Improving transparency and disclosure

Good practice reporting by portfolio companies

Private Equity Reporting Group
The Guidelines for Disclosure and Transparency in Private Equity
December 2021

pwc

Contents

Introduction

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

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

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

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

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

The 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 COP 26 will drive increased interest and scrutiny in this areas.

The wider drive to continually improve corporate reporting, transparency and governance for large private businesses, including those that are Private Equity backed, includes the UK's Government's consultation on corporate governance and audit regime and the Financial Reporting Council's 'Future of Corporate reporting' project. The focus on delivering meaningful corporate reporting not only for shareholders but also wider stakeholders has never been higher. The level of accountability for business is rightly increasing and business leaders will need to recognise the direction of travel in these areas and take a lead accordingly.

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

Nick Land
Chairman – Private Equity Reporting Group

Executive summary

The continued impact of the COVID-19 pandemic has meant an increased focus on areas of corporate reporting that are immediately obvious, such as the performance narrative and the financial position discussion. However, 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 report.

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

- A strategically focused base to the annual report narrative will provide a clear template to address all matters. This will provide a framework for the explanation of significant issues, outline throughout how the business addresses areas of strategic focus and ensure stakeholders have an insight to the driving governance behind operational activities.
- Making connections will create a cohesive report that provides clear linkage on matters that are important to stakeholders and ensure a greater level of insight. This is particularly important with an area like principal risk assessment to ensure this addresses strategic aims and is specific in nature to the business.
- Being clear on the timeline and scale of activity will create a dynamic picture of progress and enable a broader understanding of the business. This is particularly important for forward looking information to make it more tangible to the stakeholder and not a baseless aim or suggestion with no conviction.

Each year a sample of portfolio companies are reviewed for compliance with the Guidelines, and over the last fourteen years there has been a sizable shift in the underlying quality and transparency of reporting. All the Guideline areas require careful consideration to ensure good practice can be achieved and this guide provides both an understanding of what good practice looks like and some actual examples from the most recent review. The examples set out elements of good practice for the specific criteria disclosed. The Group will review the disclosures in the annual report when reviewing compliance.

Applying the Guidelines – Guiding principles

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

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

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

Guidelines specific

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

- Identity of private equity firm – page 4.
- Details on board composition – page 5.
- Financial review – position – page 6.
- Financial review – financial risks – page 7.

Strategic report – Large private

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

- Balanced and comprehensive analysis of development and performance during the year and position at the year end – page 8.
- Principal risks and uncertainties facing the company – page 9.
- Key performance indicators – financial – page 10.
- Key performance indicators – non-financial including environmental matters and employees – page 11.

Strategic report – Quoted[1]

- Additional elements from the Strategic Report Regulations for quoted companies that have been adopted into the Guidelines for portfolio companies to further explain the business and offer comparability to those disclosures often seen in listed groups:
  - Strategy – page 12….
  - Business model – page 13…
  - Trends and factors affecting future development, performance or position – page 14.
  - Environmental matters – page 15.
  - Employees – page 16.
  - Social, community and human rights issues – page 17.
  - Gender diversity information – page 18.

Greenhouse gas emissions disclosures[1]

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

Statement of compliance

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

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

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

Comply or explain requirement

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

Disclosure placement

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

[1]Elements of the quoted companies criteria are now also required for large private companies under the Section 172 reporting requirements and the Streamlined Energy and Carbon Reporting guidance.

1. Identity of private equity firm

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

Merlin Entertainments – 26 December 2020

Blackstone – one of the world's leading investment firms, that seeks to create positive economic impact and long term value for investors, the companies in which it invests, and the communities in which it works. Blackstone's asset management businesses had $619 billion in assets under management as at 31 December 2020 across a range of investment vehicles. Blackstone has long-standing experience investing in location based entertainment businesses, like Merlin, as well as the wider hospitality, travel and leisure sector. Blackstone's investment in Merlin has been made through its long-dated Core Private Equity Strategy, which invests in high-quality businesses for typically ten to 15 or more years.

This example provides the background of the PE firm as well as the context for the investment in it's portfolio and investment horizon.

Zenith – 31 March 2021

Zenith Automotive Holdings Limited is owned 27% by management and 73% by BEV Nominees Limited, a Bridgepoint company. BEV Nominees Limited is owned by a number of limited partnerships comprising the Bridgepoint Europe V Fund.

Bridgepoint is a major international alternative asset fund management group, focused on the middle market, providing private equity and private debt lending solutions. Bridgepoint focuses on acquiring or investing in businesses with strong market positions and earnings growth potential where significant additional value can be created through expansion and operational improvement. With c.€26 billion of assets under management, Bridgepoint invests internationally in six principal sectors: business services, consumer, financial services, healthcare, medtech & pharma, manufacturing & industrials and digital, technology & media - via a platform of offices in Europe, US and China.

This example clearly identifies the private equity firm with details of private equity firm background.

2. Details on board composition

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

Stonegate Pub – 27 September 2020

Manjit Dale (Founding Partner of TDR Capital LLP)

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

Brian Magnus (Senior Partner at TDR Capital LLP)

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

Ian Payne MBE (Chairman of Stonegate Pub Company)

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

This example shows clearly where directors have been appointed by the private equity firm and also relevant experiences.

RAC – 31 December 2020

Non-Executive Directors – CVC Group

MB Marc Boughton

Marc has been a Non-Executive Director since April 2016. Marc is Managing Partner, CVC Capital Partners, Founder Chairman of CVC's Global Philanthropy Program and a member of CVC's global ESG Committee. Marc joined CVC in 1995, was a member of the Private Equity Investment and Portfolio committees and, in 2000, set up and managed CVC's Capital Markets Team. In 2006, Marc founded CVC Credit Partners as an independent private credit business. In 2015, Marc founded, led and chaired CVC's Strategic Opportunities investment platform. Prior to CVC, Marc worked for Electra Partners and at Deloitte Haskins & Sells (now PricewaterhouseCoopers) where he qualified as a Chartered Accountant and specialised in corporate recovery and investigations.

