respectively. There is a wide range of results in 2020 trading performance in the current portfolio companies at both a sector and company level, with the healthcare and technology sector outperforming other sectors in terms of profitability and consumer showing the lowest performance.
- The equity return from portfolio company exits is 3x the public company benchmark; c.40% of additional return of the additional return is due to private equity strategic and operational improvements, and the balance is from additional financial leverage.
- Data on gender diversity was collected for the first time. Female representation is 50% at an overall employee level across the current portfolio companies and 24% at the director level. 33.2% of FTSE 250 board positions are held by females (source: Hampton-Alexander Review).

The report is available on the BVCA website at **www.bvca.co.uk/Research**.

The majority of companies complied with this requirement to provide data for the purpose of this report (2021: 89%, 2020: 87%). The following companies did not comply with this requirement: Camelot (Ontario Teachers' Pension Plan), Energy Assets Group (Asterion Industrial Partners), Global Risk Partners (Searchlight Capital Partners), London City Airport (OMERS Infrastructure, Ontario Teachers' Pension Plan, Alberta Investment Management Corporation and Wren House Infrastructure Management), Pizza Express (Bain Capital Credit, Cyrus Capital Partners and other creditors), Punch Taverns (Patron Capital) and PureGym (Leonard Green & Partners).

2.5.2 Engagement with "private equity-like" entities

The Guidelines extend to firms that conduct their business in a manner that would be perceived by external stakeholders to be similar to that of other participants in the private equity industry. The PERG and the BVCA continue to engage with "private equity-like" firms, including sovereign wealth funds and pension funds, with the purpose of enlisting their voluntary conformity with the Guidelines.

The PERG will continue to encourage and work with entities that remain in the population and are considered private equity-like. This includes infrastructure fund managers like Global Infrastructure Partners and Macquarie, pension funds such as OMERS Private Equity, and those that operate in the credit opportunities sector. These owners are compliant with the Guidelines and have engaged with the BVCA throughout this year's process.

The full definition of what the PERG considers a private equity firm under the Guidelines can be found on the Q&A page on the PERG's website (www.privateequityreportinggroup.co.uk).

2.5.3 Fund performance measurement

The Guidelines recommended that the BVCA should participate proactively with private equity trade associations beyond the UK and with the limited partner community to develop a consistent methodology for the content and presentation of fund performance information. The BVCA is continuing to hold discussions with other European private equity trade associations covering a number of areas including fund performance measurement.

3

A roadmap for reviewing the Guidelines

Over 2022, the PERG and the BVCA will undertake a detailed review process to update the Guidelines. This will take into consideration current and forthcoming changes to the narrative reporting landscape, as well as increased stakeholder interest in the private equity industry following high-profile transactions involving well-known businesses in the UK.

3.1 Overview

The Guidelines were last updated in July 2014 to incorporate new narrative reporting requirements applying to quoted companies in the Strategic Report. Given the period of time since the last update, the PERG has recommended to the BVCA that a fuller review be undertaken in 2022 to update the Guidelines. This should be accompanied by a broader programme of engagement with interested and relevant stakeholder groups such as government departments, regulators, trade unions and the media. Despite the application of the Guidelines to large UK PE-backed companies, and the increased reporting requirements applying to private companies more generally under UK law, the perception that the industry is not transparent still persists. The review process is therefore well-timed and can re-initiate a dialogue to allay concerns and introduce improvements to the Guidelines to address issues on specific areas.

2021	2022	2023-2024
Publish Roadmap setting out plans and current and incoming areas that will affect private company reporting in the future. Interim enhancements recommended by PERG to enhance the quality of disclosures and transparency of reporting: environmental matters; gender diversity; non-financial KPIs; timeliness of publications and accessibility; and references to FRC guidance and linkage to s172 reporting requirements.	Consultation process with membership. Publish report at end of year.	Revised guidelines come into effect.
	This timeline is dependent on the finalisation of proposals and legislation on corporate reporting in the UK. Further confirmation and clarity is expected in 2022.	

The following sections focus on the reporting requirements that apply to portfolio companies. As part the review process, the disclosure obligations that apply to private equity firms themselves should also be reviewed. The disclosure requirements for PE firms are from 2007 edition of the Guidelines. Private equity firms are heavily regulated now compared to how they were when the Guidelines were first created. Some of the Guidelines' disclosure requirements may not seem relevant. Furthermore, private equity firms include much more information on their websites compared to 2007 such as sustainability/ESG reports, case studies and information about the organisations.

Parties interested in participating in the review and providing feedback to the BVCA should contact Gurpreet Manku (gurpreet.manku@bvca.co.uk) and Ciarán Harris (charris@bvca.co.uk).

3.2 Narrative reporting landscape

Since 2016, there have been several additional mandatory narrative reporting requirements implemented for large private companies that complement the Walker requirements. Further changes are expected in the UK which will align reporting requirements for large private companies with Public Interest Entities (listed companies, banks, insurers).

