Improving transparency and disclosure:

Good practice reporting by portfolio companies

Private Equity Reporting Group

The Guidelines for Disclosure and Transparency in Private Equity

December 2024

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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 launched a consultation to refresh the Guidelines again in July 2024 and took this opportunity to refresh the Good Practice Guide to reflect a more practical guide to application ahead of the revised Guidelines being published.

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 seventeenth 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, but to illustrate different attributes and styles of reporting that have been determined to have at least some of the good practice qualities.

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 also note a pleasing trend where former public companies transition to private equity ownership and retain their existing high bar for transparent corporate reporting, even when not expressly required to do so.

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 and the Non-Financial and Sustainability Information Statement). However, we remain disappointed that 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 as well as the disclosures of non-financial KPIs.

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

Objectives of the Guidelines

- To demonstrate the private equity industry's commitment to transparency of its activities.
- To provide data to support the private equity industry's contribution to the UK economy.

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. More recent changes impacting large private companies, which will likely include a number of portfolio companies reflect the 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.

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:

Clearly articulate the strategy and business model

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)

Identify meaningful key performance indicators ("KPIs")

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)

Define principal risks, their impacts and mitigations

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)

Include those employee, social and community issues which most impact the business

These issues should be explained with reference to the overall business strategy, KPIs and performance. Inclusion of relevant current 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.

Frame the business review using the strategy, KPIs and relevant risks

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), social, community and human rights issues (Guideline 14), and gender diversity (Guideline 15). The annual report should also include an explicit statement of compliance with the Guidelines.

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.
- 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 in the Guidelines 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.

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 in the Guidelines and go beyond this in order to achieve this classification.

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:

Strategic report

Disclosures similar to those required for all large private companies and quoted companies in order to comply with the Strategic Report Regulations and included in the Guidelines to offer comparability to those disclosures often seen in large and listed company reports:

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.

There is also a growing trend to include environmental or employee data in a separate report. We consider information reported in these separate reports only where they are clearly cross-referenced in the annual report and is publicly available on the portfolio company's website.

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 equity firm in the UK who have oversight of the company on behalf of the fund or funds.

Examples of good practice

- 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.
- History of the ownership of the company, including that of previous equity owners.

Examples of non-compliance to avoid

- Identity of the private equity firm and the relevant senior executives of the firm omitted.

Stonegate Pub – 29 September 2023 (Good practice)

Ownership

The immediate controlling party is Stonegate Pub Company Midco Limited, a company that is owned by TDR Capital Stonegate L.P., an investment fund managed by TDR Capital LLP, a private equity management firm registered in the UK. TDR Capital LLP is a leading private equity firm with approximately €15 billion of committed capital. It invests in medium-sized, European businesses and partners with them to develop and grow their operations. TDR Capital LLP works in partnership with management to harness opportunities together through board representation and professional support.

Various investment funds managed by TDR Capital LLP incorporated Stonegate Pub Company Limited in August 2010 when it purchased 333 freehold and leasehold pubs and bars from Mitchells & Butlers plc and then went on to purchase the Town and City Pub Group Limited and Bay Restaurant Group Limited businesses in June 2011.

Identification of the fund and PE firm, alongside further details of its role.

Cobham – 31 December 2023 (Good practice)

History and ownership structure

Cobham was founded in 1934 by Sir Alan Cobham, becoming a public company in 1955. On 11 August 2019, Cobham's board of directors unanimously recommended an offer by AI Convoy Bidco Limited, a company incorporated in England and Wales and controlled by funds managed by Advent International Corporation (Advent International) to acquire Cobham plc (the Acquisition). This offer was subsequently approved by Cobham plc's shareholders, with 93 per cent of shareholders in favour.

Following the Acquisition, an internal reorganisation was carried out to ensure that each Cobham business unit was empowered to operate effectively on a more independent basis so as to drive focus and allow for decision making as close to the customer as possible. AI Convoy (Luxembourg) S.à r.l., a société à responsabilité limitée incorporated in Luxembourg with a registered office address at 2-4 rue Beck L-1222 Luxembourg (the Company), became the indirect parent of AI Convoy Bidco Limited and now owns all of the former Cobham plc business units (in this report the Company and all of its direct and indirect subsidiaries are together referred to as the Group).

This report includes the consolidated financial statements of the Group for the year ended 31 December 2023.

Background on Advent International

Good detail on the background of the private equity firm.

Founded in 1984, Advent International is one of the largest and most experienced global private equity firms. With offices on four continents, it has a globally integrated team of 258 investment professionals, focused on buyouts and growth equity investments in five core sectors. Since initiating its private equity strategy in 1989, Advent International has invested $72bn in over 400 private equity investments across 43 countries and, as at 30 September 2023, managed $88bn in assets. The Advent International fund investing in Cobham is Advent International GPE IX.

During the acquisition of the Cobham Group, entities controlled by funds managed by Advent International made certain undertakings to regulatory authorities in the UK, France and Australia and continue to ensure full compliance with these commitments.

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.

Examples of good practice

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

Examples of non-compliance to avoid

- The Companies Act requirement of the disclosure of the directors of the company 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.

OCS – 31 December 2023 (Excellent practice)

WATES PRINCIPLES

The Directors believe the appropriate approach to corporate governance is to adopt the Wates Corporate Governance Principles for Large Private Companies. The approach is based upon six broad principles, which the Directors have adopted.

Principle 1 – Purpose and Leadership

An effective board develops and promotes the purpose of a company and ensures that its values, strategy, and culture align with that purpose.

The Group's strategy and purpose is to become the world's best facilities services company helping to deliver the best outcomes for people. This is embodied in the Group's Vision and Mission statement 'to become the best provider of facilities services for colleagues, customers and communities by making people and places the best they can be'.

The Group's strategy, referred to as BEST was established to enhance how customers are served, how the workforce is empowered and how the Group contributes to the well-being of the communities it touches. The strategy is reinforced by the Group's TRUE values which guide how the business interacts with customers, colleagues, partners, and communities, ensuring a cohesive approach towards achieving the Group's mission. More information on the Group's Business Model and Strategy can be found in the Strategic Report on pages 4 and 5.