TG Tim Gallico

Tim has been a Non-Executive Director since April 2016. Tim is a Senior Managing Director of CVC Capital Partners. He currently sits on the boards of Asplundh Tree Expert LLC and Pension Insurance Corporation Group. Tim joined CVC in 2005 and was previously a consultant at Bain & Company. He also serves as a Trustee of the London Youth Games Foundation.

PH Pev Hooper

Pev has been a Non-Executive Director since April 2016. Pev is a Managing Partner at CVC Capital Partners, and currently sits on the boards of Domestic & General and Premiership Rugby. He was also responsible for CVC's prior investments in Saga, Merlin Entertainments and Virgin Active. He joined CVC in 2003 after working in mergers and acquisitions at Citigroup and Schroders.

This example details the directors and includes whether they are linked to the private equity firm and other appointments or relevant experiences.

3. Financial review – Position

Requirement

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

To cover the financial review requirement the analysis has been split into two parts. The first looks at information on the position of the entity at year end. The second looks at the financial risks identified (see page 7).

Basic compliance

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

Good practice

Attributes of good practice include:

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

Keepmoat – 31 March 2021

NET DEBT & COVENANTS

On 31 March 2021, the Group was funded by the following facilities:

- External, term bank debt of £434m. This is repayable on 31 March 2024.
- External Loan Notes of £289m (held in Zeus Finco Limited) and Preference Shares of £272m (held in Zenith Automotive Holdings Limited). These are owned by the shareholders of Zenith. Interest is calculated monthly and annually rolled and added onto the balance rather than being cash-settled. These instruments will be repaid in the event of a sale of the Group or after a 20-year period ending 31 March 2037.
- Cash and cash equivalents of £19m.
- The Group also has a Revolving Credit Facility (RCF) of £60m available until 31 March 2023. At 31 March 2021 £20m was drawn on this facility. There is a leverage covenant which is measured once the RCF is more than 35% drawn and we must ensure that when tested the Consolidated Super Senior Secured Leverage Ratio* does not exceed 1.65:1.
- Excluding shareholder debt, the Group has net debt of £435m as at 31 March 2021.

* Consolidated Super Senior Secured Leverage Ratio is defined as drawn RCF divided by EBITDA.

CAPITAL STRUCTURE

As set out in the section above, the Group has £434m of external debt. The loan notes and preference shares total £561m and are held by the equity shareholders, including both Bridgepoint and Zenith employees.

This type of capital structure, with a mix of external and shareholder debt and wide employee share ownership, has been successful in supporting the growth of the business through six private equity transactions and ensuring high levels of employee engagement in the business.

This example includes clear explanation of net debt and capital structure along with covenants in place.

4. Financial review – Financial risks

Requirement

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

To cover the financial review requirement the analysis has been split into two parts. The first looks at information on the position of the entity at year end (see page 6). This second section looks at the financial risks identified.

Basic compliance

The review of financial position requirements should include the following:

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

Good practice

Attributes of good practice include:

- More detailed discussion in the financial statements of the overall risk management objectives and policies;
- Discussion focused on the key financial risks identified (see page 9 for principal risks), for example liquidity and cash flow, credit, interest rate, and how the risk management policies address these risks;
- Quantitative information to support the discussion on risks;
- Disclosure of the likelihood and impact of these risks and clear linkage to how they are managed and monitored; and
- Specifically, as part of describing financial performance, position and risks we would expect to see more discussion around taxation, with some discussion on tax policy, uncertain tax positions, and narrative rather than just numbers to explain key items impacting the effective tax rate.

Zenith – 31 March 2021

Credit Risk	Controls
Zenith takes credit risk on customers to the extent it funds vehicles on either back-to-back or securitisation funding.	Our Credit Risk Team monitor and review credit risk reporting directly to the CFO. Every customer is reviewed at least annually to assess its creditworthiness..
	A detailed assessment of customers due for review is presented to the Credit Committee which meets monthly. Based on the review, individual credit limits are agreed, and funding strategies decided, according to the company's risk appetite. All new business opportunities are reviewed by our Credit Risk Team prior to tendering.
Liquidity Risk	**Controls**
Zenith perform regular cash analysis to understand cash requirements and ensure the group can access sufficient cash resources to meet our funding requirements and meet liabilities as they fall due.	Short- and long-term cash flow forecasts are regularly performed and reported to the board. Our facilities and their utilisation/headroom are also reported to the board monthly.
	Our Treasury Team monitor our cash position and this is reported to our Senior Management Team daily.

This example includes clear identification of the financial risk along with the controls in place.

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

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

BCA – 28 March 2021

International Vehicle Remarketing

The division generated revenue of £190.1m (2020: £78.8m) and adjusted EBITDA of £33.9m (2020: £14.9m). Availability of volumes was supressed across Europe as leasing companies and OEMs experienced delays in the return of financed vehicles and there was reduced availability of new vehicles following covid-19 disruptions. This was partially offset by some additional international cross border buying activity undertaken in response to the various levels of supply and demand seen across different markets, supported by the Group's BCA 1Europe Transport network of accredited partners. Average revenue per vehicle increased driven by changes in country mix, in part reflecting the differing impacts of covid-19 restrictions, and increased export fee penetration.

In June the International Vehicle Remarketing division commissioned its first automated inspection units in Europe, and at the end of the year were operating a number of automated units in Denmark, France and the Netherlands. These drive-through units assess vehicle condition, reducing the need for manual inspection and ensuring a consistent and accurate assessment.

This example is part of a broader business performance discussion which is at a divisional level.

RAC – 31 December 2020

Membership Services

	£m	2020	2019
Consumer Breakdown Members	000s	2,470	2,377
Business Breakdown Members	000s	9,504	9,039
Total Membership Services Members	000s	11,974	11,416
Number of Breakdowns	m	2.23	2.40
Roadside Repair Rate	%	82	81
Consumer Breakdown Churn Rate	%	15.0	15.6
Membership Services Revenue	£m	521	535
Membership Services EBITDA	£m	239	222
Membership Services Operating Margin	%	46%	41%

The resilience shown in all three of our consumer, small business and larger business bases was strong in 2020, and we grew Membership Services by 5% to 12.0 million members, an increase of over 550,000 from 2019. We saw strong acquisition and retention performance in all areas, despite the impact of Covid-19, and broadly stable average revenue per user (ARPU). We are particularly proud that our growth in year made us the #1 breakdown provider for business.

