Improving transparency and disclosure

Good practice reporting by portfolio companies

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

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 thirteenth 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.

Since March 2020 companies have experienced an unprecedented level of challenge and financial risk, and it is more important than ever that there is transparency in corporate reporting. The Guidelines provide a basis for this discussion and facilitate meaningful disclosure on the impact of the Covid-19 pandemic to business.

The latest review also saw the implementation of Section 172 reporting requirements and the initial adoption of the Streamlined Energy and Carbon Reporting guidance for some of the portfolio companies. Although their requirements and definitions differ from the Guidelines, they will aid further transparency in corporate reporting in the stakeholder agenda.

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 portfolio companies reviewed in the latest round have been subject to several changes, both from a regulatory reporting standpoint and a seismic shift in the world around us from the impact of the Covid-19 pandemic. Although some businesses have been able to continue to operate with minimal disruption, depending on their industry and geographic reach, there has certainly been an expectation change in the transparency of discussions regarding business performance, impact on liquidity, financial risk and outlook. The FRC ("Financial Reporting Council") has continued to provide guidance to companies and auditors around disclosing the impact of the pandemic in the Annual Report.

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

- Quantification assists transparency - throughout the Guideline requirements, **good practice can be assisted by providing quantification in the analysis**. This will assist those drafting the annual report to impart the useful information they hold clearly and the stakeholders to fully understand the context of what is being said. Examples of areas that would benefit are:
    - Sensitivities in financial risks and covenant compliance thresholds;
    - Market trends and future performance expectations; and
    - Targets not just measures for areas of importance to the values of the group, such as environmental goals, diversity aims and social contribution plans.

- **Clarity and simplicity** should be the key aims in drafting an annual report narrative. This can be assisted by pulling out the key points in an 'At a glance' section and ensuring it addresses both financial and non-financial measures of performance that are strategically focused. It is important to challenge whether these measures **address all areas of strategic priority**, and whether any others should be disclosed and discussed to ensure this is addressed.

- The **changing dynamics** of the business and the risks it faces may never have been more tested. It is important to reflect this narrative in the annual report, particularly focusing on the mitigations in place. It is likely that **the resilience of the business model** has also been tested, and it is even more essential to really address the key inputs that have continued to create value for the stakeholders.

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

Applying the Guidelines – Guiding principles

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

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

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

Guidelines specific

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

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

Strategic report – Large private

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

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

Strategic report – Quoted*

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

Statement of compliance

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

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

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

Comply or explain requirement

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

Disclosure placement

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

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

1. Identity of private equity firm

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

Chime Communications – 31 December 2019

Identity of private equity firm

On 31 December 2019, Chime Group Holdings Limited was wholly owned by Providence Equity Partners through its investment funds, Providence Equity Partners VII L.P., and Providence Equity Partners VII-A L.P. Providence Equity Partners is a global alternative investment firm established in 1989 focused on education, media, communications and information investments. The firm's private equity platform specialises in sector-focused buyout transactions and growth capital investments. Providence Equity Partners made its investment in the Group through PM VII S.a.r.l.

On 28 June 2019 WPP Group plc disposed of its 24.85% holding in Chime Group Holdings Limited, when Chime Group Holdings Limited became wholly owned by Providence Equity Partners.

Incorporated on 19 October 2015, Chime Group Holdings Limited was the vehicle used to acquire the entire share capital of Chime Communications plc in October 2015. Chime had been listed on the London Stock Exchange since 1994 and following the acquisition, was delisted on 16 October 2015.

This example confirms the private equity firms involved, changes in the year and past ownership.

Froneri– 31 December 2019

Ownership and History

Froneri is a private company limited by shares incorporated and domiciled in the United Kingdom. Froneri was incorporated on 20 April 2016. The address of the company's registered office is Richmond House, Leeming Bar, Northallerton, North Yorkshire, DL7 9UL.

Froneri is a joint venture controlled and owned in equal shares between Nestlé SA and PAI Partners.

The founding businesses of Froneri are: the former ice cream businesses of Nestlé in Europe, Egypt, the Philippines, Brazil and Argentina, its chilled diary business in the Philippines, and its European frozen food business (excluding pizza, and excluding retail frozen food in Italy); and the former R&R group, in its entirety. These businesses were merged to create the "Froneri" Group with effect from 1 October 2016.

