Improving transparency and disclosure

Good practice reporting by portfolio companies

Private Equity Reporting Group
The Guidelines for Disclosure and Transparency in Private Equity
February 2023

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.

In particular, we note that a “glossy” annual report isn’t always a prerequisite to meet good practice and that some of our good practice examples come from growing businesses that were previously privately owned, who have produced succinct and good quality disclosures.

We have also observed that since the Guidelines were last revised, further new legislative requirements have resulted in an improvement in non-financial reporting arising from enhanced disclosure requirements (e.g. Streamlined Energy and Carbon Reporting). Pleasingly we also note a continuing trend where there have also been some improvements in those areas which are specific to the Guidelines, for example the gender diversity disclosures and background to the PE ownership. However we remain disappointed that many of the disclosures in respect of social, community and human rights issues remain at a basic level of compliance with the Guidelines rather than good practice. With an increasing focus on ESG and transparency in the supply chain, we would expect this to improve in the coming years.

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 purpose of this report is to provide guidance for those individuals at portfolio companies who are responsible for preparing the Annual Report and financial statements, and to provide some examples of good and excellent practice for each of the Walker Guidelines.

Non-financial reporting is an increasingly important element of the Annual Report and statutory or regulatory changes are bringing more companies into scope for enhanced disclosure. Recent changes impacting large private companies, which will likely include a number of portfolio companies include the requirement for reporting on governance frameworks, reporting under the Task Force on Climate-related Financial Disclosures ("TCFD") and also stakeholder focus on the impact that companies have on the wider communities they operate in. Portfolio companies have the opportunity to be ahead of the game through making a more full-hearted attempt to comply with the Walker Guidelines, which provide a strong foundation for the increased disclosures required.

It is important to note that 'glossy' formatting is not a necessity to achieve good practice, but rather a focus on clear, concise and transparent disclosures, as evidenced in our example extracts. As a first point of reference, each of the Guidelines has been broken down into specific requirements which must be addressed in order to achieve 'basic', 'good' or 'excellent' practice. For each, we have included an example that meets 'good' or 'excellent' practice.

Those examples that met and/or exceeded the requirements typically followed a process that started with clear articulation of the strategy. We have illustrated this process as follows:

Internal reporting should be reviewed to determine those metrics which are used by key decision makers to monitor performance and incentivise management. KPIs should be aligned with key strategic priorities and information provided should include data on historic trends, targets and timelines. (Guidelines 7, 8)

These issues should be explained with reference to the overall business strategy, KPIs and performance. Inclusion of relevant statutory requirements in respect of employee and environmental disclosures will result in at least basic compliance for Guidelines 12 and 13 however more is required to achieve good or excellent practice.

A well defined strategy and business model should be used as a framework to structure the remainder of the non-financial narrative disclosures. (Guidelines 9, 10)

The report should include a clear assessment of the principal risks to business. A detailed description which is linked to specific strategic priorities, the potential impact of the risk and mitigating actions taken by management should be included. (Guidelines 4, 6)

The review of the business should give a reader information about the performance and position of the business versus the strategy, KPIs and risks. In addition this section should provide management's view of the outlook for the business including the impacts of the wider market and macro economic trends. (Guidelines 3, 5, 11)

In addition to the points referenced above, preparers should ensure that those Guidelines which are more prescriptive in nature are addressed by including specific headings and/or signposts to the information. This includes the identity of the Private Equity house (Guideline 1), the composition of the board (Guideline 2); and gender diversity (Guideline 15). The annual report should also include an explicit statement of compliance with the Guidelines.

The Guideline in respect of social, community and human rights issues (Guideline 14) is one that which requires significant improvement based on the sample of reports reviewed in the current year. We have not identified any examples of excellent practice in this area.

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 the 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

- 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

A quoted company (and large private companies in accordance with the Streamlined Energy and Carbon Reporting requirements) 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. 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.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

Infinis Group – 31 March 2022 (Excellent practice)

Our strategy is focused on maximising the long-term value creation for our shareholder, 3i Infrastructure Plc (3iN). The relationship with our shareholder, 3iN, is one of openness and honesty. The Board and Senior Management Team work in partnership with 3iN Partners, Directors and Associates on all new aspects of strategy, together with key near-term business matters. Interaction is as frequent as required, with Executive Directors typically engaging at least weekly with one of the 3iN team.

Our management teams genuinely value a shareholder who can challenge and broaden our thinking on key strategic initiatives, together with facilitating introductions to other relevant portfolio companies who have successfully delivered similar strategies.

Our Corporate governance statement (on page 54 to 56) outlines our formal process for engaging with the Shareholder and Non-Executive Directors to provide effective management, governance and control of the business.

Over the last 12 months, our strategy has been focused on growth and there has been regular dialogue with 3iN on the status of each project in the development cycle, together with the associated commercial strategy for Solar and BESS development once operational, including the UK Contract for Difference auction in June 2022. The rising power market, combined with increased market volatility, has created new commercial risks and opportunities, which have been reviewed with the Shareholder and Non-Executive Directors to ensure our documented commercial trading strategy remains an appropriate governance framework for the current market. In March, the evolving risk of sanctions on Gazprom and a potential 'special administration' in the UK involved an extensive review of our contractual arrangements which was shared with 3iN (further details are included in the Corporate risk assessment on page 41).

This example meets all of the attributes of good practice, including providing excellent detail on the role of the private equity firm in supporting the Group as shown above.