Detailed discussion of wider corporate governance, including the application of the Wates Principles.

Principle 2 – Board Composition *(continued)*

Clearly identified representative of PE firm on the board.

Details on the current Directors of the Board are as follows:

Bruno Deschamps - Chair

Bruno serves as the Chair of the Company. He is an Operating Advisor to CD&R LLP. He holds directorships in the following CD&R portfolio companies: Kalle Group, SIG plc, Westbury Street Holdings and Wolseley UK. He is a former Chairman of Diversey, a global leader of hygiene and sanitation products, services, and solutions to the institutional and industrial markets. Previously, he served as Chairman of the Advisory Board of Kloeckner Pentaplast, one of the world's largest suppliers of films for pharmaceuticals, medical devices, food, electronics, and general packaging, and, from 2008 to 2011, as Group Managing Partner of 3i plc (London).

He served as a CD&R Operating Partner from 2002 to 2007 during which time he was Chairman of Brakes and played a key role in the Firm's investments in Culligan, Rexel, and VWR. Bruno also served as President and Chief Operating Officer of Ecolab, a Fortune 100 company with more than $14 billion in revenue. During his ten years in Germany, he served as President of Henkel Adhesives, Teroson Gmbh and Henkel Ecolab. Bruno also served as Chairman and CEO of his family-owned speciality chemical company, SAIM, in France. He is a member of the board of the William Pitt Committee of Chatham House, a knight of the Legion d'honneur, France, and past president of the French Foreign Trade Advisors in the UK. Bruno has an M.B.A. in marketing and finance from ISG Paris.

Details of relevant background and experience.

3 Financial review - Position

Requirement

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.

Examples of good practice

- 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.
- 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).

Examples of non-compliance to avoid

- Failure to specifically cross-reference to notes to the financial statements where further detail is provided on the debt structure, where applicable.

Kantar – 31 December 2023 (Excellent practice)

Appropriate cross-references to notes to the financial statements where further information is presented.

APM Net Debt and Leverage

Definition

Net debt, under which we include measures for Senior Lender and Other Net Debt and Consolidated Senior Secured Net Debt, is based on statutory figures as shown in the table opposite. Senior Lender Net Debt is calculated as the sum of current and non-current loans and short and long-term lease liabilities, less cash and cash equivalents and excluding the WPP Plc loan, unamortised debt issuance costs and cash and debt of subsidiaries which are outside the Lenders' perimeter. Certain other adjustments are made to Senior Lender Net Debt to derive the measure for Consolidated Senior Secured Net Debt, including adjustments to exclude unsecured debt and certain adjustments to the prior year figures, as shown in the table. Leverage is calculated as Consolidated Senior Secured Net Debt divided by the Covenant Last Twelve Months (LTM) Adjusted EBITDA which is calculated as shown in the second table.

Purpose

Net Debt is a measure of the Group's net indebtedness that provides an indicator of overall statement of financial position strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. Leverage is used to show how many years it would take for a company to pay back its debt if Net Debt and Adjusted EBITDA are held constant.

Reconciliation between APM and Consolidated Financial Statements

	Cash and cash equivalents		Debt (note 18)		Net Debt (exc. Lease Liabilities)		Lease Liabilities (note 19) and other debt (note 18)		Net Debt (inc. Lease Liabilities)	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Consolidated Statement of Financial Position	(466.0)	(481.1)	4,607.5	4,303.1	4,141.5	3,822.0	235.5	242.7	4,377.0	4,064.7
Reclassification of Bank Overdrafts	201.1	193.6	(201.1)	(193.6)	–	–	–	–	–	–
Reclassification of WPP Plc loan	–	–	(7.3)	(8.7)	(7.3)	(8.7)	7.3	8.7	–	–
Unamortised debt-issuance costs deducted from borrowings	–	–	81.6	89.5	81.6	89.5	–	–	81.6	89.5
Outside the Senior Lenders' perimeter[1]	40.9	53.6	(235.8)	(243.2)	(194.9)	(189.6)	–	–	(194.9)	(189.6)
Senior Lender and Other Net Debt	**(224.0)**	**(233.9)**	**4,244.9**	**3,947.1**	**4,020.9**	**3,713.2**	**242.8**	**251.4**	**4,263.7**	**3,964.6**
Senior Lenders' Unsecured Debt[1]	0.6	0.7	(472.3)	(457.9)	(471.7)	(457.2)				
Retranslation at LTM average foreign exchange rates	(13.1)	–	(51.7)	–	(64.8)	–				
Consolidated Senior Secured Net Debt	**(236.5)**	**(233.2)**	**3,720.9**	**3,489.2**	**3,484.4**	**3,256.0**				
Covenant LTM Adjusted EBITDA (see below)					770.4	819.9				
Leverage					4.52x	3.97x				

1. Excludes cash and debt in legal entities above the level of Summer (BC) Holdco B S.à r.l. and Summer (BC) Bidco B LLC in the legal structure of the Group (see note 30).

	2023 \$m	2022 \$m
LTM Adjusted EBITDA per Operating and Financial Review	**741.3**	**699.5**
Impact of acquisitions and disposals	(24.0)	(1.1)
Other adjustments per the Covenant definition of LTM Adjusted EBITDA[1]	16.9	10.8
Dividends received from Associates	5.2	9.7
Run-rate adjustment[2]	31.0	101.0
Covenant LTM Adjusted EBITDA	**770.4**	**819.9**

1. Includes adjustments for: property taxes, non-cash pension costs, other non-cash charges, foreign exchange and Pro forma related to the definitions within the Senior Facilities Agreement.
2. Run rate adjustment for covenant purposes is limited to 25% of overall Covenant LTM Adjusted EBITDA.