All of the areas below should be taken into consideration when updating the enhanced disclosure requirements that apply to portfolio companies:

Other legal requirements – currently apply	Future UK legal requirements
The following requirements currently apply to large private companies in the UK – in addition, and often complementary with, the Walker Guidelines. ■ Modern Slavery Act 2015 ■ Gender Pay Gap Information Regulations 2017 ■ Reporting on section 172 and engagement with employees, suppliers, customers and others ■ Corporate governance arrangements reporting ■ Streamlined energy and carbon reporting ■ Tax strategy reporting ■ Payment practices and performance Although the exact thresholds vary, many requirements will likely cover the companies included in the Walker Guidelines. The placement of the disclosures vary – some are in financial statements, others are on the company's website (or both). Further detail can be found in a BVCA member briefing from May 2019.	The following areas are being consulted on by the UK government and regulators. With the exception of TCFD, the implementation dates are to be confirmed and further detail on the proposals is included below. ■ Task force on climate-related financial disclosures (TCFD) for large private companies ■ Sustainability Disclosure Requirements regime (SDR) and UK green taxonomy ■ BEIS consultation on corporate governance, reporting and audit reform Expectations and reporting on diversity on boards also continues to grow.

Summary of future legal requirements

- Task force on climate-related financial disclosures (TCFD) for large private companies
  - Mandatory across large sectors of the UK economy by 2023
  - **Scope:** UK registered companies which have more than 500 employees and a turnover of more than £500m. (Large PE firms will be caught under the FCA rules for asset managers.)
  - **Timing:** Accounting periods starting on or after 6 April 2022.
  - **Impact:** Companies will be required to report under 4 headings: governance, strategy, risk management, metrics & targets.
- Sustainability Disclosure Requirements regime (SDR) and UK green taxonomy:
  - UK government's recent roadmap set to align financial system with UK net zero strategy.
  - **Scope:** UK registered companies including relevant financial services firms (banks, insurance companies). The definition is yet to be confirmed.
  - **Timing:** Consultation in 2022. Implementation 2-3 years after.
  - **Impact:** Annual reports disclosures in line with standards set by (recently established) International Sustainability Standards Board. Also report on the extent to which activities align with UK green taxonomy.

- BEIS consultation on corporate governance, reporting and audit reform:
  - BEIS' 2021 consultation Restoring trust in audit and corporate governance covered a wide range of reforms to make directors of the country's biggest companies more accountable, and to improve the audit market. Collapse of Carillion and BHS often cited.
  - **Scope:** The largest UK private companies will be classified as Public Interest Entities (PIEs). Could be the TCFD definition, the one that applies to reporting on corporate governance arrangements, or something else.
  - **Timing:** c. Two years to finalise, phased implementation. More clarity expected end 2021/early 2022.
  - **Impact:** Large private companies become PIEs: need to meet existing requirements that apply to quoted companies (mostly included in Walker). New requirements also apply to PIEs.
    - Annual internal controls effectiveness review.
    - Resilience Statement (combining the going concern and viability statements).
    - Audit and assurance policy.

3.3 Interim recommendations

Each year the PERG monitors developments in narrative reporting for listed and other large companies to assess how they might affect portfolio companies. Where these developments lead to significant improvements in FTSE 250 reporting, it raises the bar for judging the quality of compliance for portfolio companies. For example, if more is disclosed by FTSE 250 companies on policies to improve gender diversity, portfolio companies also need to provide further disclosure if they want to achieve a good rating.

In the interim period during which the Guidelines are being updated, the **PERG is recommending improvements** to enhance the quality of disclosures and transparency of reporting:

- Improve and enhance the depth of disclosure on **environmental matters**. The PERG welcomed improvements in this area in 2021 as expectations on the role of business in addressing climate change have been amplified due to COP26 and government net zero commitments.
- Improve and expand disclosures on **gender diversity** to cover policies and actions to promote diversity (including other characteristics such as ethnicity and sexual orientation). The Guidelines require a numerical disclosure, but further narrative should be provided.
- Improve the level of disclosure of **non-financial KPIs** that are monitored by the company to assess its performance, for example employee-related matters. The PERG noted the increase in the usage of the "comply or explain" basis for opting out of disclosures in this area and believes there is non-commercially sensitive information that can be disclosed.
- Focus on improving the **timeliness and accessibility of reports** as businesses and economies come out of the pandemic. The PERG saw fewer delays compared to 2020 (when regulators had also granted extensions to reporting deadlines), and we encourage private equity firms to be proactive.
- Review **guidance to improve reporting**, including the PwC Good Practice Guide for portfolio companies, and other guidance published by the FRC on the strategic report and climate/energy reporting. Consider linkage to other requirements include reporting on how directors have complied with their duty under s172 of the Companies Act 2006 (to promote the success of the company for its members, whilst having regard to stakeholder interests, including employees, suppliers and customers).

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Appendix 1: Private equity firms covered by the Guidelines

The following private equity firms and 'private equity-like' firms were in the scope of the Guidelines for 2021, being the period covered by this report.

Where more than one private equity firm is involved in a transaction and they collectively own a controlling stake in a portfolio company, those firms will be jointly and severally responsible for ensuring that the portfolio company applies the Guidelines, and each of those firms will be assessed for compliance with the requirements that apply to them.

Subject to prior approval by the PERG, the Guidelines do not apply to minority shareholders which invest alongside other majority shareholder(s) where both the majority shareholder(s) and the portfolio company comply with the Guidelines. The PERG's approval will depend on the specific facts and circumstances and the extent to which control is exercised.