Our Membership Services revenue reduced by 5%, reflecting the impact of lockdown restrictions on our pay-on-use corporate revenues, offset by lower volume-related costs, and a reduction in revenue from our Accident Management Services business, where we outsourced some of the specialist services to a third party during the year to support our plans for future growth. Encouragingly, our core recurring subscription revenues continued to grow during the period, supported by the growth in membership numbers. We also saw strong performance in sales of batteries and parts, and significant growth in revenues from our recalls and inspections services and branded contact centre services for OEMs which helped to support revenue and margin across the division.

Membership Services EBITDA increased by 8% to £239 million with costs reducing significantly, in line with lower activity levels. Breakdown volumes reduced by 7%, reflecting the government-mandated restrictions on movement and changes to working patterns as a result of Covid-19. We expect the impact of these changes to abate as we go into 2021 and return to more normal usage levels. We worked hard to sustain our cost efficiency in light of lower activity levels and reduced our spend on third party garage contractors significantly at the beginning of the first lockdown, which reduced our cost per breakdown. Having seen the benefit of this change, we recruited more patrols in the second half of the year to lock in these improvements for the future, securing an overall reduction in our cost to serve for the long term.

This example is part of a broader business performance discussion that brings operational information into the performance narrative to help underline and explain the situation.

6. Principal risks and uncertainties facing the company

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

- Clear alignment between strategy and risks;
- Explanation of how each risk is managed; and
- Assessment of the risk profile – the likelihood versus the impact of each risk – and an explanation of how the profile has changed during the year
- Avoiding a boilerplate approach to risk or having too many that these could all be considered Principal risks..

Merlin Entertainments – 26 December 2020

Risk	Description	How risks are managed
1. Safety	Serious incidents leading to guests, staff members or contractors being harmed or becoming ill because of: • a failure to follow health and safety management systems. • inadequate maintenance and management of buildings, infrastructure and vegetation; or • substandard build quality, asset degradation, fire, flood, storm or utility failure.	• Regular performance reviews by Board Committee with a specific mandate for this area. • Ownership of HSS risks by line management. • Competent operational and engineering staff monitor and inspect facilities in accordance with a planned programme, backed up by professional HSS teams. • Annual risk register review and action planning processes. • Regular internal and independent external auditing and review regimes. • Contractor selection, approval and monitoring by in-house qualified project managers.
2. Security	Reduction in guest confidence to visit the Group's attractions because of sabotage or a terrorist attack on a ride or attraction leading to a guest or staff member or animal in our care being harmed.	• Detailed security protocols before individuals access an attraction (e.g. bag searches). • Regular infrastructure reviews to reduce the opportunity for physical threats to guests, staff or animals. • Extensive use of CCTV. • Regularly tested major incident management plans. • Current events vigilantly monitored to identify emerging risks. • Co-operation with local and national security forces. • Appropriate insurance cover. • Board Committee established with specific mandate for this risk area.
3. Commercial impact of external threats to location based entertainment operations	• Personal health and security concerns that flow from terrorist activity, public health pandemics or climate change events, resulting in falling visitation to a location in which the Group operates, with displacement of both international and domestic tourists. • In extremis, such events may lead to governmental or other regulatory instructions to close our attractions, including over multiple geographies. • Exchange rate volatility can have a positive or adverse impact on inbound tourism. If exchange rates work against a country in which the Group generates significant revenue, this can adversely impact visitation.	• Increased geographical hedging as a result of further global diversification. • Ability to reduce variable expenditure, for example in staffing, property and marketing costs. • Ability to defer non-essential capital expenditure. • Crisis management procedures for each attraction that set out the appropriate response. • Ability to direct marketing and promotional activity towards domestic or international audiences depending on tourism trends. • Ability to promote access to a wide portfolio of attractions using annual pass or cluster ticketing.

This example includes details of the risks, movements in the year and how risks are managed.

7. Key performance indicators – Financial

Requirement

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

Basic compliance

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

Good practice

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

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

Miller Homes – 31 December 2020

Key performance indicators

Revenue (£m)

£665m

-21%

2020	665
2019	841
2018	747
2017	674
2016	565

Definition
This represents revenue which is predominantly generated through the sale of both private and affordable new homes and to a lesser extent from the sale of land, where it is capital efficient to sell a portion of larger sites.

Performance
Revenue fell by 21% in 2020 as a direct consequence of the COVID-19 lockdown measures in the first half of the year which impacted our ability to build new homes. This adversely affected completion volumes throughout the year with the second quarter seeing the largest year on year reduction.

Average selling price (£000)

£261,000

+5%

2020	261
2019	249
2018	249
2017	239
2016	231

Definition
This represents revenue from new home sales divided by the total number of core completions. In line with standard accounting practice, this excludes revenue from homes sold through joint ventures, the profit on which is shown within "share of result in joint ventures". It measures movements in revenue per unit caused by house price inflation, location or mix changes.

Performance
ASP increased by 5% to £261,000 (2019: £249,000). This reflected a 7% increase in the private ASP to £303,000 (2019: £284,000) and a 6% increase in the ASP of affordable homes to £121,000 (2019: £114,000). The improvement in ASP more than offset the impact of an increase in the proportion of affordable homes which rose to 23% (2019: 20%) of core completions.

Gross margin (%)

23.6%

-1.4%

2020	23.6
2019	25.0
2018	25.7
2017	25.3
2016	25.3

Definition
This represents gross profit excluding exceptional items divided by revenue. It measures the Group's underlying profitability before administrative expenses.

Performance
The reduction in 2020 principally reflects a combination of cost inflation, a lower credit from shared equity receivables and lower absorption of selling and marketing expenses due to a decrease in completion volumes.