Consolidated Senior Secured Net Debt (excluding lease liabilities) on 31 December 2023 was \$3,484.4 million and Covenant LTM Adjusted EBITDA for the relevant period was \$770.4 million. As at 31 December 2023, Consolidated Senior Secured Net Debt was 4.52 times LTM Adjusted EBITDA.

Clear definitions of key terms.

Quantified discussion of year end debt position.

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 footnotes to the balance sheet and cash flow section of the financial statements.

Examples of good practice

- Discussion in the financial statements of the overall risk management objectives and policies of the company.
- Discussion of the risk management policies relating to the company's leverage and other financial risks such as liquidity and cash flow, credit, interest rate risk.
- Quantitative information is included 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.

Examples of non-compliance to avoid

- Failure to specifically cross-reference to notes to the financial statements where further detail is provided on financial risks, where applicable.

Zenith – 31 March 2024 (Excellent practice)

Strategic pillars used as a framework to underpin a risk management discussion.

Risk management overview
(continued)

Be the leader in our chosen markets	Create the best employee experience
Operate sustainably	Make a positive impact on society
Grow a digitally-relevant business	Create value for our stakeholders

Risk	Why is it a risk to Zenith?	Potential impact of risk	Risk appetite	Controls	Governance	Notable events in the year
Liquidity risk	Zenith relies on available cash and debt resources to manage its finances on a day-to-day basis, but also to act as a backstop to any funding need in respect of growth or refinancing of the vehicle fleet. Zenith also relies on its funding providers to deliver operational liquidity.	Ability to deliver profitable growth. Ability to service debt on vehicle funding or other forms of debt. Ability to fund strategic initiatives.	Low	Customary treasury and cash controls, such as planning and forecasting cash, liquidity and vehicle funding needs. Close monitoring of vehicle funding facilities to mitigate risks of non-compliance and any risk of shortfalls in funding availability against asset classes or customer categories.	Policy and approach governed at Board level. Funding Committee (linked to Credit Committee) to monitor current and forecasted limits, headroom and availability of funding. Board-level oversight and review of ongoing compliance and any proposed, material changes to funding capacity or liquidity.	Subsequent to the year end, the securitisation facilities were increased by up to £250 million, including £100 million of committed facilities and an accordion structure allowing for an additional £150 million of capacity.

Detailed discussion of the likelihood and impact of each risk with linkage to how they are monitored, with a note to how they have changed during the period.

Hyperoptic – 31 December 2024 (Good practice)

Financial risk management

Hyperoptic has long term funding requirements in order to achieve its goal of passing two million homes with its fibre network. This requires the Company to manage its liquidity closely, draw on committed debt facilities, manage interest rate movements, and ensure funding is available in a timely manner.

The Company's financial risk is monitored closely by the treasury function, who, in conjunction with the business, compile weekly rolling 3-month cash forecasts to manage short term liquidity and ensure debt facility drawdowns are made at the right time whilst minimising interest charges. A monthly review of current and forecast performance against covenants and cash flow is performed with a long-term sensitised business forecast forming the basis for assessing any liquidity risk in the medium to long term. This review is conducted by the CFO and reviewed by the Board. A long-term business plan is formally updated every year, sensitised as required and reviewed quarterly for any movements which impact the liquidity of the business, including long term access to funding sources to support its network construction targets. Qualified financial advisors are engaged early to support capital raises in sufficient time to meet liquidity demands, and progress is regularly reviewed by the Board of Directors. Due to the Company's floating interest rate exposure, linked to SONIA, that it pays on its debt facility, the treasury function also reviews monthly the expected drawdowns on the facility and puts in place appropriate hedging instruments to manage short term and long-term interest rate volatility. At year-end, the entire £850m drawn from the B facility was fully hedged against interest rate volatility.

Quantitative information included to support the discussion.

During the year the Company has met all required covenants under its committed debt facilities.

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 end. The purpose of this is to inform the members of the company and help them assess how the directors have performed their duty.

Examples of good practice

- Strategy used to structure the content of the discussion to provide a clear alignment of strategic priorities, development and performance.
- Explanation of the performance in the wider market context.
- Discussion at an appropriate divisional level to demonstrate how different parts of the business are performing.

Examples of non-compliance to avoid

- Lack of detail to provide sufficient insight and a fair reflection of a company's development and performance during the year and its position at the end of the year.

Constellation Automotive Group – 31 March 2024 (Excellent practice)

GROUP OPERATING REVIEW

Improved performance from returning volume suppressed by Q3 market price correction

The Group delivered adjusted EBITDA of £247.0m (year ended 2 April 2023: £201.6m), up 22.5% with returning new car registration volume normalising used vehicle churn. The Group's progress was negatively impacted by the sharp correction in used vehicle values through Q3, with CAP HPI falling 10.5%, the largest drop since the 2008 financial crisis. Recovery momentum returned in Q4 as pricing stabilised, Vehicle Buying traded with improved confidence and market participants returned, resulting in a record Q4 EBITDA.

UK new car registrations have seen a sustained period of muted supply with 1.6m new registrations per annum between 2020 and 2022, the lowest level since 1992. After three consecutive years of scarcity, supply began to recover in 2023 with new car registrations reaching 1.9 million units, the best performance since the pandemic but 16.8% below the 2.3 million units registered in 2019. UK used car transactions during the financial year were up 5.7% at 7.4 million units, but remain 5.1% below the 7.8m average from FY14-FY20.

In the prior year, the lack of vehicle volume impacted profitability, as the Group was unable to efficiently utilise the strength of its physical and digital assets. The current year has seen UKVR performance improve as the successful right sizing of the Retail Ready estate has prevented £22.8m of losses seen in the prior year. International Vehicle Remarketing has benefitted from strong volume growth of 31% to 400,000 vehicles (year ended 2 April 2023: 306,000) as pan-European vendor relationships have driven performance. WeBuyAnyCar volumes fell 3% to 478,000 units following cautious buying behaviour ahead of the Q3 pricing correction. Throughout the year WeBuyAnyCar has seen best value at the lower end of the market as dealers sought less risky inventory in a tight consumer market.