3i	KSL Capital[1]
Advent International	Leonard Green & Partners[1]
Ardian[3]	Macquarie Infrastructure & Real Assets[#]
Asterion Industrial Partners[1,2]	OMERS Private Equity[#] and OMERS Infrastructure[3,#]
Bain Capital	Onex[1]
BC Partners	Ontario Teachers' Pension Plan[1,#]
Blackstone	PAI Partners
Bridgepoint	Partners Group
Cinven	Patron Capital[1]
Clayton Dubiler & Rice	Providence Equity
CVC Capital Partners	Safanad[1,#]
Formation Capital[1,#]	Searchlight Capital Partners[1,2]
Global Infrastructure Partners[#]	Silver Lake
Goldman Sachs[1,#]	TDR Capital
Hg	The Carlyle Group
iSquared Capital[1,#]	Vista Equity Partners[1]
KKR	Vitruvian

The second table sets out other minority investors in the portfolio companies covered by this report. For this reason, these firms have not been reviewed by the PERG as other larger investors in the portfolio companies have taken responsibility for complying with the Guidelines.

Abu Dhabi Investment Authority[1,#]	Kirkbi Invest[#]
Alberta Investment Management Corporation[1,#]	Intermediate Capital Group
Antin Infrastructure[1,#]	May Capital[1,2]
Astorg Partners[2]	Nestlé[1,*]
Avenue Capital Group[1,#]	Palamon Capital Partners
Canada Pension Plan Investment Board (CPPIB)[#]	Pollen Street[1]
Cyrus Capital Partners[1,2]	PSP Investments[1,#]
Duke Street	Q Super Fund[1,2,#]
Future Fund Board of Guardians[1,2,#]	SunCapital[1,#]
GoldenTree Asset Management[1,#]	Wren House Infrastructure Management[3,#]
GIC[#]	USS[#]

[1] *Not a member of the BVCA*

[2] *Addition this year*

[3] *Individually not a member of the BVCA although it is an affiliate of one*

[#] *Private equity-like entity*

[*] *Corporate investor*

Appendix 2: Portfolio companies covered by the Guidelines

The following portfolio companies either met the criteria set out in the Guidelines, or have committed to conform to the Guidelines on a voluntary basis during the period under review.

Owners disclosed in brackets do not need to comply with parts of the Guidelines for the reasons set out in Appendix 1.

Portfolio company	Owners during 2021
Advanced Computer Systems[1]	Vista Equity Partners, BC Partners
Alexander Mann Solutions	OMERS Private Equity
Ambassador Theatre Group	Providence Equity Partners
Constellation Automotive Group[1] (previously BCA Marketplace)	TDR Capital
Camelot[1]	Ontario Teachers' Pension Plan
Care UK	Bridgepoint
Chime Communications	Providence Equity Partners
Citation Limited (The Citation Group)[2]	KKR
CityFibre	Goldman Sachs, (Antin Infrastructure)
Civica[1]	Partners Group
Clarion Events	Blackstone
Cobham Limited[1]	Advent International
David Lloyd Leisure[1]	TDR Capital
Domestic and General[1]	CVC Capital Partners, (Abu Dhabi Investment Authority)
Edinburgh Airport	Global Infrastructure Partners (Future Fund Board of Guardians, Q Super Fund)
Energia Group (previously Viridian Group)	iSquared Capital
Energy Assets Group[2]	Asterion Industrial Partners
ESP Utilities	3i
esure Group	Bain Capital
Farnborough Airport[1]	Macquarie
Froneri	PAI Partners, (Nestlé)
Global Risk Partners[2]	Searchlight Capital Partners
HC-One	Safanad, Formation Capital
Hermes[2]	Advent International
Hyperoptic[1]	KKR
Infinis	3i
IRIS Software Group	Hg, ICG

JLA	Cinven
Kantar[1]	Bain Capital
KCOM[1]	Macquarie
Keepmoat[1]	TDR Capital, (Sun Capital)
LGC	Cinven, (Astorg)
London City Airport	Ontario Teachers' Pension Plan, OMERS Infrastructure, (Alberta Investment Management Corporation, Wren House Infrastructure Management)
M Group Services	PAI Partners
Merlin Entertainments[1]	Blackstone, (CPPIB, Kirkbi Invest)
Miller Homes	Bridgepoint
Moto	CVC Capital Partners, (USS)
Motor Fuel Group	Clayton Dubiler & Rice
Mydentist[1]	The Carlyle Group, (Palamon Capital Partners)
NewDay	CVC Capital Partners, Cinven
PA Consulting Group	The Carlyle Group
Parkdean Resorts[1]	Onex
Pizza Express	Bain Capital Credit,(Cyrus Capital Partners and other investors that were previously senior bondholders)
Premium Credit	Cinven
Punch Taverns	Patron Capital (May Capital LLP)
PureGym	Leonard Green & Partners
QA Training	CVC Capital Partners
RAC[1]	CVC Capital Partners, (GIC, USS and PSP Investments)
Rubix[1]	Advent International
Shawbrook Bank	BC Partners, (Pollen Street Capital)
Stonegate Pub Company[1]	TDR Capital
Study Group International	Ardian
Sykes Holiday Cottages	Vitruvian
Travelodge	Goldman Sachs, (GoldenTree Asset Management, Avenue Capital Group)
VetPartners	BC Partners
Village Hotels	KSL Capital
Viridor Limited[2]	KKR
Voyage Care	Partners Group, (Duke Street)
Vue Cinemas[1]	OMERS Private Equity, (Alberta Investment Management Corporation)
Westbury Street Holdings[1]	Clayton Dubiler & Rice
Williams Lea Tag	Advent International
Zellis (previously NGA Human Resources)	Bain Capital
Zenith[1]	Bridgepoint
ZPG	Silver Lake