Operating margin (%)

17.3%

-2.7%

2020	17.3
2019	20.0
2018	20.2
2017	19.5
2016	18.2

Definition
This represents operating profit excluding exceptional items divided by revenue. It measures the Group's underlying profitability after administrative expenses.

Performance
The reduction in 2020 reflects lower gross margins with reduced completion volumes also impacting overhead recoveries.

Return on capital employed (%)

20.0%

-11.0%

2020	20.0
2019	31.0
2018	31.0
2017	29.0
2016	24.3

Definition
This represents operating profit excluding exceptional items expressed as a percentage of average capital employed, which is the average of the opening and closing balances of capital employed for each financial year.

Performance
The reduction in ROCE in the year reflects the decline in profitability following the COVID-19 lockdown measures.

Free cashflow (£m)

£92m

+10%

2020	92
2019	84
2018	82
2017	75
2016	29

Definition
This represents cash generated in the year excluding cashflows from financing activities, investing activities (other than movement in loans to joint ventures), corporation tax paid, interest paid and transaction costs.

Performance
The impact of COVID-19 led to a £176m reduction in revenues. Despite this, tight control of work in progress and reduced land purchases has seen the Group increase the level of free cashflow generated to £92m.

This example clearly identifies each financial KPI, the five year trend, provides the definition of the metric and a summarised assessment of performance.

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

Requirement

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

Basic compliance

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

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

Good practice

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

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

David Lloyd Leisure – 31 December 2020

1. Brilliant Basics
To deliver the operational basics brilliantly, every time, everywhere, every day by everybody.
This is measured by:

- > 85% monthly mystery visit (customer feedback)

Our mystery member programme was significantly impacted by COVID-19 and was temporarily suspended in March 2020. Scores for January and February were 86% and 90.1% respectively.

4. We Are International
To become an international company with an international mindset whilst keeping the local touch.
This is measured by:

- An average of at least four openings a year including UK and Europe

The number of clubs opened measures the Group expansion. The target is to open four new clubs per year.

In January 2020, we opened a stand-alone Blaze studio in Birmingham, which represents our first boutique studio in the UK.

On 30 January 2020, DLL Greenwich GmbH, an entity outside the Group, but related by virtue of a common ultimate controlling party, purchased the entire issued share capital of Meridian Spa & Fitness Deutschland GmbH and its subsidiaries (known as the "Meridian Group") which consists of eight health and spa clubs from leasehold premises in Germany.

On 30 September 2020, Meridian Spa & Fitness Deutschland GmBH, an entity outside of the Group, but related by virtue of a common ultimate controlling party, acquired Geneva Country Club for CHF 11.5m.

The Group has also developed a strong pipeline of sites that underpin the roll-out programme for the next three years and has carried out extensive analysis to identify white space in target towns and cities, generating 50 potential catchment areas in the UK and over 150 in Continental Europe. We remain well on track to achieve our target of 150 clubs by 2026.

This example focuses on the two non-financial key performance indicators, with a timeframe to achieve a target where appropriate.

9. Strategy

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

Vue Cinemas – 30 November 2020

STRATEGY

The Group has identified multiple levers for margin improvement and EBITDA growth through proven initiatives to drive market development and market share growth. Operational levers include automated content scheduling, digital products and marketing, price optimisation and rollout of site best practices across the Territories. Further EBITDA growth will be delivered through investments in technology, new sites and site refurbishments. Whilst the COVID-19 pandemic has re-focused efforts on liquidity and opening protocols, many of the above initiatives have continued to progress.

Content Scheduling

Introduction of automated scheduling software has been proven to drive admissions market share growth in the UK. The software creates algorithm-driven automated film schedules to show the right films at the right time to drive admissions and maximise operating profits. Purchase of software license rights were agreed in 2019, and although rollout across the Group has been delayed by COVID-19, extension of this software to other territories is planned.

This example describes the strategic elements that are changing the business, providing the dynamic context of how the strategic aims will be met.

RAC – 31 December 2020

Our vision is to become the UK's leading driving services subscription business and the UK leader in future mobility solutions, providing Complete Peace of Mind for all of our customers' driving needs. Our strategy to achieve that vision remains consistent, with a continued focus on growing our Core Businesses of breakdown and motor insurance providing the foundation and the momentum to expand well beyond our Core and exploit changes in the automotive mobility sector to capitalise on new opportunities for continued, sustainable long-term growth.

Strategic objectives

Continue delivering "Brilliant Basics" across our core divisions, building on what is already working and underpinning our results:

- Grow our recurring subscription membership base every year
- Retain our existing and win new B2B partners and growing services
- Continue to develop our insurance operating model and pricing differentiation
- Deliver roadside efficiency and great end-to-end service
- Re-engineer selected parts of our core business model for greater value and efficiency

Selectively expand our products and services into new "Adjacent Driving Services" markets in the broader £40 billion mobility space to accelerate our growth trajectory

- Our adjacencies will provide new relationships and open up additional customer segments
- Our brand, assets and expertise give us the right to win in these markets

Macro mobility trends give future opportunity beyond that with RAC data and brand perfectly positioned in an increasingly complex world

- We will lead the UK for electric vehicle expertise, products and services
- We will play a critical role in data and connected services with unique propositions

Driving Services

	Recalls & Inspections	Usage Based Insurance	Accident Services	SME Customers	Service, Maintenance & Repair
Market Size	£170m	£3bn	£5bn	£8bn	£13bn
Current RAC Share	3%	0%	<1%	<1%	<0.1%
RAC relevance	Using our skills to add value to dealers & OEM's	Using our telematics expertise to create a unique proposition	Using our recovery and repair expertise in the end to end process	Using our consumer experience to build better propositions to SME's	Adding trust and value into a fragmented market
Foundations in place for 2021	Highly skilled dedicated technicians and processes in place with strong pipeline of activity	Product relevance increased in a post-Covid world - test product in market with full launch in H1 2021	Existing business restructured in 2020, now partnered with industry leader in claims	Growing market share with new products and channels in the pipeline for 2021 to take advantage of growth in "local delivery" services	Garage network relaunched and growing with SMR proposition development well advanced

This example has the vision and strategic objectives clearly stated with context given on the market size and share.