Automotive Services delivered good performance, as demand for its physical capabilities to move and store vehicles along with added-value services saw good quality and volume work return with car supply. The quick return to better profitability has validated the Groups decision to support skilled drivers and maintain capacity by redeploying on internal work over the past three years.

Appropriate divisional level discussion to demonstrate a fair reflection of performance.

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.

Examples of good practice

- Clear alignment between strategy and risks.
- Explanation of how each risk is managed.
- 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.

Examples of non-compliance to avoid

- Lack of explicit identification of the principal risks and uncertainties facing the company.
- Boilerplate list of risks that are not unique to the business.

Wolseley – 31 July 2023 (Excellent practice)

Clear explanation of each risk, how the risk profile has changed, and how they are managed.

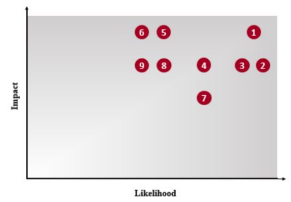
9 Business resilience

Description	Mitigations
The Group is committed to enhancing its capability to minimise the impact of a significant business disruption and improve the speed of recovery. An inability to respond quickly and effectively to a catastrophic incident at a key business location, a global event such as a pandemic, or the failure of a critical third party, could result in a significant interruption to a key service or the supply chain, causing financial loss and reputational damage.	A Group-wide business continuity policy is in place which formalises a consistent framework for businesses to identify critical operations and ensure these can continue in the event of a major incident. Critical sites and operations have detailed incident response and recovery plans that are continually reviewed and improved. Remote working solutions are utilised which reduce the risk of support sites being lost. Disaster recovery plans have been established for critical IT systems and datacentres which are tested at least annually. Strategic third-party partners have been reviewed to ensure continuity plans are robust and aligned. Business interruption insurance provides cover for the loss of income when operations cannot continue due to an unexpected event.

Change

This risk exposure has reduced. The business has continued to face a range of externally driven global events and economic uncertainties particularly in relation to the supply chain, which it has mitigated effectively.

Risk profile after mitigating actions and controls



1. Information technology and cyber security
2. Macroeconomics and market dynamics
3. Organisation and talent
4. Strategy execution and acquisition integration
5. Net zero transition
6. Health and safety
7. Financial health and cash management
8. Compliance and governance
9. Business resilience

Principal risks and uncertainties

Governance framework

The Directors have overall responsibility for ensuring the Group has an appropriate risk management framework. This includes clearly defining the level of risk the Group is willing to accept to achieve its strategic objectives, monitoring the amount of risk being taken and ensuring the businesses activities operate within this framework.

Risk management framework

Throughout the year the Group has continued to strengthen its risk management framework, working with risk leads in the businesses and support functions to enhance risk registers. Work remains ongoing to drive the risk process into business as usual activities and projects across the Group.

A risk review process is undertaken three times per year where each business and support function identify and assess their key risks and update their respective risk registers. Each risk is evaluated using a defined criteria based on its potential consequence, likelihood and the existing level of mitigating controls. Any action plans to further mitigate or reduce the risks identified are also captured as part of this process.

The output of this exercise is used to update the Group's risk register, which is reviewed by the Directors and senior management team with all new and emerging risks and material changes highlighted. Each risk is assigned an owner who is responsible for actioning agreed mitigations. Independent oversight and challenge of this end-to-end process is provided by the Group Assurance function.

Further details on the governance structure of the Group which support the risk management objectives.

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.

Examples of good practice

- 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.
- Targets or milestones, whether qualitative or quantitative.

Examples of non-compliance to avoid

- Failure to explicitly define measures as KPIs, as such leaving it up to the reader to infer which measures are key to the business.

Farnborough Airport – 31 December 2023 (Good practice)

Key Performance Indicators

KPI		2023	2022	Movement
Air Traffic Movements (ATMs)	1	**31,795**	33,120	Traffic was marginally lower than pre-pandemic 2019 levels. 2022 impacted by pent-up demand.
Turnover	2	**£112.4m**	£110.3m	Increased yield offsetting lower traffic volumes and fuel prices.
Group Normalised EBITDA	3	**£45.0m**	£40.1m	Increased yield (heavier aircraft taking more fuel and parking longer) and strong marketing revenue delivered growth despite lower traffic.
Group Normalised EBITDA margin	4	**59.8%**	60.3%	Increased yield and marketing revenue largely offset impact of lower traffic.

1. ATMs: Air Traffic Movements drive landing & handling fees, fuel sales and parking revenues
2. Turnover: Income generated from the Airport and the Hotel
3. Group Normalised EBITDA: EBITDA drives operating cashflow facilitating distributions to shareholders. This measure removes exceptional and non-underlying items.
4. Group Normalised EBITDA margin: The ratio of normalised EBITDA to turnover from airport operations (note 3) less fuel purchase costs (2023: £25.1m, 2022: £31.4m).

Clear definition of the key performance indicators.

Trend data provided to support the operational review discussion that follows.

Cobham – 31 December 2023 (Good practice)

Key Performance Indicators

The following financial key performance indicators ('KPIs') are used to measure the Group's performance:

Explicitly labelled key metrics.

Statutory:

$m	**2023**	**2022**
Revenue	927	874**
EBITDA *	128	87**
Operating cash	168	199
Employee numbers (number at year end)	2,665	3,076**

* EBITDA on a Statutory basis may differ from EBITDA measures calculated using other bases, such as in financing agreements. EBITDA on a Statutory basis includes the results of divested businesses not classified as Discontinued Operations and excludes results from Discontinued Operations, namely the CAES Space and Aerospace Communications businesses in 2023; and the CAVS Australia, CAES Space and Aerospace Communications businesses in 2022.

Definition of how calculated.

** Restated to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1 (Accounting policies).

8 Key performance indicators - Non-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, 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.

Examples of good practice

- 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.
- Quantified trend data, targets and milestones, whether qualitative or quantitative.