[1] *Accounts reviewed this year*
[2] *Addition this year*

Appendix 3:
Guidelines requirements for enhanced disclosures

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The Guidelines on enhanced disclosure obligations placed upon portfolio companies and private equity, as amended in July 2014, are set out below.

The PERG has published a Q&A on the most frequently asked questions when navigating the Guidelines on the PERG website (www.privateequityreportinggroup.co.uk). The compliance checklist found in appendix 6 summarises the key requirements for private equity firms and their portfolio companies.

1 *Conformity with each of the Guidelines* should be on a *comply or explain* basis.

Where an explanation is given for "non-compliance", this should be posted alongside other related relevant disclosures called for under these Guidelines on the website of the private equity firm or portfolio company.

2 Definition of a *private equity firm* for the purpose of the Guidelines:

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.

3 Definition of a *portfolio company* to be covered by enhanced reporting guidelines (as amended by the Group in April 2010):

A UK company

a 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

b 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.

4 Content of enhanced disclosure by a portfolio company

A portfolio company should include as part of its audited annual report and accounts the following enhanced 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.

a 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.

b 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.

c The report should include a review that, subject to points i and iv below, meets the requirements of Section 414C of the Companies Act 2006 including sub-sections 7 and 8 (which are ordinarily applicable only to quoted companies). Section 414C is reproduced in Annex 1 of this document and replaces Annex D of the Guidelines.

i. For a UK portfolio company, this review is required to be included in the strategic report under the Companies Act 2006. A non-UK portfolio company may include this review in a directors' report or equivalent in line with applicable legal requirements in the non-UK country.

ii. When considering the level of detail and nature of information to be included in the review, the portfolio company should have regard to the guidance set out in the Financial Reporting Council's Guidance on the Strategic Report.

iii. Section 414C(7) provides:

'(7) In the case of a quoted company 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.'

When preparing disclosures in respect of environmental matters under section 414C(7)b)(i), a portfolio company may, to the extent it is significant, include in the directors' report the disclosures concerning greenhouse gas emissions as set in Part 7 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This is not a mandatory requirement of the Guidelines.

iv. Section 414C(8) provides:

'(8) In the case of a quoted company 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.'

When preparing disclosures in respect of gender diversity under section 414C(8)c)(ii), a portfolio company may apply its own definition of "senior manager" that differs from the definition and requirement provided in sections 414C(9) and (10) as long as it is clearly explained. A reconciliation to the disclosure using the statutory definition will not be required.

d 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.

e To the extent that the Guidelines at 4. a) and c) above are met by existing market disclosures in respect of debt or equity issuance on public markets, this should be explained with the relevant material made accessible on the company's website; and where compliance with these Guidelines, in particular in respect of any forward-looking statement, might involve conflict with other regulatory obligations, the reason for non-compliance should similarly be explained on the company website.

f The report should include a statement by the directors of the portfolio company confirming compliance with the Guidelines or setting out explanations for areas of non-compliance.

5 Form and timing of public reporting by a portfolio company

a The audited report and accounts should be readily accessible on the company website;

b The report and accounts should be made available no more than six months after the company year-end; and

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

6 Data input by a portfolio company to the industry association

As input for the enhanced role in data collection, processing and analysis is to be undertaken on an industry-wide basis by the BVCA, portfolio companies should provide to the BVCA (or to a professional firm acting on its behalf) data for the previous calendar or company accounting year on:

- trading performance, including revenue and operating earnings;
- employment;
- capital structure;
- investment in working and fixed capital and expenditure on research and development; and
- such other data as may be requested by the BVCA after due consultation and where this can be made available without imposing material further cost on the company.

7 Communication by a private equity firm

A private equity firm should publish an annual review accessible on its website or ensure regular updating of its website to communicate:

- a description of the way in which the FCA-authorised entity fits into the firm of which it is a part with an indication of the firm's history and investment approach, including investment holding periods, where possible illustrated with case studies;
- a commitment to conform to the guidelines on a comply or explain basis and to promote conformity on the part of the portfolio companies owned by its fund or funds;
- an indication of the leadership of the UK element of the firm, identifying the most senior members of the management or advisory team and confirmation that arrangements are in place to deal appropriately with conflicts of interest, in particular where it has a corporate advisory capability alongside its fiduciary responsibility for management of the fund or funds;
- a description of UK portfolio companies in the private equity firm's portfolio; and
- a categorisation of the limited partners in the funds or funds that invest or have a designated capability to invest in companies that would be UK portfolio companies for the purpose of these guidelines, indicating separately a geographic breakdown between UK and overseas sources and a breakdown by type of investor, typically including pension funds, insurance companies, corporate investors, funds of funds, banks, government agencies, endowments of academic and other institutions, private individuals, and others.