Nestlé is the world's largest food and beverage company with a 2018 turnover of CHF 91.4 billion and a current market capitalisation in excess of CHF 300 billion. It is present in 190 countries around the world. Nestlé is committed to enhancing quality of life and contributing to a healthier future. Nestlé offers a wide portfolio of products and services for people and their pets throughout their lives. Its more than 2000 brands range from global icons like Nescafé or Nespresso to local favourites like Ninho. Company performance is driven by its Nutrition, Health and Wellness strategy. Nestlé is based in the Swiss town of Vevey where it was founded more than 150 years ago.

PAI Partners is a leading European private equity firm with offices in Paris, London, Luxembourg, Madrid, Milan, Munich, New York and Stockholm. PAI manages €14 billion of dedicated buyout funds. PAI has a 21-year track record of investment and has completed 21 deals in the food and consumer sector. PAI is characterised by its industrial approach to ownership combined with its sector-based organisation. PAI provides the companies they own with the financial and strategic support required to pursue their development and enhance strategic value creation.

The former Nestlé businesses incorporated into the Group at Froneri's inception have grown through various acquisitions in several countries over recent decades, with a diversified product and well-balanced portfolio of global and local brands. The various businesses are structurally different in terms of size, market position, and route to market models. The businesses are a mix of ice cream, frozen food and chilled dairy.

R&R was formed in 2006 when Richmond Foods ("Richmond"), a leading producer of ice cream in the UK, which was listed on the London Stock Exchange, merged with Roncadin Eis ('Roncadin'), a German ice cream producer. This merger created R&R Ice Cream, the largest private label ice cream manufacturer in Europe. Since the Richmond-Roncadin combination, R&R continued to improve its position as a market leader in the fragmented ice cream business through strategic acquisitions across Europe and globally. Recent R&R acquisitions were Nestlé's South African ice cream business in May 2015, the Peters ice cream business in Australia in June 2014, and Fredericks' business, which owned the rights to the Cadbury licence in the UK, in 2013. PAI Partners acquired the company from Oaktree Capital Management in July 2013.

This example states the name of the private equity firm involved, history of the acquisition made and an understanding of the ownership has been beneficial for the group.

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.

LGC– 31 March 2020

Kugan Sathiyanandarajah,
Director KKR & Co. Inc

Kugan joined the Board in March 2016. Having joined KKR in 2010, Kugan held joint responsibility for the European healthcare team and was a member of the UK team until 2017. He was involved in the investments in LGC Group, Alvogen, Walgreens Boots Alliance and Galenica. In addition, he was involved in the portfolio management of Northgate Information Systems. In 2019, Kugan joined KKR's US healthcare team.

Prior to joining KKR, Kugan was with Goldman Sachs, where he was a member of the UK mergers & acquisitions team. Kugan holds an M.A (First Class Hons) in Physical Natural Sciences, specialising in theoretical chemistry, from the University of Cambridge.

This example confirms the experience of the board members, the disclosure in the annual report also expands on the board governance and meetings.

JLA– 31 October 2019

Details of Board composition and Director experience

The Board is responsible for the Group's objectives, business strategy, and its overall supervision and is primarily responsible for the promotion of the long-term success of the company and the sustainable growth of shareholder value. The Board directs and reviews the Group's operations within an agreed framework of controls, assessing and managing risk within agreed parameters.

The Board has established a formal schedule of matters reserved for its approval and Investor consent, and has delegated other specific responsibilities to its Sub-Committees: the Audit, Risk and Compliance Committee, and Remuneration Committee. Each Committee's roles and responsibilities are set out in formal terms of reference determined by the Board.

In August 2018, **Lord Birt** was appointed as Chairman of the Board. Lord Birt brings extensive experience to the Group. Currently also acting as Vice-Chairman of Eutelsat, Lord Birt has been a member of the House of Lords since 2000, and was the Prime Minister's Strategy Adviser (2000-2005). Previously, Lord Birt was Director-General of the BBC. In addition, he has been an adviser to McKinsey and Chairman of PayPal Europe. He was Chairman of WRG, Infinis and Maltby Capital, the holding company of EMI. Recently, Lord Birt has been Chairman of CPA Global and HEG.

In January 2019, **Helen Ashton** was appointed as Group CEO, replacing Stephen Baxter. Helen has many years of experience working within the financial services sector, holding senior positions within Barclaycard and Lloyds Banking Group before becoming CEO of Capquest Group Limited in May 2012. In this role, Helen transformed the business from a family-owned entity into a best in class, FCA compliant, highly competitive operation, orchestrating a successful exit for the owners via a trade sale. Prior to joining JLA Helen held the role of CFO of ASOS Plc where she acted as a PLC Board member and member of the Audit and Risk Committee.