QA Training – 31 May 2021 (Excellent practice)

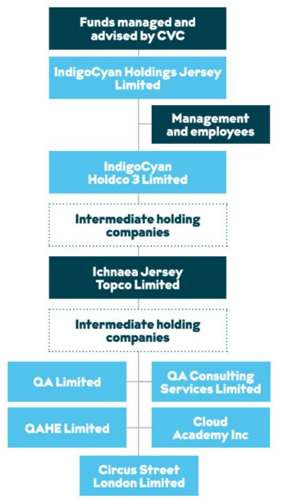
GROUP STRUCTURE

On 23 June 2017 Ichnaea Jersey Topco Limited ("Ichnaea"), the top Company in the QA Group's organisational structure, was acquired by IndigoCyan HoldCo 3 Limited ("IndigoCyan" or "Group"), a Jersey entity, owned by funds managed and advised by CVC

Capital Partners (CVC), a private equity firm, alongside QA's management team and employees. On 7 June 2019 the Group acquired 100% of Cloud Academy Inc and on 1 July 2021, 85.5% of Circus Street London Limited.

The accounting reference period of the Group is 31 May. The diagram to the right sets out a summary Group structure. The subsidiaries and associated undertakings affecting the profit or net assets of the Group in the year are all listed in Note 2 of the Parent Company financial statements.

The QA Group Structure



This example provides excellent disclosure in relation to the background and history of ownership under the private equity firm.

2. Details on board composition

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

NewDay – 31 December 2021 (Excellent practice)

Sir Michael Rake
Chairman, Independent Non-Executive Director and member of the Board Remuneration and Nomination Committee

Sir Michael is currently chairman of Wireless Logic Ltd, Phoenix Global Resources plc and Majid Al Futtaim Holdings LLC. He is also chairman of Great Ormond Street Hospital and a Vice President of the RNIB.

He has previously been chairman of BT plc, Worldpay plc, EasyJet plc, KPMG (UK and International) deputy chairman of Barclays Bank plc and a director of the Financial Reporting Council (FRC). He has been a director of S&P Global Inc and lead director of Worldpay Inc (now FIS). He has been a senior advisor to Chatham House, a member of the Oxford University global board for business reputation and a William Pitt fellow at Pembroke College Cambridge. He has been president of the CBI, a member of Prime Minister David Cameron's Business Advisory council and chairman of the International Chairman of Commerce (UK). He was a member of Prime Minister Gordon Brown's National Security Forum, the first chairman of the Commission for Employment and Skills and the first Chairman of the Private Equity Oversight group. He has also been chairman of Business in the Community (BITC), Blueprint for Better Business and a director of the Prince's Charitable Foundation.

John Hourican
Executive Director, Chief Executive Officer and member of the Board Remuneration and Nomination Committee

John was appointed CEO of NewDay in 2019. John has thirty years of global financial services experience.

He began his career at Price Waterhouse working in Dublin, Hong Kong and London before moving to Royal Bank of Scotland in 1997. He served as Chief Executive of the Group's Investment Bank (Markets & International Banking) for five years. Between 2013 and 2019 John served as CEO of Bank of Cyprus, the largest banking and financial services group in Cyprus. During his tenure, John reshaped the business, re-established its deposit base, improved the quality of its loan book and strengthened its financial position.

He was named Euromoney's Banker of the Year in 2015 and is a fellow of the Institute of Chartered Accountants in Ireland.

Caspar Berendsen
Investor Director (Cinven), member of the Board Risk Committee and Board Remuneration and Nomination Committee

Caspar is a Partner at Cinven and leads the Financial Services sector team. Prior to this, Caspar worked at J.P. Morgan in London advising Dutch and Belgian clients across a variety of sectors.

He holds an Ir degree in Mining and Petroleum Engineering from the Technical University Delft, the Netherlands and graduated from the Erasmus University, Rotterdam with a Drs in Business Administration.

He has extensive experience of investing across various financial services industries. He has led and been responsible for investments in Guardian Financial Services (PRA/FCA regulated), Viridium Group (BaFin regulated), Eurovita (IVASS regulated), Avolon, Premium Credit Limited (FCA regulated) and Partnership Assurance plc (PRA/FCA regulated). He has also been a member of the board and risk and audit committees for Partnership Assurance plc, Avolon, Guardian Financial Services, Viridium Group and Eurovita.

Peter Rutland
Investor Director (CVC Capital Partners), member of the Board Risk Committee, Board Remuneration and Nomination Committee and Board Audit Committee

Peter is a Managing Partner at CVC and is Head of CVC's Financial Services Group.

Prior to joining CVC in 2007, he worked for Advent International. Prior to working at Advent International, he worked for Goldman Sachs in the Investment Banking Division. He holds an MA degree from the University of Cambridge and an MBA from INSEAD.

He has led or been responsible for investments including in Brit Insurance, Avolon, Skrill, Domestic & General, Pension Insurance Corporation, Paysafe, April Group, TMF Group and Riverstone International.

He serves on the boards of a number of these portfolio companies, some of which are PRA/FCA regulated.

This example identifies all directors, including those appointed on behalf of the private equity firm, and provides additional detail on their relevant experiences and skills. This goes above and beyond by also providing excellent detail on the role of the board and each committee's role and key activities.

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).

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

The Automobile Association ("AA") – 31 January 2022 (Excellent practice)

Net debt

Within the Group there is a Whole Business Securitisation (WBS) structure. All of the Class A Notes within the WBS are secured by first ranking security in respect of the undertakings and assets of AA Intermediate Co Limited (a subsidiary of the Company) and its subsidiaries. The Class A facility security over the AA Intermediate Co Limited group's assets ranks ahead of the Class B3 Notes. The Class B3 Notes have first ranking security over the assets of the immediate parent undertaking of the AA Intermediate Co Limited group, AA Mid Co Limited. Thus cash held by the AA Intermediate group is ring-fenced within the WBS. Dividends can only be paid to AA Limited when certain debt to Trading EBITDA and cash flow criteria are met.