Examples of non-compliance to avoid

- Failure to define non-financial measures as KPIs, as such leaving it up to the reader to infer which measures are key to the business.
- Inclusion of financial measures (e.g. revenue by region/division) under non-financial KPIs headings.
- Lack of quantified data to give context to the measures disclosed.

David Lloyd Leisure – 31 December 2023 (Excellent practice)

Clearly aligned to strategic priorities.

Strategies - Delivering My Club for My Life (continued)

3. *Belonging*

Create a sense of belonging for our members so that they never want to leave.

We aim to achieve:

- MAT attrition 33% by 2024

Timebound targets related to KPIs.

MAT attrition records the rate of turnover of members, focusing efforts on long-term member retention. MAT attrition % is calculated by the total number of leavers in the last 12 months divided by opening count in the 12-month period.

The Group's MAT attrition was 36.5% in December (an improvement of 1.7% compared to the prior year) and total attrition for the year ended 31 December 2023 was 267k. We manage attrition through encouraging members to use our facilities more, continued investment in our club facilities and development of our product range to provide a premium offering to our members.

4. *Premiumisation*

Continually innovate and improve our product quality, physically and digitally, inside and outside.

We aim to achieve:

- Member experience score of 85% by 2024

Member experience is measured through member satisfaction app scores via the number of 'good' and 'very good' responses as a percentage of overall responses. We achieved an average member experience score of 81.5% for the year finishing up 1.4% vs full year 2022 and our highest score since launching feedback in the app in 2019.

Our Trustpilot and Google scores are also strong at 4.4 and 4.1 respectively. This reflects our focus on providing 5-star customer service.

We continue to see challenges within Clubs where investment works are in progress. The Group continues to premiumise its offering to deliver yield and to further differentiate from the market. 29 spa retreats were open as at December 2023. We have already identified 11 premiumisation projects for 2024 including 8 spa retreats.

Quantified trend data.

9 Strategy

Requirement

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

Examples of good practice

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

Examples of non-compliance to avoid

- Avoid strategic statements set in isolation from the rest of the company reporting as these can appear as hollow statements of intent.

OCS – 31 December 2023 (Good practice)

BUSINESS STRATEGY AND MODEL (continued)
The Group's five BEST pillars are central to achieving its strategy – delivering the best Experiences, Productivity, Practices, Resilience and Outcomes for customers, colleagues and communities:

Best experiences – creating positive and welcoming environments for people through consistently delivered details which result in positive and memorable lasting impressions;

Best productivity – ensuring effective and streamlined task and project completion for the benefit of colleagues, customers and communities through diligent service, advanced technology and a maintained plan for continuity;

Best practices – built on a foundation of good governance and rooted in a 'safety-first' approach, adhering to the Group's Code of Conduct and Global Quality, Health, Safety and Environment policies to ensure compliance and excellence in practice standards and prioritise colleague and customer well-being;

Best resilience – having the foresight, experience, preparation and proactivity to prioritise operational continuity, understanding that unforeseen events can happen and planning preventative measures to maintain robust and responsive operations;

Best outcomes – the collective goal of delivering exceptional facilities services to enable every colleague, customer and community to achieve their outcomes and be their best.

These pillars address the macro challenges in the industries the Group serves, including technology integration, sustainability, environmental compliance and talent management. The newly combined Group now has an expanded capacity to offer a broader range of services and expertise, adding value to customers, partners, colleagues and communities.

▶ Clear strategic pillars used to underpin further discussions throughout the report.

Constellation Automotive Group – 31 March 2024 (Good practice)

The Group's strategy is to create value for stakeholders through organic growth, acquisitions and partnerships in the automotive industry in the UK and Europe. We continue to work with all major market participants to develop and adapt integrated solutions to solve and meet the needs of the participants across the automotive sector, maximising value for all stakeholders.

Short term
Constellation Group will build upon the strengths of our fulfilment capabilities, physical real estate, knowledge and automotive relationships to enhance our operations and integrated solutions in both the UK and Europe. We continue to focus on reducing costs by optimising efficiency at each of our locations, integrating and streamlining operations for improved operating performance underpinned by connected data. Our vehicle processing centres will continue to play a key role in our strategy as we offer a variety of refurbished stock. Innovation will continue to be embraced to bring further insightful trusted information in a convenient manner to vehicle sellers and buyers. We will continue to create a winning culture, investing in our people to create and maintain high performing, technically specialist and data-orientated teams.

Medium term
The Group will continue to develop our operations through both organic growth and tactical acquisitions, with a focus on the intelligent use of data and other innovations. Our International Vehicle Remarketing business will look to develop deeper customer relationships across an expanded geographical footprint.

Long term
Constellation Group will focus on activities that are non-core to OEMs, vehicle sellers and vehicle owners, providing solutions at scale. Opportunities arising out of change in the automotive industry will continue to be a fundamental pillar of the Group's success.

▶ Strategic goals outlined over specific timeframes to provide further clarity.

10 Business model

Requirement

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

Examples of good practice

- Gives reference to the key capabilities, resources and relationships the company uses to create and sustain value.
- 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.

Examples of non-compliance to avoid

- Discussion does not explain what the company does to create value and how they do it.

Kantar – 31 December 2023 (Excellent practice)


What
we offer

Who we
work with

How we
operate

What
makes us
different

Our
divisions

Delivering brand growth

Brands grow by being meaningfully different to more people. To do this, marketers need to create stronger functional and emotive connections to consumers and define strategic opportunities to build difference.

Kantar supports our clients at every key stage of the sales and marketing lifecycle.

- Guiding how to grow the predisposition consumers have toward a brand.
- Informing the marketing investments in product range, distribution, pack, pricing and promotion strategies to ensure brands are always present where they need to be.
- Finding the most incrementally attractive new spaces achievable through meaningfully different innovation, expanded distribution and communications.

Kantar's products, solutions and services

Solution structure

- Globally representative panels
- Validated models and benchmarks
- World-leading products
- Advanced analytics
- Consulting services

Our Blueprint for Brand Growth

Brands grow by being meaningfully different to more people | Predispose more people | Be more present | Find new space

▶ Detailed discussion on what the company does.