In January 2020, **Ben Gujral** was appointed as Group CFO, replacing Paul Humphreys. Ben has over 15 years' experience holding senior appointments in both listed and PE backed businesses. He joined JLA from Cogital Group, a PE backed services businesses, where he was Group CFO. Prior to that Ben acted as Group CFO of CPA Global.

Rory Neeson Investor Director (representative of Cinven Partners LLP). Rory joined Cinven in 2009 and leads the Business Services sector team. He has been involved in several transactions in additional to JLA, including Guardian Financial Services, Gondola, INSEEC U, Maxeda, NewDay, Phadia and Viridium Group. Prior to joining Cinven, Rory was at Bain & Company for five years working in London, Madrid and Stockholm on projects across a variety of sectors including financial services, retail, industrials and publishing. Rory holds an MA in Economics from Cambridge University.

This example confirms the names of the board members, their experience and a confirmation of whether they represent the PE firm..

3. Financial review – Position

Requirement

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

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

IRIS Software Group – 30 April 2020

Financial Position

At 30 April 2020, the Group had cash balances of £118 million (2019: £37 million) and borrowings (excluding preference shares) of £970 million (2019: £719 million).

The key terms of the Group's borrowing facilities are summarised as follows as at 30 April 2020:

	Facility	Maturity	Amount Drawn Down
Senior:			
Facility B	£585 million	September 2025	£585 million
Acquisition Facility	£75 million	September 2025	£75 million
Revolving Facility	£40 million	March 2025	£nil
PIK Notes Facility	£260 million	one year after Facility B but before September 2030	£260 million

During the year, the Group increased Facility B by £145 million to fund acquisitions. The current financial arrangements include a leverage covenant which requires the leverage (the ratio of Consolidated Senior Secured Net Leverage to Consolidated Pro Forma EBITDA) does not exceed 9.6x. At year end the leverage was substantially below this level at 5.13x, which has not increased materially year on year despite IRIS making significant acquisitions in the year.

The PIK Notes Facility shown above does not include accrued interest of £50 million which rolls 6-monthly and is compounded into the balance outstanding which stood at £310 million at 30 April 2020.

This example explains the nature and breakdown of the debt held and quantifies the covenant measure and current level.

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.

Energia Group – 31 March 2020

The Group can have significant movements in its liquidity position due to working capital variations such as the movements in commodity prices, the seasonal nature of the business and regulatory under-recoveries. Short- term liquidity is reviewed daily by the treasury function and Group cash forecasts (including adjustment for the anticipated impact of COVID-19), covering a rolling two year period, are reviewed monthly. This monitoring includes reviewing the minimum EBITDA covenant, required to be reported quarterly under the Senior revolving credit facility, to ensure sufficient headroom is maintained. The project financed facilities have one main covenant, a debt service cover ratio, which measures available cash against the debt service requirements on an historic annual basis.

At 31 March 2020, the Group had letters of credit issued out of the Senior revolving credit facility of €163.3m resulting in undrawn committed facilities of €91.0m (2019 - €81.4m). There were no cash drawings under the Senior revolving credit facility at 31 March 2020 (2019 - €nil).

During the year the Group has met all required financial covenants in the Senior revolving credit facility and project finance facilities.

At 31 March 2020, there was €30.0m (2019 - €31.2m) of restricted cash in the project financed wind farms which is subject to bi-annual distribution debt service requirements.

Interest rate risk

The majority of the Group's borrowings bear interest at fixed rates with its €350.0m Euro denominated Senior secured notes bearing interest at a fixed rate coupon of 4.0% and its £225.0m Sterling denominated Senior secured notes bearing interest at a fixed rate coupon of 4.75%.

The Group's only exposure to interest rate risk is in respect of drawings on the Senior revolving credit facility, which was undrawn at 31 March 2020 and 31 March 2019 and to a minor portion of its project financed facilities which are based on Libor / Euribor rates but which are largely fixed through the use of interest rate swaps. As a result, at 31 March 2020, 96.6% of the Group's total borrowings were on a fixed rate basis and therefore not subject to any interest rate risk.

The example outlines the financial risks, discusses mitigations and provides quantitative measures.

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.

Domestic and General – 31 March 2020

The International division made a strategic decision to sharpen our strategy to focus upon subscriptions through our OEM and retail partnerships three years ago, with the potential of expansion through the US if a suitable opportunity presented itself.

The strategy dovetails with the UK strategy in delivering growth through renewal revenues and long-term customer lifetime value.

1. Digital transformation 'DGX'
2. Driving UK growth
3. International expansion

The Group is delighted with the progress that the International division has made over the last three years and particularly with the latest set of results.

We are clear on our strategy and the team is executing the plan.