Year ended 31 January	2022 £m	2021 £m
Senior Term Facility	**150**	200
Class A Notes	**1,895**	1,997
Less: AA Intermediate Co Limited group cash and cash equivalents	**(67)**	(119)
Net Senior Secured Debt[1]	**1,978**	2,078
Class B Notes	**280**	850
Less: Proceeds of Class B3 Notes issuance held in escrow	**-**	(280)
Lease obligations for covenant reporting[2]	**20**	27
Net WBS debt[3]	**2,278**	2,675
IFRS 16 lease adjustment for WBS lease obligations[4]	**25**	22
AA Limited group lease obligations[5]	**3**	3
Class B2 Notes repurchased by the AA Limited	**-**	(29)
Less: AA Limited group cash and cash equivalents[6]	**(45)**	(66)
Total net debt	**2,261**	**2,605**
AA Limited Trading EBITDA	**345**	341
AA Intermediate Co Limited Trading EBITDA[7]	**321**	319
Net debt ratio[8]	**6.6x**	7.6x
Class B leverage ratio[9]	**7.1x**	8.4x
Senior leverage ratio[10]	**6.2x**	6.5x
Class A free cash flow: debt service[11]	**3.1x**	2.5x

1 Principal amounts of the Senior Term Facility and Class A Notes less AA Intermediate Co Limited group cash and cash equivalents.
2 The lease obligations for covenant reporting value is presented based on frozen GAAP pre-IFRS 16, as required by the debt documents. The figure above is therefore different to the lease liabilities value shown in the statement of financial position.
3 WBS debt represents the borrowings and cash balances within the WBS structure headed by AA Intermediate Co Limited. This includes the principal amounts of the Senior Term Facility, Class A Notes, Class B Notes and lease obligations for covenant reporting less AA Intermediate Co Limited group cash and cash equivalents.
4 Difference between lease obligations for covenant reporting based on frozen GAAP and the lease liabilities value shown in the statement of financial position having adopted IFRS 16 from 1 February 2019.
5 Total lease obligations for the Group excluding the value reported as the AA Intermediate Co Limited group lease obligations.
6 Total cash and cash equivalents for the Group excluding the value reported as the AA Intermediate Co Limited group cash and cash equivalents.
7 AA Intermediate Co Limited group Trading EBITDA including discontinued operations as required by the debt documents based on frozen GAAP.
8 Ratio of Total Net Debt to AA Limited Trading EBITDA for the last 12 months.
9 Ratio of Net WBS Debt[3] to AA Intermediate Co Limited Trading EBITDA for the last 12 months.
10 Ratio of Net Senior Secured Debt[1] to AA Intermediate Co Limited Trading EBITDA for the last 12 months.

This example includes an extensive discussion of the components of the debt and capital structure, explaining significant transactions in the year and quantifying key ratios to support the disclosure.

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.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

Shawbrook – 31 December 2021 (Excellent)

Principal risk	Definition	Principal sources of exposure	Additional information
Credit risk *(Audited)*	Credit risk is the risk that a borrowing client or treasury counterparty fails to repay some, or all, of the capital or interest advanced to them, due to lack of willingness to pay and/or lack of ability to pay. Credit risk can be further divided into customer credit risk (from core lending activity) and treasury credit risk (from treasury activity). Credit risk also includes credit concentration risk, which is the risk of exposure to particular groups of customers, sectors or geographies that, uncontrolled, may lead to additional losses that the Shareholder or the market may not expect.	The principal source of customer credit risk is the Group's loans and advances to customers. Treasury credit risk exposure is limited to short-term deposits placed with leading UK banks and high-quality liquid assets purchased for inclusion in the Group's liquidity buffer.	See page 114
Liquidity risk *(Partially audited)*	Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due, or is only able to do so at excessive cost.	The principal source of liquidity risk is the Group's retail and wholesale deposits, as well as affinity partnerships and bilateral/public securitisations.	See page 145
Market risk *(Partially audited)*	Market risk is the risk of financial loss through unhedged or mismatched asset and liability positions that are sensitive to changes in interest rates or currencies.	Exposure to market risk arises from the Group's core activities of offering loans and deposits to customers. All financial assets held by the Group are non-trading.	See page 151

Liquidity buffer

The Group maintains a liquidity buffer of high-quality liquid assets, as defined by the EBA's mandates and adopted by the PRA. These assets can be monetised to meet stress requirements in line with internal stress testing and the requirements of the Delegated Regulation on the Liquidity Coverage Ratio (LCR).

The average monthly liquidity buffer throughout the year was £1,477.8 million (2020: £1,665.0 million).

The following table sets out the components of the Group's liquidity buffer:

	2021 £m	2020 £m
Cash and withdrawable central bank reserves (LCR level 1 assets)	1,672.5	1,255.1
Central government assets (LCR level 1 assets)	17.1	22.8
Extremely high-quality covered bonds (LCR level 1 assets)	–	97.1
High-quality covered bonds (LCR level 2A assets)	–	9.1
Total liquidity buffer	1,689.6	1,384.1

Central government assets are off-balance sheet UK gilts acquired as part of an off-balance sheet 'security swap'. See Note 7(j) of the Financial Statements for further details.

Liquidity coverage ratio and net stable funding ratio

The LCR is a regulatory metric that measures a set of standardised liquidity inflows and outflows over a period of 30 days. The Group calculates the LCR in accordance with the EBA's LCR standards, as adopted by the PRA.

The following table sets out the Group's LCR:

	2021	2020
Liquidity buffer (£m)	1,689.6	1,384.1
Total net cash outflows (£m)	681.9	602.6
Liquidity coverage ratio (%)	247.8	229.7

This example provides a very comprehensive discussion of the key financial risks that the Group faces and how these are managed. It exceeds the expectations of the good practice criteria in the level of detail that is quantified and outlined to support the discussion.