What
we offer

Who we
work with

How we
operate

What
makes us
different

Our
divisions

1 Panel management

Connect with real people – at scale

Our Profiles division offers expert panel recruitment and management, with access to more than 170 million panellists in 100+ countries.
Our highly personalised survey experience results in happy, engaged panellists, reflected in our Net Promoter and Trustpilot scores.

Fraud and privacy management

More than ten protection layers defend against three common types of fraud, with 76% success at turning bad actors into good contributors, 61% success rate in changing behaviour and all fraudulent accounts disabled.

2 Data acquisition

Research execution

Kantar's Data Services organisation manages the development, execution and delivery of the primary research at the core of our services.

In 2023, the team executed 65 million surveys for clients, generating more than two billion discrete data points.

The Data Services team is expert in data management, and operational efficiency and responsible for:

- Survey development and best practice.
- Quality control and efficiency of survey completion.
- Data consolidation and delivery.

3 Indispensable insights

Data ingestion, integration and analysis

Interactive dashboards and tools provide clients with insights and data to make informed decisions.

Unique intellectual property

At the heart of Kantar is a portfolio of unique IP. Our Meaningful, Different, Salient (MDS) framework is independently validated to deliver commercial outcomes and is woven through our products and services.

Products and solutions

Syndicated and standard products offer unique data and efficiency. Advanced analytics, machine learning and AI create new opportunities and value.

Expertise and consultancy

Expert analysis augments our data, with 'so what' and 'what next' advice.

4 Shape brands

Brand: Strategies and guidance to shape your brand future.

Innovation: Sustainable growth through meaningfully different innovation.

Creative: Extraordinary creative that connects and grows your brand.

Media: Shaping media strategies that fuel brand growth.

Shopper: Decode shopper behaviour to shape brand futures.

Customer Experience: Transform your brand with meaningfully different experiences.

Sustainable Transformation: Working at the intersection of brands, people, and social and environmental issues.

▶ Clear articulation of resources used, quantified to provide additional information.

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.

Examples of good practice

- 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.
- Discussion of future trends and factors are supported by quantifiable evidence.

Examples of non-compliance to avoid

- No high-level forward-looking orientation either throughout the annual report or in a specifically headed section.

Farnborough Airport – 31 December 2023 (Excellent practice)

JET ZERO STRATEGY

In July 2022, the UK Government set out the strategic framework to deliver Net Zero aviation by 2050, with the milestones of all domestic flights being Net Zero by 2040 and all airport operations in England to be zero emission by the same year. Delivery of these targets requires new concerted and co-ordinated efforts to reduce, remove and mitigate emissions across the aviation industry.

Hydrogen and battery technology for aviation is being developed, however the commercial operation of such technology is likely to be some way off. The pace of rollout is dependent on the pace of technology advancement and infrastructure delivery, which requires a growing, confident and well-invested aviation industry backdrop. It is also likely that short range aircraft will be the earliest adopters.

Sustainable Aviation Fuel (SAF) is produced from sustainable feedstocks and is very similar in its chemistry to traditional jet fuel. SAF can reduce life cycle emissions by up to 80% and it will have a key role to play in aviation decarbonisation for at least the next two decades. The Jet Zero strategy has a mandate for 10% of the UK aviation fuel mix being SAF by 2030. In April 2024, the UK Government announced a milestone mandate of 2% SAF by 2025.

SAF is a "drop-in fuel", which means any aircraft certified for the current specification of jet fuel can use SAF. Fuel standards currently allow for the use of up to 50% SAF blend, which is expected to increase over time. In November 2023, a Gulfstream G600 business jet and a Boeing 787 both flew transatlantic test flights on 100% SAF blend.

SAF is and will continue to be a product with a global demand base. Significant expansion of the feedstock supply for SAF and the development of new production facilities will be required to satisfy anticipated future demand. Globally, governments are evaluating approaches to most effectively support the material level of investment required to deliver this.

Business aviation is well positioned to lead the way in increasing SAF use and, particularly on short haul routes, be the pioneer for the commercialisation of battery and hydrogen technology. The Group has a clear strategy to be a global showcase for airport sustainability. Such market leadership is demanded by the Group's customers, employees, shareholders and finance providers. This requires long-term investment, which in turn is dependent upon continued growth and the safeguarding of the Group's overall market position.

SAF has been available for all customers at the Airport since July 2021. During 2023, the Airport sold its millionth litre of SAF and sold more SAF than any other business aviation airport in the UK. With 38% blended SAF contributing to 2% of fuel sales in 2023. The Group is evaluating its strategy to ensure there is access to required SAF volumes in the future and to fully understand the on-site infrastructure required to support the anticipated growth in demand.

▶ Specifies relevant drivers shaping the business supported by quantified data.

PROPOSED CHANGES TO BUSINESS RATES

The Valuation Office Agency (VOA) is looking to change the methodology used to calculate the Rateable Value ("RV") and hence rates expense for airports in England and Wales. Historically, airports have been assessed on a "Contractor's Basis" ("CB") and the VOA is looking to change this methodology to a "Receipts and Expenditure" ("RE") basis.

The proposed change by the VOA would over time have an impact on the annual rates charge for the vast majority of UK airports. The Group expects that most airports will challenge their 2026 RV. The Group, alongside other airports, intends to actively engage with the VOA on this issue to ensure that the burden of local tax on airports remains equitable. The Group is already the largest Business Rate payer in Rushmoor Borough by some distance and recognises that these revenues are essential to fund local amenities and welfare services going forward.

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 updated 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.

Examples of good practice

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

Examples of non-compliance to avoid

- Lack of detail on the policies in place to address environmental matters affecting the business.

Merlin Entertainments – 30 December 2023 (Excellent practice)

Climate-related risks and opportunities identified over the short, medium, and long term

Our strategy is underpinned by the commitment to manage climate-related issues in the short, medium, and long term, and identifying that the attractions we develop and occupy now will still be here far into the future. Without appropriate risk management, climate-related risks could have serious financial and reputational implications to our business.