8 Reporting to limited partners

In reporting to their limited partners on their interests in existing funds and for incorporation in partnership agreements for new funds, private equity firms should:

a follow established guidelines such as those published by Invest Europe (formerly the European Private Equity and Venture Capital Association) (or otherwise provide the coverage set out in such guidelines) for the reporting on and monitoring of existing investments in their funds, as to the frequency and form of reports covering fund reporting, a summary of each investment by the fund, detail of the limited partner's interest in the fund and details of management and other fees attributable to the general partner; and

b value investments in their funds using either valuation guidelines published by the International Private Equity and Venture Capital Board or applicable accounting standards.

9 Data input by private equity firms to the industry association

Data to be provided on a confidential basis to an accounting firm (or other independent third party) appointed by the BVCA to cover:

a In respect of the previous calendar year:

- the amounts raised in funds with a designated capability to invest in UK portfolio companies;
- acquisitions and disposals of portfolio companies and other UK companies by transaction value;
- estimates of aggregate fee payments to other financial institutions and for legal, accounting, audit and other advisory services associated with the establishment and management of their funds; and
- such other data as the BVCA may require for the purpose of assessment of performance on an industry-wide basis, for example to capture any material change over time in the terms of trade between general partners and limited partners in their funds.

b In respect of exits from UK portfolio companies over at least the previous calendar year to support the preparation on an aggregate industry-wide basis of an attribution analysis designed to indicate the major sources of the returns generated by private equity. In broad terms, these are the ingredients in the total return attributable respectively to leverage and financial structuring, to growth in market multiples and market earnings in the relevant industry sector, and to strategic direction and operational management of the business. The relevant data, which will unavoidably involve important subjective assessment, will involve content and format at the outset as in Annex F to the guidelines, to be reviewed and refined as appropriate in the light of initial experience and discussion between the BVCA, with the third-party professional firm engaged for this and related analysis, and the relevant private equity firms.

10 Responsibility at a time of significant strategic change

A private equity firm should commit to ensure timely and effective communication with employees, either directly or through its portfolio company, in particular at the time of a strategic initiative or a transaction involving a portfolio company as soon as confidentiality constraints cease to be applicable. In the event that a portfolio company encounters difficulties that leave the equity with little or no value, the private equity firm should be attentive not only to full discharge of its fiduciary obligation to the limited partners but also to facilitating the process of transition as far as it is practicable to do so.

11 Interaction with the Alternative Investment Fund Managers Directive

Private equity firms and portfolio companies covered by the Guidelines are not expected to provide disclosure in respect of the applicable additional transparency requirements in the Alternative Investment Fund Managers Directive (the "Directive") if they do not fall within the scope of the Directive. Having performed a gap assessment, the Group was of the view that the Guidelines include the information required under the Directive in respect of disclosure in the annual reports of portfolio companies except for details on transactions in own shares. The Group expects this information to be included in the financial statements of the portfolio company where significant.

The disclosures expected by private equity firms on acquisition of portfolio companies under the Directive are more prescriptive than those set out above. The Group has decided not to amend the Guidelines in respect of these specific requirements as they are still within the spirit of the Guidelines for this particular area. Firms that are covered by the Directive may find the Guidelines and examples of good practice reporting by portfolio companies published by the Group as a useful source of guidance but are responsible for taking appropriate advice to ensure they are fully compliant with their obligations.

The tables below set out examples of how the Guidelines interact with the AIFMD's transparency requirements in respect of the annual reports of portfolio companies and the disclosure expected on acquisition of control. The requirements apply to non-listed companies with registered offices in the EU.

a) Annual report disclosures

AIFMD requirements– annual report disclosures *Regulation 42 of the AIFM Regulations (Annual report of AIFs exercising control of non-listed companies)*	**Guidelines requirements** *Part V Sections 4 and 5 of the Guidelines* *(Guidelines for enhanced disclosure by portfolio companies and private equity firms)*
The following disclosures are required about each non-listed company over which an AIF individually or jointly has control. They can be included in the annual report of the AIF and/or the non-listed company.	The following disclosures are required to be included in the annual report of the portfolio company and not the private equity fund.
■ A fair review of the development of the company's business representing the situation at the end of the period covered by the annual report;	Part V section 4 requires portfolio companies to prepare a strategic report which includes provisions in the Companies Act 2006 normally applicable to quoted companies. The strategic report requirements set out in s414C(2) and s414C(3) of the Companies Act 2006 will assist firms to comply with this requirement. They require "a fair review of the company's business" and a "balanced and comprehensive analysis of the development and performance of the company's business" during the financial year and the position at the end of that year. s414C(4) also requires the disclosure of financial and non-financial key performance indicators to support the analysis.
■ Any important events that have occurred since the end of the financial year;	The Group expects this information to be included to comply with the requirements of the strategic report as the report should have forward looking orientation. Further, this information is expected to be disclosed under UK and international accounting standards.
■ The company's likely future development; and	The strategic report requirements set out in s414C(7) of the Companies Act 2006 will assist firms to comply with this requirement. It requires information on "the main trends and factors likely to affect the future development, performance and position of the company's business."
■ Details of any acquisitions or disposals of own shares.	The Group expects this information to be included in the financial statements of the portfolio company where significant and has chosen not to incorporate this disclosure requirement as it was removed by the government from the directors' report as it was not considered a significant disclosure. This approach is in line with Guidelines which do not prescribe disclosures that go beyond those required of quoted companies.
The disclosures must be made within six months of the year-end of the AIF.	Part V, section 5b) of the Guidelines requires the annual report of the portfolio company to be made available no more than 6 months after the company year end. Where the year end of the portfolio company and the AIF are the same then the AIFMD requirement is likely to be fulfilled. Where the year end of the portfolio company differs to that of the AIF then firms may need to amend the timing of reporting of the portfolio company accordingly.