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

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

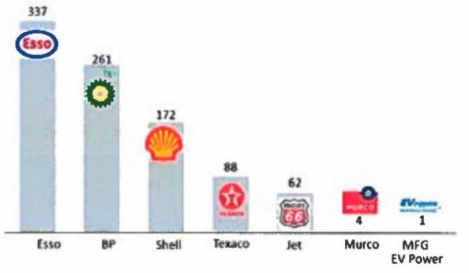
- Discussion aligned to the strategic priorities, development and performance;
- Explanation of the performance in the wider market context; and
- Discussion at an appropriate divisional level to demonstrate how different parts of the business are performing.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

Motor Fuel Group ("MFG") - 31 December 2021 (Excellent practice)

Fuel Forecourts by Brand



Superior forecourt offerings are supported by strong partnerships with high quality brands. MFG has fostered strong and collaborative relationships with the major fuel companies and is perceived to be the partner of choice in the UK. MFG EV Power hubs are being established on existing forecourts; as yet Stretford is the only standalone MFG EV Power site.

Petrol and EV forecourts are increasingly prime locations for retail and food to go offerings; MFG partners with a number of nationally, and internationally, recognised brands, such as Londis, Budgens, Subway, Costa, Greggs, Starbucks and Pret, all of which provide enhanced value and add to the overall customer experience. The partnership with Pret was new in the year and the first two units launched successfully. A trend that was developing pre lockdown, and then subsequently accelerated, was for forecourts to act as home delivery hubs. Uber Eats, Just Eat and Deliveroo are now widely integrated with our retail network with 675 sites facilitating grocery and FTG delivery services by year end. Uber Eats accounts for 28% of FTG sales and more than 6% of overall retail sales from the Group's network.

This example is part of a broader business performance discussion which is appropriately positioned both at a Group and brands level.

Infinis Group - 31 March 2022 (Excellent practice)

Segment performance

Exported power (GWh)	2022	2021	Variance	%
CLM	1,052	1,096	(44)	(4.0%)
CMM	100	132	(32)	(24.2%)
PR	110	176	(66)	(37.5%)
Solar	5	-	5	-
Total	**1,267**	**1,404**	**(137)**	**(9.8%)**

Group exported power was 1,267 GWh (2021: 1,404 GWh) with CLM exported power reducing by 4.0% in line with expectation and reduced operational run hours in CMM and PR driven by a combination of market factors for PR and lower forecast methane availability on three CMM sites.

Revenue (£'000)	2022	2021	Variance	%
CLM	117,367	122,548	(5,181)	(4.2%)
CMM	4,856	8,002	(3,146)	(39.3%)
PR	32,540	18,138	14,402	79.4%
Solar	242	-	242	-
Total	**155,005**	**148,688**	**6,317**	**4.2%**

Gross profit (£'000)[1]	2022	2021	Variance	%
CLM	70,733	75,812	(5,079)	(6.7%)
CMM	2,206	4,845	(2,639)	(54.5%)
PR	11,198	5,141	6,057	117.8%
Solar	189	-	189	-
Total	**84,326**	**85,798**	**(1,472)**	**(1.7%)**

[1] a reconciliation of segment performance to the income statement is set out in note 5 on page 78.

This example aligns the discussion on current year performance with strategic priorities and key performance indicators. It appropriately splits the discussion by different segments in the business with well explained narrative.

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.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

Viridor - 31 March 2022 (Excellent practice)

Risk report

Risk management and internal control framework

Viridor faces a variety of risks which, should they arise, could materially impact its ability to achieve its strategic priorities. The effective management of these existing and emerging risks is, therefore, essential to the long-term success of the Group.

Viridor manages risk in accordance with the Group's integrated risk management framework. A consistent methodology is applied to the identification, evaluation and management of the principal risks which considers both the likelihood of the risk occurring and the potential impact from a stakeholder and customer, financial, management effort and reputational perspective. Principal and other risks are captured in risk registers which are regularly reviewed and challenged. Viridor seeks to reduce its risk exposure, in line with the desired risk appetite and tolerance levels, through the operation of a robust internal control environment.

Principal risks and uncertainties

Viridor's business model exposes the business to a variety of external and internal risks. The assessment of principal risks is informed by the potential impact of macro political, economic and environmental factors. Whilst the ability of the Group to influence these macro level risks is limited, they continue to be regularly monitored and the potential implications on the Group are considered as part of the on-going risk assessment process.

For each principal risk we report; Strategic Impact on the long-term priorities affected, Mitigation approach, Net risk after mitigation (High, Medium, or Low) and net risk change (Increasing, Stable, or Decreasing) and Risk Appetite.

Market and economic conditions

Principal Risks	Strategic impact	Mitigation	Net Risk	Risk Appetite
Macro-economic risks impacting commodity and power prices	Long-term priorities affected: Driving sustainable growth.Volatility in power prices has a direct impact on the revenues generated by our energy business.	We remain well positioned with long term contracts supporting the ERF business and continual review and negotiation of long term contracts to support feedstock for our Polymers business. Energy risk management, including forward hedges, is undertaken by a highly skilled specialist team in line with the Group's Energy Risk Policy.	High Net Risk Stable Risk Level	We seek to take well-judged and informed decisions while ensuring plans are in place to mitigate the potential impact of macro-economic risks.

This example includes a clear definition of the principal risks and uncertainties facing the business. In addition there is a clear and explicit link to the strategy along with mitigations for each. Movements (where relevant) are indicated in the 'Net Risk' field and all included risks appear relevant. In addition management has included an introduction to their risk methodology and also their assessment of risk appetite for each risk.