10. Business model

Requirement

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

Basic compliance

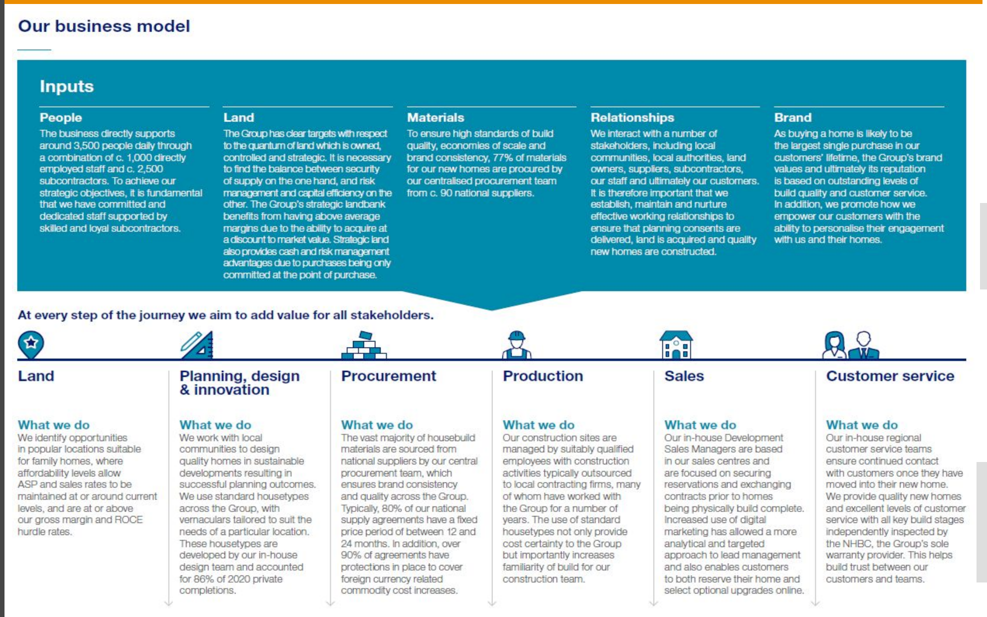
The business model should as a minimum identify what the company does to create value and how they do it.

Good practice

Attributes of good practice include:

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

Miller Homes – 31 December 2020



Our business model

Inputs

People
The business directly supports around 3,500 people daily through a combination of c. 1,000 directly employed staff and c. 2,500 subcontractors. To achieve our strategic objectives, it is fundamental that we have committed and dedicated staff supported by skilled and loyal subcontractors.

Land
The Group has clear targets with respect to the quantum of land which is owned, controlled and strategic. It is necessary to find the balance between security of supply on the one hand, and risk management and capital efficiency on the other. The Group's strategic landbank benefits from having above average margins due to the ability to acquire at a discount to market value. Strategic land also provides cash and risk management advantages due to purchases being only committed at the point of purchase.

Materials
To ensure high standards of build quality, economies of scale and brand consistency, 77% of materials for our new homes are procured by our centralised procurement team from c. 90 national suppliers.

Relationships
We interact with a number of stakeholders, including local communities, local authorities, land owners, suppliers, subcontractors, our staff and ultimately our customers. It is therefore important that we establish, maintain and nurture effective working relationships to ensure that planning consents are delivered, land is acquired and quality new homes are constructed.

Brand
As buying a home is likely to be the largest single purchase in our customers' lifetime, the Group's brand values and ultimately its reputation is based on outstanding levels of build quality and customer service. In addition, we promote how we empower our customers with the ability to personalise their engagement with us and their homes.

At every step of the journey we aim to add value for all stakeholders.

Land
What we do
We identify opportunities in popular locations suitable for family homes, where affordability levels allow ASP and sales rates to be maintained at or around current levels, and are at or above our gross margin and ROCE hurdle rates.

Planning, design & innovation
What we do
We work with local communities to design quality homes in sustainable developments resulting in successful planning outcomes. We use standard housetypes across the Group, with vernaculars tailored to suit the needs of a particular location. These housetypes are developed by our in-house design team and accounted for 86% of 2020 private completions.

Procurement
What we do
The vast majority of housebuild materials are sourced from national suppliers by our central procurement team, which ensures brand consistency and quality across the Group. Typically, 80% of our national supply agreements have a fixed price period of between 12 and 24 months. In addition, over 90% of agreements have protections in place to cover foreign currency related commodity cost increases.

Production
What we do
Our construction sites are managed by suitably qualified employees with construction activities typically outsourced to local contracting firms, many of whom have worked with the Group for a number of years. The use of standard housetypes not only provide cost certainty to the Group but importantly increases familiarity of build for our construction team.

Sales
What we do
Our in-house Development Sales Managers are based in our sales centres and are focused on securing reservations and exchanging contracts prior to homes being physically build complete. Increased use of digital marketing has allowed a more analytical and targeted approach to lead management and also enables customers to both reserve their home and select optional upgrades online.

Customer service
What we do
Our in-house regional customer service teams ensure continued contact with customers once they have moved into their new home. We provide quality new homes and excellent levels of customer service with all key build stages independently inspected by the NHBC, the Group's sole warranty provider. This helps build trust between our customers and teams.

David Lloyd Leisure – 31 December 2020

Business model

At David Lloyd Clubs, we believe that a balance of exercise, nutrition, mindfulness and sociability are the keys to wellness and to sustaining a positive and healthy life. We provide a highly differentiated offering to our members with a unique breadth of facilities and services. Our clubs help to promote physical and mental wellbeing for our members. Across our clubs, members can enjoy:

- Clubiness - vibrant club rooms, varied social events and an extensive range of "clubs within clubs" fostering a community;
- Family - unique mix of facilities and services along with kids' structured programmes and tuition;
- Wellness - relaxing spa facilities, dedicated mind and body studios and a healthy and nutritious menu;
- Sports - racquets, swimming and sports facilities of unrivalled quality in the market along with tuition from leading professional coaches;
- Fitness - innovative group exercise programme, extensive studio facilities and state of the art gyms; and
- @home - digital touch points, coupled with partnerships with ancillary service providers and provision of the @home service tailored to local members.