Subscription sales: +11%

£72m

Subscription % of business: +11%

48%

Europe

Replicate the successful UK subscription model across international markets to drive growth in renewal revenues and customer lifetime values.

Subscription growth	Progress in FY20	Future focus
OEM	• Increased registration growth and conversion	• Further registration growth through improved technology and channel development
Retail	• Extended core large scale retail partner contracts	• Drive subscription penetration in all territories
Win new partners	• Agreed terms with two high profile retail partners across Europe	• Prospect targets across OEMs, retail and e-tail
Digitise our business	• Implemented online repair management pilots	• Online sales at registration and PoS • Scale online repair management

This example uses the strategy to underpin the performance narrative, confirming the current year performance against the third strategic priority outlined with a confirmation of forward looking focus.

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.

LGC – 31 March 2020

Macroeconomic, market and competitor	LGC's leadership positions, global reach and exposure to a number of end markets which are driven by long term macro drivers, minimises the impact of macroeconomic shocks on the Group. We operate globally in a number of countries and markets where competition and innovation can be high. We regularly monitor market trends and competitor developments. We invest in research and development, new production capabilities, laboratory instrumentation, new technologies and improving general business infrastructure to maintain our leading position in these markets. In some areas, LGC has longer term contracts, some with Government bodies, which are subject to periodic competitive tender. Renewal of these contracts is uncertain and is based on financial and performance criteria, in some cases allied to the continuance or otherwise of testing or research programmes. Overall, customer concentration is low with the largest customer accounting for less than 5% of revenues.

This example addresses the impact of one the risks to the business and outlines the mitigations in place. The wider disclosure includes other business specific risks, responding to these in the same way.

Energia Group – 31 March 2020

Huntstown CCGTs, bioenergy plant and wind farm availability

Energia Group runs the risk of interruptions to the availability of its Huntstown 1 and 2 CCGTs, its bioenergy plant and its wind farms.

For the Huntstown CCGTs, this risk is managed by having long-term maintenance agreements in place with the plants' Original Equipment Manufacturers (OEM), Siemens and Mitsubishi. Energia Group operates the plants to the manufacturers' guidelines within a suite of International Organization for Standardization (ISO) approved operation, maintenance and safety policies and procedures. The plant designs incorporate industry accepted levels of redundancy for critical plant components and there is regular testing of back up services and standby equipment.

The availability of wind farm assets is managed through maintenance contracts with the original turbine manufacturers and third parties.

When the Huntstown bioenergy plant is commissioned its operations and maintenance team, supported by specialist contractors where appropriate, will be responsible for the availability of the plant.

Health and safety

The Group is committed to ensuring a safe working environment. The risks arising from inadequate management of health and safety matters are the exposure of employees, contractors and third parties to the risk of injury, potential liability and/or loss of reputation. There is a strong focus on the audit of work sites and the reporting and reviewing of near miss incidents. These risks are closely managed by the Group through the employment of Health and Safety Managers, the use of the services of an external health and safety advisor, the promotion of a strong health and safety culture, training for all staff and well defined health, safety and environmental policies. In response to the COVID-19 outbreak and in line with government guidance, the Group adopted strict social distancing measures at all its locations while a large number of staff are currently working from home. The Group has also enhanced the cleaning being undertaken at all its locations. These measures will be kept under review and amended as necessary as the current situation develops.

The Group's approach to health and safety issues is described more fully in the CSR Report.

The Group is certified ISO 45001:2018 Occupational Health and Safety Management Standard and ISO 14001:2015 Environmental Management Standard by the National Standards Authority of Ireland (NSAI).

Regulation and legislation

The markets in which the Group operates are subject to regulatory and legislative intervention at both domestic and EU level.

Energia Group is exposed to the impact of regulatory decisions as well as changes in legislation which impact its generation and supply activities. Through its senior management, Energia Group maintains regular interaction with the UR, CRU, SEMC, DfE and DCCAE. A pro-active approach is taken to the Regulatory Authorities' (RAs) consultations on all I-SEM related matters.

The I-SEM market arrangements create risks to revenues from generation activities. The CRM operates through capacity auctions which award reliability options to successful bidders at the

This example clearly articulates the risks that are specific to the group and the mitigating actions undertaken by management.

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.