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

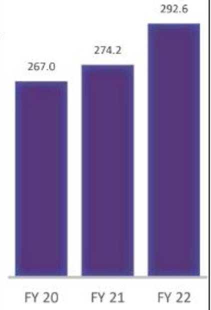
Good practice reporting goes further than just identifying KPIs and also provides:

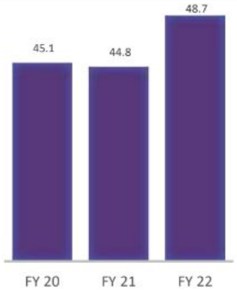
- A clear alignment of KPIs to the company’s strategic priorities and remuneration policies so that their relevance as a basis for management’s assessment of strategic success is clear;
- An explanation of why each KPI has been included – it should be clear why this would be considered key;
- A definition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

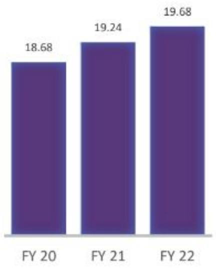
Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

Voyage Healthcare– 31 March 2022 (Excellent practice)

Revenue	**£292.6 million (2021: £274.2 million)**
Definition: The fair value of fee income receivable for the provision of care services provided in the period.	
Performance: Group revenue increased by 6.7% to £292.6 million. This was split between an increase of 5.8% in Registered revenue to £185.6 million and an increase of 8.3% in Community Based Care revenue to £107.0 million. As explained in other key performance indicators, increases in average weekly fees and average hourly fees have contributed to an increase in total revenue.	

Underlying Adjusted EBITDA (before non-underlying items)	**£48.7 million (2021: £44.8 million)**
Definition: Operating profit adding back depreciation, impairment, amortisation and profit or loss on disposal of property, plant and equipment, and before non-underlying items.	
Performance: Group underlying adjusted EBITDA (before non-underlying) increased by 8.7% to £48.7 million. This was split between an increase of 9.5% in Registered EBITDA to £37.2 million and an increase of 6.4% in Community Based Care to £11.5 million. The Group has seen strong performance in key performance indicators that drive revenue growth whilst maintaining a strong focus on cost control.	

Community Based Care average revenue per direct care hour	**£19.68 per hour (2021: £19.24 per hour)**
Definition: The mean hourly fee receivable for direct care provided to people we support in a Community Based Care, including Supported Living, Children’s Complex Care and Outreach placements.	
Performance: The average hourly fee receivable for care provide in Community settings increased by 2.3% to £19.68 per hour. The KPI is an important metric for measuring the Group’s commercial success in the Community Based Care division. The year on year increase is primarily the result of active negotiations with commissioners to award inflationary fee increases.	

This example clearly and explicitly disclosed their financial KPIs and therefore it is clear which are key.

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.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

The Automobile Association ("AA") – 31 January 2022 (Good practice)

ROADSIDE OPERATIONS

KPI	Definition	Performance	Relevance for the AA
Breakdowns attended (thousands)	Number of breakdowns attended	**2022 3,072** 2021 3,014 2020 3,423	This is a key driver of our cost base and also demonstrates utilisation of our service by our members and customers.

ENVIRONMENT

KPI	Definition	Performance	Relevance for the AA
Total greenhouse gas emissions (GHG) (tonnes carbon dioxide equivalent)*	Our total Group emissions are reported under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and Streamlined Carbon and Energy Reporting requirements. Calculations follow the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using market-based and UK location-based emissions factors	Market based **2022 34,211** 2021 33,819 2020 41,339 Location based **2022 35,872** 2021 35,565 2020 43,472	Our emissions affect our impact on climate change, with our operational fleet accounting for 94% (for scope 1 and 2) of our total emissions.

* Please note that prior year estimates have been adjusted to reflect availability of updated figures. This has not resulted in any material changes.

EMPLOYEES

KPI	Definition	Performance	Relevance for the AA
Employees at the AA	The number of employees at the AA (excluding contractors and agency)	**2022 6,890** 2021 6,988 2020 7,105	This measures the change in employees of the AA since the prior year.

This example includes a number of relevant non-financial KPIs which would be expected to measure performance against key strategic priorities. A clear definition, trend data and why the KPI is relevant to the company has been included. In order to achieve best practice these could be clearly linked to the strategic horizons, remuneration policies (where relevant) and targets/milestones included.

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.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

Motor Fuel Group ("MFG") – 31 December 2021 (Excellent practice)

MFG Strategy

The Group's strategic goal continues to be to develop the business into the most dynamic and profitable independent forecourt operator in the UK. It is already the largest independent forecourt operator, an essential service, a core part of UK infrastructure and one of the largest retailers by number of stores. Through this scale and network maturity MFG is able to drive growth out of free cash flow. It is MFG's obligation to do this in a sustainable and responsible fashion, underpinned by our drive to support the transition to a more sustainable transport future.

To achieve this there are four highly integrated key strategic pillars - Fuel, EV Charging, Retail Estate development and Valeting. In addition to this organic growth, once the CMA review is completed, the Group expects to resume its site acquisition strategy.

Electric Vehicle (EV) charging strategy

MFG is the main independent UK Fuel and Retail infrastructure business of significant scale specialising in both urban and key trunk route locations and as such is uniquely placed to be at the forefront of the EV charging market as it evolves. Due to the size and geographic spread of the network the Group is playing a key role in supporting the UK EV infrastructure development as the UK moves towards the Government's commitment to prohibit the sale of new petrol-only and diesel-only cars and light vans in 2030. MFG has considered the likely future EV charging landscape and has initially targeted the 'On Route' segment. This segment will focus on the 'top-up' rapid charging requirements of drivers and is expected to provide the majority of charging points in the short term as such infrastructure is scarce elsewhere. By year end 2021 MFG had installed the second largest network of ultra rapid chargers in the UK.