Our highly differentiated offering and size give us a significant competitive advantage. New entrants face high barriers to entry and significant challenges to replicate our proposition. Few catchment areas can support more than a single club with a comparable offering to a typical David Lloyd club and there is a lack of available sites.

Our business model is underpinned by diversified and affluent members who are loyal and generate significant recurring subscription income. More than 75% of the Group's revenues are generated through member subscriptions with most members on 12 month rolling contracts requiring them to provide 3 months' notice to leave.

Membership income, the economic engine of our business, is driven by three fundamental levers: yield, new member sales and attrition. All three levers are highly dependent, with a change in one typically having consequential impact on the others. All three levers depend on member satisfaction, which sits at the heart of our operating model. Our investment into our staff and club facilities has improved member satisfaction, reducing attrition, providing scope for yield enhancements, and attracting new high-quality members.

This example provides an example of the key inputs into the operational model that drive the business performance.

This example articulates the business model well, including details of how inputs create value for all stakeholders. The outputs are then quantified and set out by each of those key stakeholder groups.

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

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

RAC-31 December 2020

RAC is at the heart of new emerging mobility trends and ecosystems

As the mobility industry evolves, RAC is perfectly positioned in this increasingly complex world. With our most trusted automotive brand and 123 year history, ever-expanding driver and vehicle "data lake", digital platforms and growing 12.7 million member relationships RAC is starting to capitalise on the changes ahead.

The most obvious mobility shift is to Electric Vehicles and RAC is already "#1 for EVs". We are the only provider with onboard charging technology and state-of-the-art Patrol vans to support the growing EV car parc. Our inspections and recalls engineers are leading the way in EVs and our EV customer service skills are used by Hyundai, Porsche and Renault Group to support their customers with all aspects of owning an EV vehicle. Looking forward we will continue to grow our EV products and services, directly and with partners, to remain at the leading edge of this growing market opportunity.

Another change is the emergence of the "Connected Car" and by 2030 70%+ of the UK car parc will be connected. With every new connected vehicle we increase our "data lake", allowing more new data-centric opportunities for members, OEMs and third parties. RAC is well set through our market leading "Black Box Insurance" proposition, telematics technology, and "bCall" (Breakdown Call) provision. We are working now with leading manufacturers and telecom partners to develop and deliver connected propositions including "Porsche Connect" which already puts us at the heart of the Porsche owners' digital driving experience.

This example is an extract of some of the discussion on the impact of industry and wider trends with quantifiable evidence that are included in the report.

Miller Homes – 31 December 2020

A resilient market

Image: Charters Gate, Castle Donington, East Midlands

Overview

Looking back, 2020 reveals a reservation pattern unlike any other year in the Group's recent history. At the start of the year, the market was buoyed by the conclusion of the Brexit transition agreement and new reservations and enquiries continued to be strong up until the COVID-19 pandemic took hold in the middle of March. Our sales centres closed at the start of the first national lockdown on 23 March and then re-opened during the months of May and June. On re-opening, sales demand was extremely strong and our private sales rate for the second half of the year was 28% up on the previous year. Consumer demand for housing is ordinarily supported by positive economic indicators and sentiment, both of which were in short supply in 2020. Instead, we witnessed new emotional drivers in the shape of a desire for more internal accommodation to facilitate home working as well as larger outdoor space. The behaviour of customers since the onset of the pandemic suggests that housing is of key importance.

A rollercoaster year

At the beginning of 2020, the rebound experienced in the market at the end of 2019 continued and the year started with increased activity and positive sales growth. Rightmove reported a record 150 million visits to its website. Our own sales rate reflected this pattern, up 29% in January compared to the same month in 2019. The RICS survey highlighted more surveyors reporting growth in house prices in January than at any time since June 2017. HMRC also reported January transaction levels up 5% on the previous year.

In the middle of March the country and the housebuilding industry suddenly went into lockdown and the market waited for its return with bated breath. NHBC reported private housing starts fell 94% year-on-year in April 2020 and remained low throughout the second quarter. However, we then experienced a strong and consistent bounce back in the second half of the year. The increased demand created from both the closure of the housing market and people reassessing their housing needs, could not be immediately satisfied by additional supply due to the constraints on construction caused by the lockdown.

Private sales rate in H2 2020

+28%

Average house price[1]

£253,400

Private and social renters account for around 35% of property tenure in the UK and a poll by IPSOS Mori found that 23% of those in rental properties were unhappy with their current home. A Nationwide survey also reported that 30% of those looking to move were doing so to gain access to a garden or outdoor space and 25% were looking to get away from the hustle and bustle of urban life.

As the market returned, traditionally influential negative factors, such as increasing unemployment and reduced availability of higher LTV mortgages, did not have the usual impact. Unemployment rates rose from an average of 3.8% in 2019 to 4.9% by the end of 2020. Due to the increase in unemployment being felt in the younger age groups, this did not have significant impact on our customers, given their profile. Lenders focused on reducing higher LTV mortgages beyond 85% as they struggled to adapt to work restrictions and pent up demand. Assistance to home buyers continued to be available in the form of Help to Buy which requires a 5% deposit. As importantly, the strength of the market in recent years has generated equity for those homeowners who wish to move to enable them to progress up the property ladder. Interest rates continued to remain at historically low levels and even with slight increases, mortgages should remain affordable for those wishing to move home.

Consumer confidence, usually another key driver of housing market activity, reflected the rollercoaster of emotions as the year progressed, dipping during lockdown and then the news of a vaccine inspired the biggest rise in consumer confidence in eight years in December 2020.