If the information is included in the AIF's annual report then the AIFM must use best efforts to ensure the board of the company makes the information available to all employee representatives or (where there are none) to the company's employees directly.	Part V, section 5a) of the Guidelines requires the annual report of the portfolio company to be readily accessible on the company website. This ensures that employees and other stakeholders are able to access this information publicly.

b) Disclosures required on acquisition of control

AIFMD requirements – disclosures on acquisition of control *Regulation 39 of the AIFM Regulations (Disclosure in case of acquisition of control)*	**Guidelines requirements** *Part V Sections 4, 5, 7 and 10 of the Guidelines (Guidelines for enhanced disclosure by portfolio companies and private equity firms)*
When control is acquired, the AIFM must disclose its intentions to the regulator, the company and its shareholders about the future of the business and likely repercussions on employment by the company and material change in the conditions of employment.	Part V section 10 of the Guidelines sets out the responsibilities of the private equity firm at a time of significant strategic change. It requires a commitment to ensure "timely and effective communication with employees, either directly or through its portfolio company, in particular at the time of a strategic initiative or a transaction involving a portfolio company." Although the precise wording is not the same, the AIFMD requirements are in the spirit of what is intended by the Guidelines. The Guidelines, however, do not include the obligation to disclose information to regulators.
Other areas where disclosure is required:	
■ The identity of the AIFM(s) with control.	Part V sections 4a) and 4b) of the Guidelines require disclosure of the fund(s) that own the company, details on executives or advisers of the private equity firm that have oversight of the company and details on board composition, identifying those directors from the private equity firm.
■ The policy for preventing and managing conflicts of interest and information about the safeguards established to ensure any agreement between the AIFMs or the AIFs and the company is at arm's length.	Part V section 7 requires the private equity firm to disclose on its website (through an annual review or regular updates) a "confirmation that arrangements are in place to deal appropriately with conflicts of interest, in particular where it has a corporate advisory capability alongside" its fund management business. Details of the policy and applicable safeguards may be disclosed by the private equity firm although the Guidelines do not explicitly require this.
■ The policy for external and internal communication relating to the company, in particular as regards employees.	Part V section 4 requires portfolio companies to prepare a strategic report which includes provisions in the Companies Act 2006 normally applicable to quoted companies. Portfolio companies therefore include extended information about the company, and this occurs throughout the year. Section 5c) of the Guidelines requires the portfolio company to publish "a summary mid-year update giving a brief account of major developments in the company… no more than 3 months after mid-year." s414C(7) of the Companies Act 2006 requires information to be disclosed on the company's employees and the Group expects this to include policies related to employees. Further, Part V section 10 sets out the responsibilities of private equity firms in times of strategic change, including to employees.

Appendix 4: Assessing the quality of disclosures by portfolio companies

A4

The PERG's objective is to ensure that all companies covered by the Guidelines report to at least a good level. In the first part of its review, PwC checks if portfolio companies have included the disclosures required by the Guidelines.

For the second part of the review, the PERG commissions PwC to form a view on the quality and standard of the disclosures and classify them as excellent, good or as meeting the level of basic compliance. In practice, this is a subjective judgement made by assessing how many of the expected attributes of good quality reporting in each of the guidelines criteria are included in the disclosures, utilising those expectations set out in the PwC Good Practice Guide.

To inform this assessment and determine the level required to obtain a "good" rating, PwC also performs a read across of the portfolio companies' disclosures to the standard typically seen in the financial statements of companies within the FTSE 250 and consider other elements of good corporate reporting such as the:

- level of information and the way in which it is disclosed;
- clarity of the narrative;
- cohesiveness and linkage of different disclosure areas;
- use of text and visuals; and
- overall user-friendliness.

The companies in the FTSE 100 are not generally considered to be comparable to the portfolio companies covered by the Guidelines due to their size and geographical reach (the FTSE 100 companies are generally multinational whereas the portfolio companies have significant UK operations) and therefore do not form part of this assessment. The PERG's definitions for measuring compliance is included below.

Quality of disclosure	Explanation of how assessment is reached
Excellent	An assessment against any criterion as excellent confirms this disclosure stands out over and above the requirements of the Guidelines, akin to examples of transparency and disclosure in the higher end of the listed reporting space. A company would be expected to include all relevant attributes of the Guidelines requirements as covered in the PwC Good Practice Guide and go beyond this in order to achieve this classification. We would typically only expect to see one or two examples achieve this categorisation in any one category.
Good	A company would include most of the relevant attributes of each of the relevant Guidelines requirements as covered in the PwC Good Practice Guide. We would expect the narrative to be fair, balanced and understandable throughout.