We have conducted a climate risk assessment across two climate scenarios, RCP 4.5 and RCP 8.5 (see page 33), created by the Intergovernmental Panel on Climate Change (IPCC), to identify the top climate-related risks and opportunities to our business over the short term (2020-2030), medium term (2030-2040) and long term (beyond 2040).We have selected time horizons aligning with climate policy, available data, and relevance to our business, taking into consideration the useful life of our assets and our knowledge that climate-related issues manifest over the medium to longer term.

Short term: 2020-2030	Medium term: 2030-2040	Long term: beyond 2040
Plans and resilience measures need to be put in place in the more immediate term to mitigate the largest impacts in the current decade. We are aware of the need to implement climate risk mitigation immediately; hence we plan to achieve carbon neutrality (Scope 1 and 2) by 2030.	The medium term time horizon reflects scientific data that indicates by 2040, global temperatures will rise 1.5 degrees above pre-industrial levels. To demonstrate our proactive action to manage our climate impacts, we plan to maintain our carbon neutrality, initiate a programme on the decarbonisation of heat and engage with our supply chain to manage their carbon emissions.	We understand the importance of considering long term climate-related risks, as inaction in the near term could result in reputational damage or reduced asset values if we operate in at-risk areas, particularly as climate risk awareness matures in the coming years. Physical climate risks are also more likely to materialise in their most severe form in the latter half of the century. We plan to accelerate the decarbonisation of heat in our estate as well as engage our supply chain to manage their carbon emissions.

Our energy and carbon strategy includes four core delivery streams that demonstrate our growing aspiration around carbon neutrality, as set out below:

- *Onsite renewable energy generation* – we are currently working on solar photovoltaic projects at LEGOLAND Windsor Resort, LEGOLAND California Resort and Gardaland Resort, and exploring similar projects at Heide Park Resort and Thorpe Park Resort, with a combined power of approximately 10MWp across these five sites.
- *Energy efficiency capital projects* – utilising our 2023 'green capex' fund, we carried out energy efficiency projects that create savings of 1,650,947 kWh per annum. We plan to continue to invest in projects using this fund through to 2030 and beyond.
- *Green energy procurement* – we have a contract for green tariff for all our UK sites where we are responsible for energy procurement. We will be transitioning on a phased basis in other territories.
- *Training and carbon awareness* – we have a 'Good Practice Guide' available in digital and print formats to all our facilities teams and general managers.

▶ Distinguishes time-bound targets and provides detail of key policies in place to achieve these, and presents energy consumption and emissions data to conform with wider Climate-related Financial Disclosure Regulations.

Streamlined energy and carbon reporting

The Company is required to report each year on its carbon dioxide emissions, which are set out in the table below. We have followed the 2019 HM Government Environmental Reporting Guidelines. We have used the Greenhouse Gas Protocol – Corporate Standard and have used emissions factors from IEA Emissions Factors 2023 for electricity by country and UK Government GHG Conversion Factors for Company Reporting 2023 for all other carbon activities. We have chosen the financial control boundary method as this allows us to report on all sources of environmental impact over which we have financial control.

In the period covered by this report, Merlin progressed a series of energy efficiency initiatives such as life support system filtration optimisation, LED lighting optimisation, variable frequency drives and solar photovoltaic across our estate. Together these projects are expected to save 1,650,947 kWh annually. In this period, we purchased 66,429 MWh of renewable energy attributes through our energy procurement contracts in the UK and green certificate contracts in China and Germany. The attributes are backed by Renewable Energy Guarantees of Origin (REGOs), Guarantees of Origin (GoOs) and International Renewable Energy Certificates (iRECs)

Our carbon reporting period for 2023 is from September 2022 to August 2023 *(2022: September 2021 to August 2022)*. The KPI for measuring our carbon emissions trend is carbon emissions per £1 million of revenue. Our reported carbon intensity ratio, that measures the usage of CO_2 equivalent (CO_2e) as compared to revenue, decreased from 49 to 48 gross tCO_2e per £1 million of revenue. This is a 1% carbon intensity decrease (market-based) on our 2022 figure.

Our target is to achieve carbon neutrality in Scope 1 and 2 by 2030.

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.

Examples of good practice

- 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.
- Disclosure of targets, qualitative or quantitative, and discussion of performance against these.

Examples of non-compliance to avoid

- No disclosures discussing the management and development of employees, including recruitment, training and development practices.

RAC– 31 December 2023 (Excellent practice)

▶ The discussion on employees is comprehensive covering how they keep colleagues informed, motivated and supported.

Training and development

We have always believed that the long-term development of our people, their confidence, skills, and experience, is a responsibility of the business, and a critical requirement for sustained commercial success. In 2023 we have conducted a bottom-up review of our training and competency scheme across the Group, resulting in revised and improved Training & Competence schemes specific to each division being implemented to support development of our colleagues' skills and talents for the future.

In addition, we continue to maximise use of our apprenticeship levy through the development of the RAC Academy for roadside colleagues. The Academy works in partnership with North London Garages in Enfield and S&B Automotive Academy in Bristol, on a 2-year programme to develop our next generation of roadside patrols, ensuring our apprentices have the knowledge, skills and behaviours to meet the demands of the job and to provide the complete peace of mind we aim to deliver to our members. In 2023 we have 69 apprentices with an ambitious plan to double the number in 2024.

▶ Quantified, timebound information provided to support the discussion.

We have also continued our partnership with the West Midlands Combined Authority (WMCA), supporting local SMEs by sponsoring science, technology, engineering and mathematics (STEM) based apprenticeships to develop local talent and sustainable skills in the West Midlands. In 2023 we have invested £275k of our Apprenticeship levy, supporting 30 young people in motor engineering and digital apprenticeships.