Government involvement

The UK Government acted quickly in July 2020 by introducing a time limited stamp duty holiday, reinforcing the importance of the housing market to the economy. In the 2021 Budget this support was enhanced with an extension of the original date for the holiday to finish from March to June 2021, allowing homes to have a start price of up to £500,000 before the tax was due and then tapered to £250,000 until September 2021. This meant that customers completing before June could save up to £15,000. In addition to this welcome support, further good news was the introduction of a Government backed Mortgage Guarantee Scheme. Starting in April, the Government will provide a guarantee to lenders who offer mortgages to people with a low deposit and a loan to value of between 91-95%, on homes with a value of up to £600,000. The scheme is expected to run until 2022 and is available for lenders to use on new and second hand homes.

This move is designed to increase the appetite of mortgage providers for high loan to value lending, which had been reduced in the last year. Market activity has been boosted since the budget announcements and reflected in strong sales on our developments.

Help to Buy changes came into effect at the end of 2020 with the closure of the existing scheme to new reservations. Homes completing prior to March 2021 were originally time constrained with practical completion required to be achieved by December 2020. Due to the impact of the lockdown on construction activity, the Government extended this longstop to the end of May to meet the completion deadlines. This provides customers with reassurance they will not lose out on Help to Buy funding and allows housebuilders the time to complete homes, given further restrictions of a second and third national lockdown.

Consumer confidence

Source: GfK consumer confidence index

This example provides an example of how Government policy impacts the future development of the industry in which the business operates.

12. Environmental matters

Requirement

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

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

Basic compliance

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

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

Good practice

Attributes of good practice include:

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

Zenith – 31 March 2021

ENVIRONMENT

We have established an ESG committee to support the delivery of the Group's ESG strategy. One of the key objectives of the committee is to achieve our vision of transitioning the existing funded fleet to carbon neutral by 2030. The core strategy is to deliver both an ESG and a decarbonisation roadmap which are measurable, transparent and which establish Zenith as 'best in class'.

In addition, our ESG strategy includes carbon-offsetting and gained carbon neutral certification in July 2021. We are working with the science based targets initiative (SBTi) to ensure we reduce our relevant emissions and provide a framework so our suppliers and partners can do likewise.

As part of our range of services for customers, Zenith provides advice and technical information to encourage our customers to promote and incorporate the most environmentally friendly vehicles and practice within their core fleet policies. On behalf of our customers, our consultancy team:

- Introduces customer plans to transition to cleaner fuel types by assessing daily travel requirements compared with the electric vehicle range of available and planned future car and van releases;
- Helps customers to develop driver policies on the usage of electric vehicles that include eligibility and in-use responsibilities such as charging provisions;
- Makes it easier for drivers and consumers to move to electric vehicles by offering support with installing charge points through the utilisation of partnerships; and
- Evolves and develops propositions to remove the barriers for electric cars such as unrestricted trade-ups.

In terms of direct emissions, Zenith plans to switch its own company car fleet to 100% EV by 2025, five years ahead of the target date for the wider, funded fleet. Our Kirkstall Forge office, which is part of a multi-tenanted building, saw 80% of the waste at the site recycled in the last year.

This example includes specific actions taken and plans for the future.

13. Employees

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

BCA – 28 March 2021

Apprenticeship schemes

As at 28 March 2021, 111 of our employees were studying for apprenticeships, including a large number studying practical vehicle-related apprenticeships in our Automotive Services division. A further 39 employees are currently on a 'break in learning' due to the covid-19 pandemic but will be returning to their studies shortly. During the year, 48 members of staff successfully completed their apprenticeships.

Constellation Group offers a range of 57 different apprenticeship qualifications to staff spanning the entire business; ranging from Level 2 (equivalent to GCSE standard) to Level 7 (equivalent to professional qualifications standard) supplied by leading training providers. Last year we welcomed our first employees studying for a three-year Management Degree (Level 6) apprenticeship in conjunction with the Open University, all of whom have now successfully progressed to the second year of their degree. A further two cohorts have since started their degree with a further intake planned for 2021.

Apprenticeships are not only open to new joiners. We are committed to supporting staff throughout their careers. We currently have a number of experienced employees undertaking apprenticeships as an integral part of their ongoing career development in areas including LGV driving, paralegal work and recruitment resourcing.

Graduate Development Programme

The Graduate Development Programme provides a structured opportunity for commercially or operationally minded graduates from a variety of backgrounds to gain in-depth experience across different areas of our business.

The graduate programme includes management training, workshops and frequent engagement with senior management. All graduates are assigned a senior mentor and a previous graduate to provide personalised support throughout the year. On the programme, there is a commitment to further learning opportunities from day one. As part of this commitment, all graduates will complete an Improvement Technician (Level 3) apprenticeship during the year.

The vision of Constellation Group is to develop automotive expertise and nurture its future business leaders. Previous members of the Graduate Development Programme are now in integral roles within operations, auction branches, business efficiency, human resources, recruitment, digital auctions, customer support, business analysis and data analytics. We recruited more graduates than ever before creating eleven rotational graduate and three finance graduate positions in the period, and continue to see our Graduate Development Programme as an important element of developing the Group's leadership of the future.

This example is an extract of employee matters relating to recruitment included in the annual report and includes detailed activities undertaken in the period along with quantification.

14. Social, community and human rights issues

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

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

Merlin - 26 December 2020

Social matters

Our strong social conscience informs how the Group operates, including with regard to both the people and creatures connected to our business. This is exemplified by areas such as our ethical animal husbandry activities, our work with children faced with the challenges of serious illness, disability and adversity, and how we approach visitor accessibility.

Animal conservation and welfare

We operate to world class welfare standards through our animal care network and support the work of our pioneering marine conservation charity partner, the SEA LIFE Trust, in its mission to protect marine life and habitats across the world. Our global SEA LIFE teams continue to deliver world class animal welfare throughout our animal care network, as well as developing new and exciting guest experiences which will inspire future generations to care for our oceans and all marine life.

Whilst the doors of our attractions may have been closed for much of 2020 this did not prevent our world class conservation and welfare activities continuing. Teams across our welfare sites worked through various lockdowns to ensure high standards of care were maintained and continued to drive engagement with our guests. Hundreds of social-media films and live feeds reached millions across the globe including live Q&A's, feeding times and a range of educational home-schooling activities.