Domestic and General – 31 March 2020

Financial highlights[1]

Revenue
£831m
2019: £810m +2.5%

Free cash flow
£91m
2019: £70m +30.7%

Adjusted EBITDA[2]
£107m
2019: £105m +2.2%

Group subscription revenue
£695m
2019: £666m +4.4%

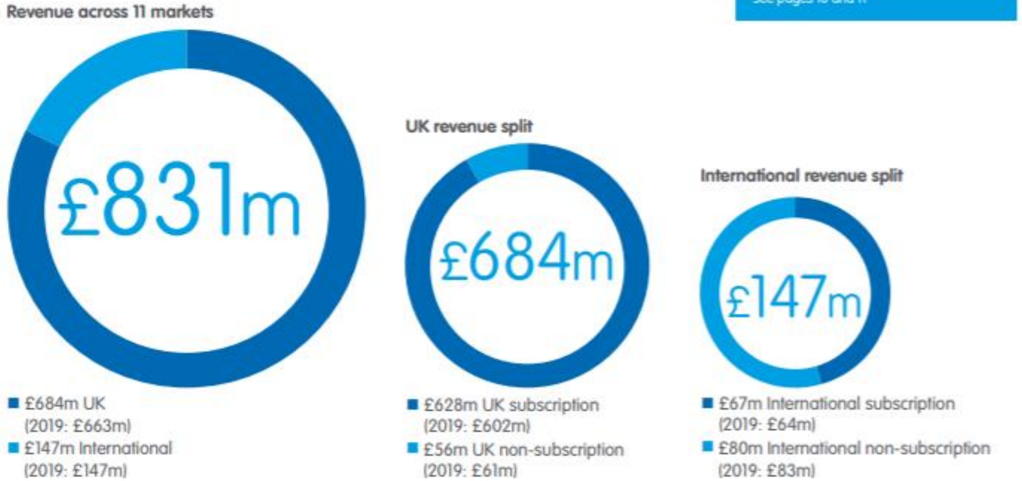
1 Refer to Glossary of Terms.

2 Adjusted EBITDA restated for 2019 to reflect impact of adopting IFRS 16 retrospectively.

Our vision is to be a world-class service organisation enabled for a smart future.

Ian Mason
Chief Executive Officer

For more information
See pages 10 and 11



This is a good example of disclosure as it shows a definition of the KPI and a history of performance, and these are used throughout the performance discussion.

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.

LGC – 31 March 2020

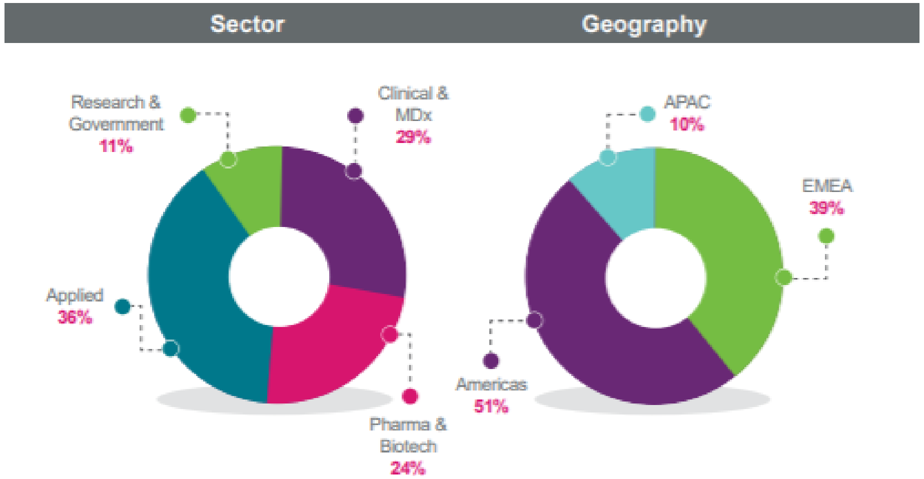
Other key performance indicators

Employee engagement

Our employees are the key to our success. We conduct an employee engagement survey on an annual basis. The 2020 survey recorded a 75% response rate (2019: 83%). We can be confident that the views expressed are representative of the workforce as a whole. We benchmark the whole group against other organisations. We also breakdown the survey to each location and division / team level to ensure we put the right follow up actions in place. Our engagement rate was 4.0 (out of 5) in 2020 (2019: 4.1).

Sector and geography

In addition to the main financial key performance indicators, Management review metrics regarding end market sector, end market geography and growth in those key markets, as a measure of performance against our strategy: to build sustainable leading positions in attractive niche segments requiring specialist scientific expertise.



This example forms part of the performance review and quantifies the non-financial measures identified as key.

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.

VetPartners – 30 June 2020

Group Strategy

The Group's mission is to deliver the best possible care for pets and clients. We provide a secure home for veterinary practices and our people. We deliver this by working as true partners; investing in people and infrastructure and by listening and evolving.

VetPartners vision is to be the Veterinary Group of choice for employees, customers, owners of vet practices and related businesses as well as other key stakeholders and suppliers.