In support of Government policy this investment in the 'on route' segment will provide the critical infrastructure required by the circa 60% of UK households that do not have off road parking and therefore, do not have the ability to reliably charge their vehicles at home. To meet this anticipated demand MFG is planning to open a further 60 Charging Hubs around the network in 2022 and will continue developing additional installations into the future. MFG has committed to investing £400m in EV charging infrastructure over the next ten years using free cash flow generated from its traditional business, thus supporting the Government's policy of transitioning to a clean infrastructure model.

This strategy section is clear and provides a thorough understanding of the strategic priorities of each pillar of the business. This provides background information on the wider market and government policies; and overlays this with timeframes and targets for the business.

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

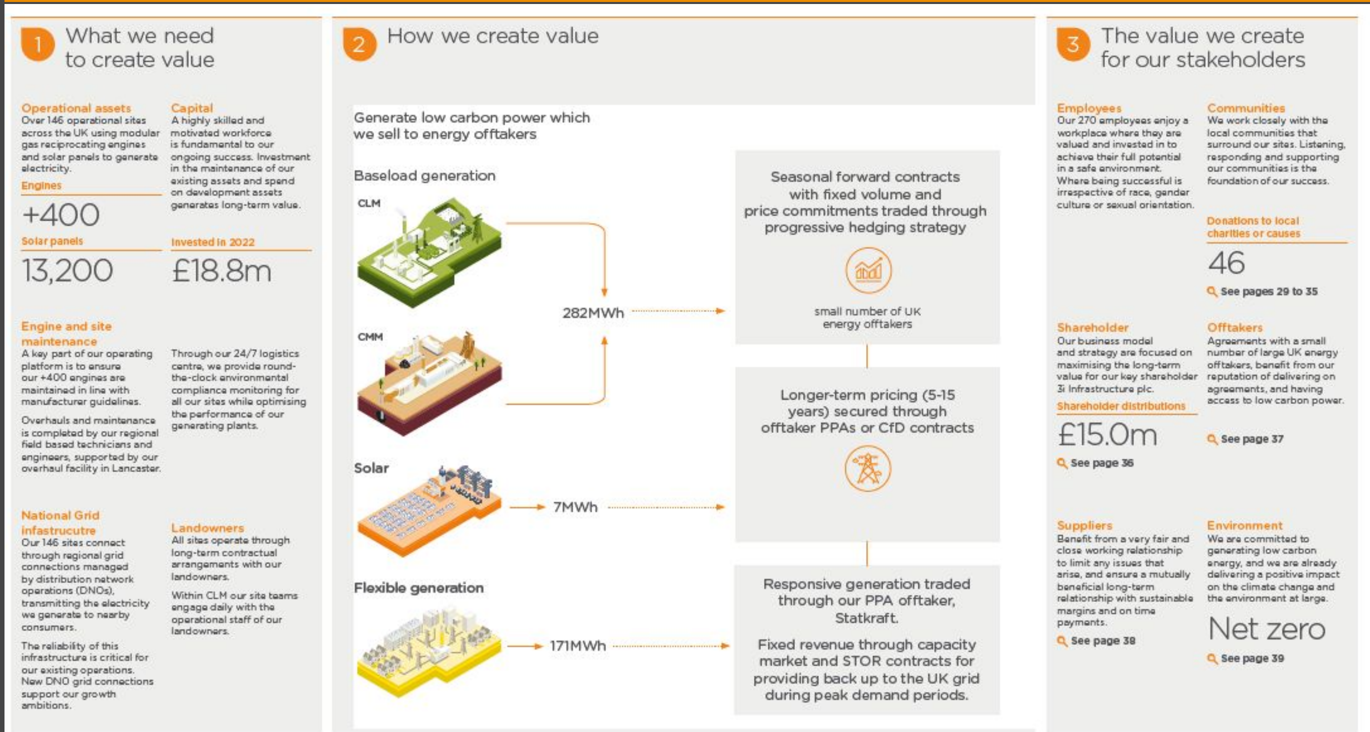
Attributes of good practice include:

- 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.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

Infinis Group – 31 March 2022 (Excellent practice)



This example articulates the business model well. This leads on well from the strategy section. It includes reference to key inputs to create value and the capabilities that the group has in order to succeed. It then summarises the value created for key stakeholders.

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.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

Zoom Holdings (ESP Utilities) - 31st December 2021 - (Excellent practice)

MARKET AND REGULATORY TRENDS CONTINUED

Regulatory change

There are two principle regulatory changes presently facing the Group :

- Ongoing reforms to electricity distribution network charging and access being considered by Ofgem
- The trajectory for the planned phasing out of new connections to the gas grid for residential properties

Electricity distribution network charging and access

Ofgem's regulatory change programme regarding electricity network charging and access, which commenced in earnest in December 2018, is approaching its latter stages. This provides relative clarity to the Group moving forward. The emerging position that Ofgem appears to be advocating will be that network reinforcement costs triggered by new (or upgraded) connections will be socialised across all DUoS customers within each DNO region. This is subject to an overall expenditure limit on an individual connection basis, alongside retaining the requirement for newly connected users to self-fund any sole-use network assets. Implementation of these measures is currently planned for April 2023, and once implemented, we expect that this will result in a marginal increase to DUoS revenues compared to the status quo. Further, Ofgem is minded to introduce new connection choices for larger users, such as enabling a newly connecting customer to voluntarily restrict their usage, based either on time of day or in response to increased demand on the network. This would allow connections to be made more quickly as less reinforcements would be required to accommodate the new connection. However, it remains unclear what relationship these new connection choices may have on DUoS revenues. In addition, Ofgem has consulted on its intention to review the DUoS charging regime more generally, with a view to implementing any necessary changes from April 2024.