Merlin's strong welfare and conservation work also continued throughout 2020, with over 70 grey and harbour seals rescued across the SEA LIFE and SEA LIFE Trust seal rescue facilities in northern Europe and the UK, and over 50 turtles and one Australian sand tiger shark rescued in Australia. The team at SEA LIFE Sydney Aquarium also launched the world's first Seahorse Hotel, part of an important breeding and recovery project in collaboration with the NSW Department of Primary Industries (DPI) Fisheries and the University of Technology Sydney.

A real 'world first' was also seen in August 2020 when the SEA LIFE Trust and Merlin's long held vision came to life as beluga whales Little White and Little Grey moved into their new home in Klettsvik Bay, Iceland; site to the world's first Beluga Whale Sanctuary. We were delighted to have a documentary crew following this monumental moment and the documentary, fronted by UK celebrity John Bishop, aired on ITV in the UK in October 2020. It will be aired in other countries across the world in 2021. In early 2021 John and Melanie Bishop became the Trust's first ever patrons.

We support additional animal welfare initiatives that are not connected to the marine environment. Chessington World of Adventures Resort in the UK and WILD LIFE Sydney Zoo in Australia both maintained their long-standing commitment to animal breeding or managed species programmes.

For details of how we manage the risks regarding animal welfare, see page 21.

Merlin's Magic Wand

Our dedicated children's charity partner, Merlin's Magic Wand (MMW), is now in its 13th year of operation. Although various challenges were presented as a result of the global pandemic in 2020, the charity was still able to deliver 21,560 Magical Days Out tickets to children and their families, who are facing challenges of serious illness, disability and adversity. We also completed the 50th Merlin's Magic Spaces project, ready for launch in 2021, in Goshen, New York, near to the new LEGOLAND New York resort. The charity also worked with our attraction teams to reach over 5,300 children virtually through the Magic on Tour programme.

In 2021, the charity aims to deliver on the remaining Magical Days Out visits, Magic Spaces project commitments, and virtual Magic on Tour offerings that it committed to in 2020, as well as 'building back better' so that more of our beneficiaries and charity partners can look forward to a year full of magic in 2021.

Accessibility

We remain focused on ensuring guests with disabilities can access the magic of Merlin, including making necessary reasonable adjustments to our facilities for guests with different requirements. We understand our obligations and we care about continuously improving accessibility. In 2020 we were proud to 'light up purple' on 3 December at our attractions across the world to celebrate International Day of Persons with Disabilities, and Heide Park Resort were delighted to be the first theme park in Germany to open a Changing Places facility.

We also kept our disabled guests in mind as we adapted to navigate the requirements for social distancing and face coverings, ensuring guidance was established to continue to provide suitable adjustments.

To support the ongoing commitment to accessibility and to drive systematic improvements across our business we have established a steering group led by an Executive Committee member and continue to work alongside experts in the field including the UK's 'Business Disability Forum' and 'Valuable500' to inform developments.

Other areas

Anti-corruption and anti-bribery matters

Merlin's approach regarding the management of anti-bribery and corruption risks is set out on page 22. Merlin has a zero tolerance approach in this area, with regular reports on whistleblowing being provided to the Audit Committee.

Ethical sourcing

We have a responsibility to the workers in our supply chain and seek to ensure our products are made in an appropriate environment and the products we source are produced in accordance with international laws and legislation. More details on this area are available on our website.

Human rights

Merlin has implemented a Human Rights Policy, guided by the International Labour Organisation Declaration on Fundamental Principles and Rights at Work together with the OECD Guidelines for Multinational Enterprises.

Further details and Merlin's Modern Slavery and Human Trafficking Statement can be found on Merlin's website.

This example is an extract included in the annual report which detail specific social and community activities and actions undertaken in the period, and reference to human rights.

15. Gender diversity information

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

Keepmoat – 31 March 2021

Average number of employees, split by gender, for the year ended 31 October 2020:

	Male		Female		Total	
	Number	%	Number	%	Number	%
Directors	-	-	-	-	-	-
Senior managers	74	6.5%	20	1.7%	94	8.2%
All others	696	60.8%	355	31.0%	1,051	91.8%
Total	**770**	**67.3%**	**375**	**32.7%**	**1,145**	**100.0%**

Average number of employees, split by gender, for the year ended 31 October 2019:

	Male		Female		Total	
	Number	%	Number	%	Number	%
Directors	-	-	-	-	-	-
Senior managers	72	6.3%	19	1.7%	91	8.0%
All others	693	60.7%	357	31.3%	1,050	92.0%
Total	765	67.0%	376	33.0%	1,141	100.0%

Diversity and equality

We are keen to encourage diversity. The house building industry is not known for being the most diverse or gender equal and there is often a lack of candidates for certain roles from diverse backgrounds. We now have two female Regional Managing Directors and our approach to identifying and developing our talent will continue our focus in this important area. We now also have our first female Executive Board member.

There is still more to do however and as a company we take the role of promoting the industry to potential candidates who might not have considered a career in our sector very seriously. We work closely with education providers and community groups to profile the variety of roles available. We also focus on family friendly changes such as meeting start times to support our employees with children. Over the last 12 months our Agile Working Policy has supported our people with working remotely at home and in different locations during the COVID-19 pandemic and continues to make a significant contribution to helping us to successfully steer the business through a period of unprecedented challenges.

This example details gender information by the 3 required categories and also includes narrative on the current position and plans for future improvement.

1 Appendices

Appendix

Guidelines for disclosure by portfolio companies and private equity firms

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

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

A portfolio company is a UK company:

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

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

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

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

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

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

2. Content of disclosure by a portfolio company

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

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

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

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

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

- The strategic report must contain— a) a fair review of the company's business, and b) a description of the principal risks and uncertainties facing the company.
- The review required is a balanced and comprehensive analysis of— a) the development and performance of the company's business during the financial year, and b) the position of the company's business at the end of that year, consistent with the size and complexity of the business.

Appendix (cont'd)

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

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

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

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

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

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

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

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

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

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

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