Basic but complaint	A company would include many attributes of each of the relevant Guidelines requirements as covered in the PwC Good Practice Guide. However, there would be room for improvement, especially in including more areas that could be considered applicable for the business. However, there would be clear and sufficient disclosure in the key areas to be considered compliant. Although the report will be fair, balanced and understandable there is likely to be areas where improvements could be made in this area.
Non-compliant	Either a company would not have sufficient disclosure in one or more areas of the Guidelines, or when taken as a whole the report is not considered fair, balanced and understandable and therefore fails to be sufficiently transparent to comply with the standards.
Comply or explain	The Guidelines provide the portfolio companies with an option to comply, or explain the rationale for non-compliance in a certain area. Where a company has explicitly taken this approach and confirmed this in their annual report we have identified this.

These classifications are inherently judgemental and considered in the context of the detailed review of the annual report of the portfolio company taken as a whole. The review has found that portfolio companies do prepare disclosures for the individual requirements to an excellent standard, but there have been few examples over the years where the portfolio company achieved an excellent standard overall.

The PERG will ask portfolio companies to remedy exceptions noted prior to the publication of this report and therefore considers disclosures subsequently uploaded to a company's website when determining the final level of compliance. This is in line with the principle of transparency as this additional information is available to supplement the disclosures in the accounts.

A5

Appendix 5: Recommendations for the industry association

The original recommendations for initiative by the BVCA cover:

- the BVCA's industry-wide reporting and intelligence function;
- the establishment of a guidelines review and monitoring capability;
- for engagement with major investors and their associated entities or affiliates which, though "private equity-like", do not require authorisation by the FCA; and
- for engagement in discussion with relevant private equity groupings outside the UK in the development of common standards, in particular in respect of fund performance.

These recommendations have been implemented by commissioning the EY report on the performance of portfolio companies and other BVCA activities.

A. Reporting and intelligence

1 The BVCA should boost significantly its capability for the collection, processing and analysis of data submitted by private equity firms and portfolio companies. While the main focus of this report is, as indicated and defined at the outset, on the activities of large buyout firms and their portfolio companies, the BVCA's reporting and intelligence function covers the whole of the private equity industry, including venture and development capital. The recommendation here is that this overall capability should be boosted so that the BVCA becomes the recognised authoritative source of intelligence and analysis both of larger-scale and of venture and development capital private equity business based in the UK and a centre of excellence for the whole industry. It is recommended that, alongside the strengthening of the executive that is already in train, the BVCA should retain the services on a fee-paying basis of one or more professional firms to assist in this task as a means of quality input and assurance, as also for the assurance of confidentiality in respect of data that is provided exclusively for incorporation in an aggregation process.

2 This recommended enlargement and strengthening in the BVCA's data gathering, analytical and reporting capability will call for materially increased data input from portfolio companies covered by the enhanced reporting guidelines and from the private equity firms investing in those companies. Responsibility for the sourcing of specific data flows respectively as between private equity firms and portfolio companies should be determined by the BVCA on the basis of prior consultation, to include for the previous calendar year or portfolio company reporting period:

- amounts raised in funds with designated scope to invest in portfolio companies in the UK;
- categorisation of limited partners by geography and by type;
- scale of acquisitions of UK portfolio companies by transaction size at the time of acquisition;
- trading performance of portfolio companies in terms of revenues and operating earnings;
- estimates of levels and changes in employment, new capital investment and research and development expenditure by portfolio companies;

- aggregate fee payments by private equity firms and portfolio companies to other financial institutions and for legal, accounting and other advisory services; and
- such other data collection and analysis as may be required in support of a comprehensive evidence-based assessment capability on the performance and economic impact of private equity in the UK, with particular reference to employment, productivity, investment and innovation.

3 Data should be collected from private equity firms to support attribution analysis in respect of exits in at least the previous calendar year to provide on an industry wide basis annually an assessment of percentages of total return over the holding period attributable to:

- leverage and financial structuring;
- growth in market multiples and market earnings in the relevant industry sector; and
- strategic direction and operational management of the business.

4 It is recommended that the BVCA should publish an enlarged version of its economic impact and associated surveys to cover both the industry overall and giving separate data and analyses for:

- larger-scale private equity business to present an authoritative evidence based account of the performance of the industry in the UK over the holding periods of portfolio companies and of the subsequent performance of former portfolio companies where exit by the fund or funds is to the public market by means of an IPO process; and
- venture and development capital, which will call for an increase in the sample sizes for data collection.

B. Guidelines review and monitoring

For the purpose of ensuring that the guidelines for disclosure by portfolio companies and private equity firms remain appropriate in the light of changing conditions and to monitor conformity with the guidelines, the BVCA should establish a Guidelines Review and Monitoring Group (the "Group") with the following elements:

1 Terms of reference of the Group:

a) to keep the guidelines under review and to make recommendations for changes when necessary to be implemented by the BVCA after due consultation to ensure that the Guidelines remain appropriate in changing market and industry circumstances; ;

b) to review the extent of conformity with the guidelines, through compliance or explanation, on an ongoing basis; and

c) to publish a brief annual report on the work of the Group.