Along with our sponsors CVC, we continue to support the Prince's Trust's 'Get Into' programme at our head office in Walsall. Now, in its 8th year, this is a 3-week work experience programme offering up to 10 young people an opportunity to gain essential experience in interview skills, CV writing, team development, communication skills and self-awareness, whilst also getting an insight into the role of a Customer Service Agent in our breakdown centre. In 2023, four young people took up an offer of employment with us and have started what we hope will be a successful career.

We also continue to work with Walsall College to support local talent. This support has included us attending their open days and hosting a day in the life with our colleagues, including a tour of our building and workshops and a demonstration of our patrol van and how we innovate to keep up with changes in technology, cars and driving habits.

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.

Examples of good practice

- 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.
- Where the discussion is supported by quantifiable evidence.

Examples of non-compliance to avoid

- Failing to explicitly reference human rights issues, even if just to confirm they are not a material issue for the company.
- Compliance led statement is a minimum.

Stonegate Pub – 29 September 2023 (Good practice)

▶ Comprehensive discussion on the relevant social and community matters impacting their business, alongside policies in place to manage and monitor these.

Social

Stonegate believes that social responsibility and commercial responsibility are inextricably linked. It is important, therefore, that we work with the Government and Enforcement Bodies, such as the Police and Local Authorities, to actively support and promote responsible drinking. To achieve this, the Group is committed to the following standards:

- Not offering "all you can drink" promotions;
- Not offering liquor-only multi-buy deals; and
- Not pricing any alcoholic drinks below £1.00 per unit of alcohol.

All pub managers are encouraged to attend Pub Watch meetings in their area and closely liaise with all authorities. We also ask for strict adherence to the nationally acknowledged "Challenge 25" scheme, seeking proof of age for anyone appearing to be 25 years or under.

Charitable activities

▶ Quantified evidence of actions taken.

During the period to 24 September 2023 our pubs and head office have raised £191,000 (52 weeks 2022: £233,000) for several local and national charities, including the Motor Neurone Disease Association (MNDA). The Group has partnered with MNDA since April 2022. At 24 September 2023 £385,000 (2022: £139,000) had been raised for MNDA through a variety of fund raising activities; most of which have been spontaneously organised by individual teams. As well as raising significant funds for such a worthwhile cause, we also gain the benefit of increased engagement and collaboration through these fund-raising efforts. We have decided to extend our partnership with MNDA into 2024.

Supporting our students

Nationally, Stonegate gave £92,000 (52 weeks 2022: £31,000) in sponsorships to student unions and student sports clubs. Throughout the period we have also supported local football, netball, tennis and rugby teams across the UK.

Human Rights

▶ Explicit reference to relevant human rights matters.

Stonegate is committed to conducting business with integrity and fairness.

Our various policies and ways of working ensure that employees are to be treated with respect, and their health, safety and basic human rights protected and promoted. We expect our suppliers and sub-contractors to meet the same standards through their policies and conduct.

Our whistleblowing policy encourages employees to report any wrongdoing, financial or otherwise. Our teams are able to report via a confidential email. No material issues were raised through the year.

Data privacy protection is embedded into our ways of working, policies & procedures and training programmes. There is oversight by a governance group made up of functional experts.

15 Gender diversity information

Requirement

The strategic report must include a breakdown at the end of the financial year show the number 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 2014 Guidelines allow the portfolio company to apply their own definition to the role of a senior manager.

Examples of good practice

- Clear overview of diversity statistics identifying the split using the three categories set out in the requirement.
- 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.
- Explicit detail about the definition of a senior manager to the business.

Examples of non-compliance to avoid

- Not including a breakdown of gender diversity under all three required categories.

DWF Group – 30 April 2024 (Excellent practice)

As at 30 April 2024 the Group's gender split was as below:

	Male	Female	Other	Undisclosed	Women as a %
Board of Directors	8	0	0	0	0%
Executive Board	8	5	0	0	38%
Senior Managers	478	258	2	0	35%
All other employees/members	1,350	2,499	2	54	64%
Total Employees/members	1,828	2,757	4	54	59%

DWF Group defines our Senior Managers as individuals who execute strategy and have line management responsibility.

Whilst we are proud of our achievements thus far in the area of gender diversity the Executive Board acknowledges that the work to support women in the workplace is far from complete. We have set a target to increase the proportion of women in senior management and board roles to at least 40% across the Group and Executive board by 2025. This is being reviewed following the changes in status of DWF but will have a similar ambition.

Further information on the work being performed around the gender pay gap can be found within our Diversity Pay Report available via our website https://dwfgroup.com/en/about-us/diversity-and-inclusion/gender-and-diversity-pay-gap.

▶ Gender statistics under the three required categories are presented, with senior managers clearly defined.

▶ Identification of time bound diversity related target.

▶ Appropriate cross-reference to additional report where there is further discussion of diversity metrics monitored and policies to address matters.

Ongoing activities

- There is ongoing expansion of our mentoring scheme, which is being promoted by our colleague networks. These now have a large proportion of female mentors (60%) and mentees (73%), with just under a half of mentees from ethnically diverse backgrounds.
- We are continuing to focus on the promotion of female colleagues including those to location management roles to increase senior representation at this level.
- We have made a commitment to junior colleagues with the creation of a shadow board with entry level colleagues, 67% of whom are female. Ethnically diverse and social mobility early careers programmes have also been introduced.
- We are reviewing our colleague benefits, which includes financial and pension advice for all colleagues and specific advice around female career journeys. We're also looking at menopause support within our private medical insurance offering.
- We continue to expect all colleagues have an ESG objective which would encompass D&I initiatives.
- Continued progression by way of awards and accolades includes:
  - Working Families top 30 employer
  - ENEI Tide Gold Standard 2023
  - Social Mobility Index 2023 (25th)
  - The Times Top 50 Employers for Gender Equality 2023

▶ Detail of policies and actions taken to promote diversity.

Appendices

Appendix

Guidelines for disclosure by portfolio companies and private equity firms

The requirements of the updated 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.
- 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 (continued)

- 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.
  - 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.

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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Thank you

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