Throughout 2022 we will understand with greater clarity the impact of the RIIO-ED2 process to set electricity distribution network price controls on our licenced electricity networks, including any enhanced targets, reporting requirements or new licence conditions which may arise, as well as the impact on the expected financial performance of the business over the applicable price control period 2023-2028.

Future of gas

The UK Government has announced its intention that in England and Wales no new residential gas connections should be permitted from 2025 onwards, in order to meet its legally binding net zero targets. The current timetable set out to confirm this involves a consultation in 2023, with the result and decision regarding the permissibility of new gas connections from 2025 being finalised in 2024. The Scottish Government has confirmed that any property with a building warrant issued from 2024 must use zero emissions heating, ensuring no new gas connections are permitted.

The risks and impact to the business of these regulatory changes are considered in further detail in the Chief Executive's review on page 9 and Principal risks and mitigations within the Risk report on page 13.

This example provides an example of how regulatory policies and changes in their relevant markets impacts the future development of the industry in which the business operates. References to the market include quantitative evidence.

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

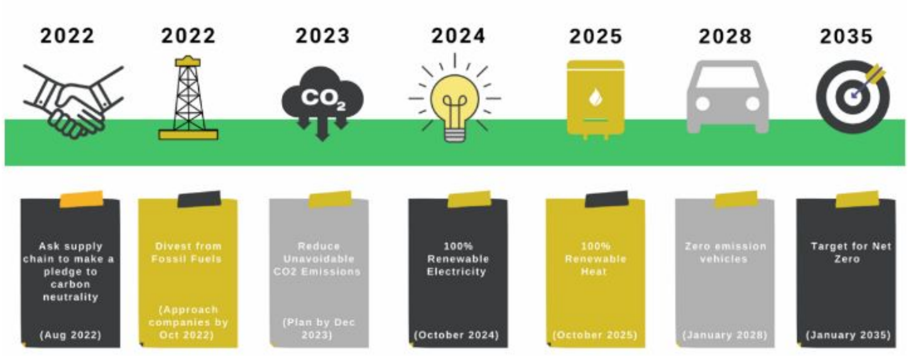
Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

PIB - 31st December 2021 - (Excellent practice)

Beyond this, we have a comprehensive environmental plan both in terms of reducing our carbon footprint. PIB has a Group Environmental Policy and established an ESG committee that has developed solutions around recycling, LED lighting in offices, eco-friendly cleaning products and EV charging points. This is chaired and sponsored by one of the PIB Group executives.

The ESG committee has defined an Environmental strategy that targets Carbon Net Zero by 2035, this will be achieved progressively up until that point (see diagram)



PIB Group aims to not be 'Net Neutral' but to be 'Net Zero' Carbon emissions. This by default excludes offsetting, and this puts PIB at the forefront of true Environmental initiatives.

As part of our strategy we comply with ESOS reporting, and have a clear view of our Tier 1 emissions. We are now developing a clear view of Tier 2 and 3 emissions. Which includes:

- Working with our suppliers to ensure that they meet our goals of reducing Carbon emissions (this is part of our RFP process)
- Develop a culture and behaviour of our employees to reduce Carbon emissions both at PIB and outside of PIB
- Working with our customers to support their agendas

This example includes specific actions taken and plans for the future. This includes clear explanations of the goals of the company with the long term plan. This is over and above the SECR disclosure requirements.

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.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

QA Training - 31st May 2021 -(Excellent practice)

In November 2020, we sought employee feedback in order to measure engagement levels. The bi-annual survey gives employees the opportunity to be able to anonymously feedback on how they are feeling at work. We can then compare those results and identify any employee engagement issues that may need resolving.

Over 900 people participated in the survey representing 53% of the total employee base in November 2020. The results were generally very positive – particularly in the wake of the pandemic and mass business disruption – with our overall eNPS score rising from 9.7 in 2019 to 17.5 in 2020. eNPS reflects employee experience and is measured by rating "How likely would you recommend QA as a place to work?" from 1 to 10. An eNPS above 0 is acceptable, anything above 10 is good and 30 + is market leading. After analysing the results, we decided to target 3 key areas of improvement at Group level; career development (see learning and development section of this report), communication of our vision and how we recognise our colleagues (see reward and recognition section of this report).

In the New Year, following the survey, we collaborated with our Employee Partners to investigate these areas in more detail. Our Employee Partners ran 26 focus groups with more than 200 employees across a 4 week period to dig deeper into what we could improve and to discuss suggestions on how. We identified several themes of improvement and then defined potential initiatives at both Group and local level. We've launched a number of initiatives in response to this work, including:

INTERNAL VACANCY PROMOTIONS

Feedback suggested that there was not always an obvious way to find out about new roles and career opportunities across QA. In response, our internal recruitment team launched a monthly email newsletter. It goes out to all employees and promotes all the internal vacancies on offer across the business.

MORE FREQUENT EMPLOYEE COMMUNICATIONS

We used a combination of communication channels, platforms and techniques to ensure our people felt connected and informed. The executive team hold quarterly 'All Hands' employee calls where updates are given on financial performance, key strategic initiatives and used as an opportunity to celebrate group and individual successes. In addition the exec team also hosted monthly Senior Leadership Group (SLG) calls. Attended by 75 of our most senior leaders in the business, the calls were more collaborative in their nature and were used to workshop key issues or people initiatives. The sessions ensured management buy-in, along with consistency in the way managers were communicating with and running their teams.

In September 2021 we hosted our first virtual all-employee conference. It differed from the monthly all-employee calls as it was more in-depth, with breakout sessions, panel Q&As and an interactive charity voting poll. The event was broadcasted from a studio live across all of our locations, and it also featured a celebration event dedicated to the champions of lockdown – called Lockdown Legends.