2 Composition of the Group:

a) a Chairman with substantial experience but independent of private equity;

b) total size of five to include two executives of GPs or advisers to funds investing in portfolio companies covered by the Guidelines;

c) two independent members additionally to the Chairman with substantial professional or business experience; and

d) thus a majority of independents.

3 Appointment of the Group:

a) to be appointed by the Chairman and Council of the BVCA on the advice of a Nominations Committee of the Council.

b) the Chairman of the Group to have a term of three years with provision for appropriate rotation of other members to ensure continuity; and

c) the Chairman and the independent members to be paid appropriate fees.

4 Operations of the Group:

The guidelines review and monitoring processes under paragraph 1 (a) and (b) above to be supported by an accounting firm appointed by and under the direction of the Group:

a) undertaking data processing and assessment on the basis of initial self assessment on conformity by private equity firms and portfolio companies;

b) appropriate spot-check sampling; and

c) funded under budget provisions agreed between the Group and the Chairman and Council of the BVCA.

5 Conformity with the Guidelines:

On the basis that BVCA member firms commit to conform to the guidelines as a condition of membership, the Group would discuss in confidence with a private equity firm or portfolio company any case of non-conformity which it considered to be material. In the absence of commitment to early remedial action, the matter would be for discussion and determination of appropriate action between the Chairman of the Group and the Chairman of the BVCA and might, after due process, involve public disclosure and termination of membership of the BVCA.

C. Engagement with "private equity-like" entities

1 The BVCA should identify entities whose business, though not requiring authorisation by the FCA, is similar to that of the private equity firms covered by these guidelines, to include in particular the UK affiliates of sovereign wealth funds and other major principal or proprietary investors whose funding is not dependent on limited partners.

2 The BVCA should initiate discussion with such groups (where appropriate, in the case of sovereign wealth funds, after consultation with government) with the purpose of enlisting their voluntary undertaking to conform to the Guidelines, on the basis that this will be in their own interest as a manifest of their commitment to established good practice as to disclosure and transparency in such business conducted in the UK.

3 The BVCA is recommended to create an appropriate category of membership to enable such entities to be associated appropriately with the activities of the association.

D. Fund performance measurement

The BVCA should participate proactively with private equity trade associations beyond the UK and with representatives of the domestic and international limited partner community to develop a methodology for the content and presentation of fund performance information with particular relevance for prospective future limited partners as well as those in existing funds. The Global Investment Performance Standards ("GIPS") prepared under the auspices of the CFA Institute represent a possible approach on which the BVCA should engage during the impending five year review of GIPS. Any standard to emerge from this process should be incorporated in the guidelines in due course.

Appendix 6:
Compliance checklist for private equity firms and their portfolio companies

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For the benefit of those in scope of the Guidelines, a checklist of requirements for private equity firms and their portfolio companies is found below.

Private Equity firm requirements

Requirement	Completed?
Have the following disclosures been published in an annual review accessible on your website **or** disclosed via regular updating of your website?	
■ A description of the way in which the FCA-authorised entity fits into the firm of which it is a part	
■ An indication of the firm's history	
■ An indication of the firm's investment approach	
■ An indication of the firm's investment holding periods	
■ Case study illustrations (optional)	
■ A commitment to conform to the Guidelines on a comply or explain basis and to promote conformity on the part of the portfolio companies owned by your fund(s)	
■ An indication of leadership of the UK element of the firm, identifying the most senior members of the management or advisory team	
■ Confirmation that arrangements are in place to deal appropriately with conflicts of interest	
■ A description of UK portfolio companies in the your portfolio	
■ A categorisation of the limited partners in your fund(s) that invest, or are capable of investing, in companies that would be considered UK portfolio companies for the purpose of the Walker Guidelines, indicating separately:	
☐ A geographic breakdown between UK and overseas sources, and **and**	
☐ A breakdown by type of investor e.g. pension funds, insurance companies, corporate investors, fund of funds, banks, government agencies, endowments of academic and other institutions, private individuals	
Has the statement of conformity been completed, signed and returned to the BVCA?	

Portfolio company requirements

Disclosure requirements	Completed?
Have the following disclosures been included in the company's audited annual report and accounts (or an explanation provided where they have been omitted)? *Companies should refer to the PERG and PwC good practice guide, which illustrates basic compliance and examples of good practice*	
1. Identity of the private equity firm owner	
2. Details on board composition	
3. Financial review of the company's position	
4. Financial review of the company's financial risks	
5. Balanced and comprehensive analysis of development and performance during the year and position at the year end	
6. Principal risks and uncertainties facing the company	
7. Financial key performance indicators	
8. Non-financial key performance indicators, including environmental matters and employees	
9. The company's strategy	
10. The company's business model	
11. Trends and factors affecting the company's future development, performance or position	
12. Environmental matters	
13. Employee matters	
14. Social, community and human rights issues	
15. Gender diversity information	
16. A statement by the directors of the company confirming compliance with the Guidelines or setting out explanations for areas of non-compliance.	

Transparency requirements	Completed?
1.a TThe company should publish its annual audited report on its website within 6 months of year end.	
1.b The Walker disclosures should be produced in the front half of the annual audited report, not in an annual review or similar.	
1.c The annual audited report should be readily accessible on the company website, and not behind a log-in or similar.	
2. The company should publish a summary mid-year update on its website giving a brief account of major developments in the company within three months of mid-year.	

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