The Group's key strategies centre around 5 key areas;-

- **To be the veterinary employer of choice**. In order to attract and retain the very best clinical and non-clinical teams. The Group supports its team members at all stages of their career progression. The Group's career pathways launched during FY19/20 to support this further. The Group has an active wellbeing group which provides literature and support to ensure focus on the wellbeing of its team members.
- **Provide excellence in customer care and service**. The Group's team members are developed with a customer-centric focus. All customer care team members are enrolled into the British Veterinary Receptionist Association in order to receive training and qualifications. All practices have social media pages in order to promote interaction with customers, advice and content is supplied by the Group, and key concepts shared. Practices are encouraged to get feedback from customers in order to further progress.
- **Provide outstanding care for our patients**. At all times the Group would expect its teams to put patient care at the forefront of what they do. The Group provides investment in facilities and equipment in order to aid the delivery of this. The Group also promotes training at all clinical levels in order to ensure the skill of our clinical teams can provide the fullest range of treatment options. Patient care is championed and promoted throughout the Group. Sharing of best practice happens

This example provides a good outline of the strategy, that is specific to the business.

Domestic and General – 31 March 2020

We are pleased to announce that we have agreed a refreshed 5-year business plan with our board to drive the next phases of growth for D&G.

This is the culmination of a rigorous Value Creation Plan ("VCP") process where we have reviewed the current business performance, the macro environment, potential options to drive growth and shareholder value. This has given us a very clear business plan and objectives for the next five years.

This strategy is an evolution of the two-year Customer First transition which we completed in 2019 which transformed our business and is supported by recent investments by our shareholders. Our strategy is to build on our traditional UK successes and evolve to become a multi-channel, high-growth international business. This strategy has three simple pillars which will drive long-term growth, even better customer experiences and increase our international footprint.

D&G's 5 Year Business Plan

'to become a multi-channel, high-growth international business'

1. Digital transformation 'DGX'

Best of voice and digital
- Digital
- Contact Centre transformation to support DGX

"DGX" is our digital transformation programme, delivering new online sales and self-service capabilities, supported by a revised Contact Centre Target Operating Model ("TOM") to give best-in-class contact. This will boost engagement, loyalty, sales and profit as cost to serve reduces.

2. Driving UK growth

Increasing customer numbers and value
- Data science and pricing
- Customer marketing
- Digital marketing
- New products
- Clients and prospects

The second is "Driving UK growth" and features a range of activities designed to increase our UK subscription customer base volume and value.

3. International expansion

Internationalising D&G
- Europe subscription roll-out
- US launch
- M&A

The final strand is "International expansion". Our European business continues to emulate the success of the UK in driving subscription growth, we will continue to drive this to unlock embedded value. We are also now entering the US where we will deploy the same model as the UK and Europe, and we expect to generate significant incremental future value for the business.

This example clearly articulates the strategy which is used to underpin the performance narrative in the annual report.

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.

JLA – 31 October 2019

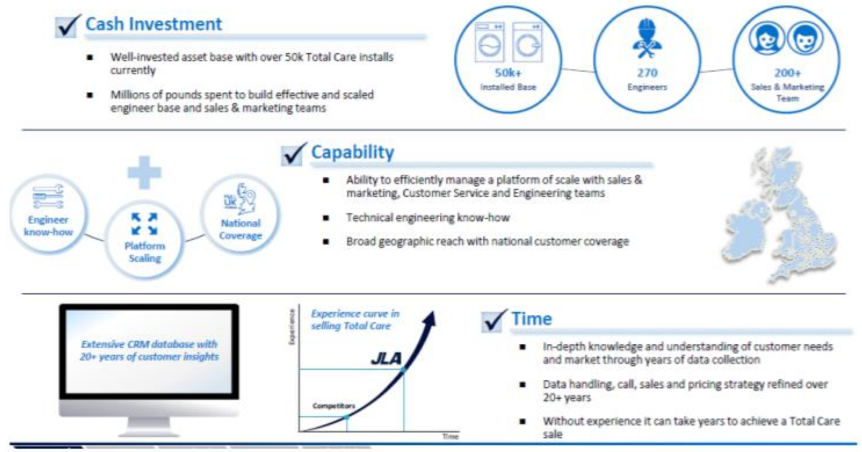
Business model

JLA is one of the UK's leading providers of commercial laundry, catering, heating and fire safety solutions. The company strives to provide peace of mind to its customers by keeping critical areas of their businesses running smoothly.