WAYS TO STAY CONNECTED TO COLLEAGUES

Microsoft Teams has also been a key mass employee communication tool. Three core Teams areas have been set up and are regularly used to share updates with key employee groups. The first is an all-employee Teams channel where regular updates are posted on key policy changes, updates on home-working, people news and successes. It is a two-way communications channel so employees can like, comment and interact with the updates as they are posted. The second Teams area is for the SLG and is used to store key information, updates and supporting materials that arise from the SLG calls. It is also used as a forum for senior managers to discuss issues and share their thoughts. The third Teams area is for all people managers and is predominantly used by our People team to support line managers to manage and look after their people in a virtual setting.

This example is an extract of employee matters relating to promotions, communications and connection to colleagues 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.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

Village Hotels - 31st December 2021 - (Good practice)

Community

The location of the hotels being outside of city centre locations means that the hotel is very much a part of the community in which it is located. Village has implemented several initiatives including the Village Green initiative to engage with both local and national communities, from charitable events, regular sporting clubs and networking events that ensure the local community is as engaged as possible. In 2021 this included the Sock it to Winter campaign, in which the Group donated 10,800 socks to homeless charities, litter picks around its hotels, and donations of hotel stays and lunches to local community charities and carers.

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

Viridor - 31st March 2022 - (Good practice)

Social

Our people are not just our employees, they are active members of the communities where we work. Our ambition is for our purpose to be greater than work; carried into wider society. We aim to equip colleagues to carry on building a world where nothing goes to waste within their communities. Through this we support our communities to be part of and share our purpose.

We deliver this through our team of Social Value and Community Benefits Officers, onsite education centres, our digital tools and empowered colleagues. With a large local authority client base, ensuring our activities deliver maximum local social value is a key driver. Site based Social Value and Community Benefits Officers use our dedicated onsite and virtual education centres combined with site tours to support local education and community groups to understand how we manage their waste safely and responsibly operate within strict environmental limits.

Before COVID-19 our community engagement reached around 8,000 people per year. During COVID-19 pandemic we had to adopt and embed new digital tools, leading to highly effective engagement increasing to almost 20,000 people in financial year 2021/22. Our target is to double that in the financial year 2022/23.

All colleagues are encouraged to take one volunteering day per year, and these have included tree planting, litter picking and beach cleaning.

All Viridor facilities are permitted and monitored by the relevant environmental authorities. For us and our communities, it is critical we operate to the highest standards and continue to improve. In financial year 2022/23 we will set a new target for our environmental performance, and make sure that all Viridor sites will achieve an Environmental Agency Permit rating between Bands A and C, inclusive.

Although the Viridor considers the inherent risk of encountering issues of modern slavery within its business, supply chains and strategic affiliations to be low, it is nonetheless an issue that the Group and the Directors take very seriously. The Group's full statement under section 54 of the Modern Slavery Act 2015 for the period ended 31 March 2022 is published on its website https://www.viridor.co.uk/.

This example is an extract included in the annual report which detail specific roles in the company and the reach of community engagement.

Across the full sample of companies which have been reviewed in 2022, there were none which were noted to be excellent practice therefore the two above meet the requirement for "good practice".

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 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 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.

Excellent practice

Excellent practice disclosures are achieved where they stand 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 listed above and go beyond this in order to achieve this classification.

Viridor - 31st March 2022 - (Excellent practice)

Viridor Limited

Strategic Report for the Year Ended 31 March 2022 (continued)

Gender Diversity

At Viridor, we are committed to not only eliminating discrimination but also creating a diverse workforce. We believe that everyone should be treated with equal respect and dignity and should have access to the same opportunities to develop professionally and personally within the Company. We believe a diverse workforce creates a positive and open culture, we celebrate differences and value everyone's contributions to the everyday workings of the Company. We recognise and value each individual's own personal background and skillset and we strive to grow talent and reach full potential.

We measure gender balance from the top down and by function across Viridor. We are adopting some big changes in our policies to help attract and retain our female talent, including the introduction of more progressive family friendly policies which are representative of our business today. Our early careers programme focuses on recruiting a select number of junior talent into our business providing them with a clear development programme, designed around their skillset and personal interests. By recruiting a select number of diverse junior talent we can dedicate the time and resource to developing their careers and create a pipeline of future leaders who will stay with us for the long term.

We remain committed to creating an inclusive workspace and we are focussing on the following action plan:

- Review our Graduate assessment programmes to ensure they are more inclusive and enable female talent to be successful and equally able to progress through different roles.
- Promote our female talent and actively support their growth and development.
- Review the Recruitment process, where possible ensure female representation through all stages, including at interview stage.
- Continue to ensure pay parity is maintained when recruiting new roles across the business.
- Continue to review on gender representation at each level, from the Executive Leadership Team though the organisation, to identify any areas of weakness or potential barriers to progression

Number of employees split by gender as at 31 March:

Year Ending 31 March 2022	Male		Female		Total	
	Number	%	Number	%	Number	%
Directors	4	0.32%	1	0.08%	5	0.40%
Senior managers	9	0.72%	2	0.16%	11	0.88%
All others	1028	82.24%	206	16.48%	1234	98.72%
Total	**1041**	**83.28%**	**209**	**16.72%**	**1250**	**100.00%**

Year Ending 31 March 2021	Male		Female		Total	
	Number	%	Number	%	Number	%
Directors	4	0.15%	1	0.04%	5	0.19%
Senior managers	11	0.41%	2	0.07%	13	0.49%
All others	2130	79.87%	519	19.46%	2649	99.33%
Total	**2145**	**80.43%**	**522**	**19.57%**	**2667**	**100.00%**

We define 'Senior manager' as someone who is part of our Executive Leadership Team, reporting to Kevin Bradshaw our Chief Executive Officer. They have responsibility for planning, directing and controlling the activities of the Group, and are an employee of the company.

This example details gender information by the three required categories, with the definition of "senior manager" 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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