The Group offers a unique end-to-end solution called Total Care that provides customers with market leading equipment under a long-term hire agreement, combined with a comprehensive service and maintenance agreement. The company services the needs of its customers through a national engineering network and a continued focus on customer service and making JLA as easy as possible to deal with.

JLA's Total Care package provides customers with a one-stop-shop for equipment, maintenance and breakdown support. This replaces the multi-step procurement process and makes JLA a single point of contact for the entire transaction process.

JLA focuses on pieces of equipment that are highly critical to a business' operations. The failure of these assets typically happens c.2 times a year and generates high levels of inconvenience and costly downtime for target customers – many businesses would not be able to run within day(s) of breakdown. Customers value the "peace of mind" for a relatively insignificant monthly payment (fixed or revenue share).



This example the business model, showing how the business creates value, outlining key inputs.

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.

Froneri– 31 December 2019

Market position, trends and other factors affecting future performance

Froneri regards the market as being split between the take-home ice cream segment, where products are purchased from retailers for consumption at home, and the out-of-home segment, where ice cream products are purchased for immediate consumption. The take-home market for Froneri is larger than the out-of-home market, though both are substantial in most of the Group's key markets. The market is also split between branded and private label segments. The private label market is significantly smaller than the branded market, in aggregate – although certain key countries have a substantial share in private label. Overall, Froneri holds the number two position in the addressable markets, ranking only behind Unilever, and at least a top three position in all the Group's countries. In the private label segment Froneri is the largest global producer. Including Dreyer's, approximately 87% of sales are from branded products, which are comprised of iconic portfolio of brands including Häagen-Dazs, Mövenpick, Extrême, Drumstick, Nuii, Maxibon, Pirulo, Oreo, Milka and Cadbury.

Prior to the Dreyer's acquisition, the majority of Froneri's revenues were generated in the developed markets of Europe. This market has shown consistent growth over several decades. Drivers of this market growth include innovation, "premiumisation", convenience and accessibility. Froneri is well positioned to benefit from the continued growth in these markets, through its focus on product development to anticipate and react to changing consumer trends (such as using natural flavours and colours), introducing new products with innovative flavours and inclusion combinations, and expanding the product range across branded and private label offerings. In particular, product "premiumisation" and the positioning of ice cream as an affordable luxury has been key in driving growth in developed markets.

As well as investing in product innovation in growing segments of the market, Froneri is investing in the international positioning of its brands. Developing markets in both Europe and the rest of the world also represent a significant growth opportunity, where economic growth is generally higher than in developed economies, and there are greater opportunities to expand Froneri's addressable market, as well as capture market share. Ice cream is a relatively premium indulgence, when compared to other indulgent categories such as confectionery or sweet biscuits, which have much higher penetration in emerging markets.

The acquisition of the Dreyer's business further enhances Froneri's existing business and creates tangible upsides. The addition of the U.S. business increases the Company's geographic footprint and scale, entering the largest retail ice cream market globally and adding a new currency. New brands are introduced to the business – the highlight being Häagen-Dazs, a super-premium brand, which has been missing in the existing Froneri portfolio. The acquisition creates a platform for the Company from which consolidation can occur in the US market as well as the ability to enter the fragmented private label market. Froneri will be able to apply its extensive ice cream knowledge to the Dreyer's business, while also contributing the Froneri way of working (including best practices and cost structure optimization) and its proven innovation capabilities to drive further growth in the US. The Group believes the risks associated with the successful integration of the US is mitigated based on its strong execution track record in delivering significant over performance of Froneri 2 years ahead of the original Froneri business plans, and the relatively less complex nature of the US business compared to the original integration of the Nestlé and R&R businesses across many geographies.

The UK's exit from the European Union continues to create uncertainty for the Group because its headquartered in the UK and the UK represents a key market. The Group's Brexit Committee has, in the last two years, put in place plans to try to mitigate the impact of Brexit, despite the uncertainties around any new trading agreements that will be negotiated between the UK and its trading partners over the next few years, including the anticipated end to the transitional arrangements with the EU on 31 December 2020. Brexit is likely to affect how the UK business manages the flexibility of its workforce, particularly around its seasonal requirements and as a UK head quartered group, the impact on tax and other regulations, which could increase the cost of doing business. However, the Group is confident that its business model and key strategic relationships with customers and suppliers will enable it to manage these risks and to capture opportunities which arise.

This example is specific to the group considers impacts of both market, the activities of the group and the wider macro considerations.

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

Domestic and General – 31 March 2020

Repairs carried out a year

2.4m

6,660

repairs a day average

Around 500,000 appliances a year, an average of 1,370 a day, are replaced. D&G is committed to providing products and services that help to reduce the use of energy and natural resources. The products and services contribute towards longer product life and reduced waste through effective repairs.

The use of long-established local and national manufacturer repair networks helps to minimise the environmental consequences of transportation. When products are replaced, only A or B grade energy efficiency rated appliances are offered to customers. D&G work closely with service networks, white good manufacturers and clients to ensure end-of-life products are disposed of in an environmentally conscious manner. Customer care plans are an important part of careful household budgeting. 37% of people say an unexpected one-off cost of £350 would put a big dent in their monthly household budget or cause them significant financial problems which rises to 54% among lower income households. A key achievement of the recent Customer First transformation and a major focus has been to improve the customer proposition and ensure that products are provided which align with current and future regulation.

D&G has launched a range of new eco-initiatives that help both our customers and employees make environmentally friendly choices. We have introduced a new scheme to give back to the local community and cut down on e-waste through a new partnership with local schools and charities – rather than disposing of old IT equipment, computers and laptops are fully wiped and donated to deserving local institutions. The move has so far seen Patcham High School in Brighton benefit from an IT donation. The programme is expected to see 300 pieces of IT equipment donated annually to help local institutions.

Each person in the UK consumes the equivalent of 4.48 trees per year. The paper waste issue is one that is not slowing down and has seen the global consumption of paper increase by almost 50% since 1980. Consumers are more conscious of their environmental footprint than ever, and are keen to engage in activities and habits that benefit and protect the environment. D&G is looking to make a tangible and long-lasting difference with our new e-docs initiative. The scheme is in partnership with Trees for Life and allows D&G customers to make informed decisions about how they receive their plan documents to help benefit the environment.

D&G is encouraging customers to switch to paperless e-docs, and for every 5,000 documents that move online, we will plant one tree in the D&G grove – an area in the Scottish Highlands that has suffered from deforestation and supports a wide range of endangered species, including the red squirrel.

This example discussed the environmental impact of operations and wider initiatives.

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.

Energia Group– 31 March 2020

The Group has embedded several development programmes including LEAP (Future Leaders' Programme), Aspire (High Potential Programme), Evolve (First Line Manager Programme), Elevate (Senior Managers and Managers of teams) and Ignite (Student Placement Programme). The Group has also recently launched the Emerging Leaders programme for those identified through the Talent Forums as having potential for future leadership roles.

A Talent Steering Group has responsibility for establishing and agreeing the scope of each programme, the critical success factors for the organisation and for the individual and the evaluation criteria and regular monitoring of each programme. These programmes are complemented via the Group's Learning and Development Calendar, which is available to all employees.

Policies

The Group has a number of formal policies in place including Employee Complaint and Grievance procedures, Code of Conduct and Disciplinary policies. The Group also has a wide range of family-friendly working arrangements including enhanced maternity and paternity provisions, adoption, parental leave, shared parental leave, dependent leave and flexible working.

These policies are regularly reviewed and updated on an ongoing basis. During the year the Group updated its Parental Leave Policies for the RoI and Northern Ireland, the Flexible Working Policy, the Dignity at Work Policy and the Grievance Policy. All policies are available to employees via the Group's intranet VOLT.

Wellbeing

Energia Group is committed to ensuring its employees are well looked after, cared for and supported in all that they do. Wellness is a core part of ensuring the Group operates effectively. During the year ended 31 March 2020 the Group's Wellbeing programme included various lunch and learns on the topics of mental health, nutrition, shift workers, positive mindset, cardiovascular health awareness and optimising your work life balance.

Extensive communication and specific advice on health, safety, wellbeing and mental health was provided to employees at the commencement of the COVID-19 outbreak. Ongoing communication and advice in relation to COVID-19 continues to be provided.

The Group invests heavily in its wellness programme which includes the provision of third party occupational health and counselling services, private medicals and seasonal flu vaccines. The Group operates a Cycle to Work Scheme and offers Private Medical Insurance to eligible employees and has a Health Cash Plan for those employees not eligible for Private Medical Insurance. The Group also offers employees free gym membership with a local Belfast gym or in some cases an annual allowance towards gym membership fees. Alternatively, employees can avail of corporate gym memberships negotiated by the Group.

Other benefits include free eye tests, a bought holidays scheme and the provision of a Sports and Social Club.

This example forms part of a wider employee section covering all aspects of employee policies.

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.

Energia Group– 31 March 2020

Community

Through its mainstream business activities and its community involvement policy, the Group seeks to make a positive impact on the communities in which it operates.

During the year, in line with its Positive Energy initiative, the Group announced an official partnership with the Irish Rugby Football Union (IRFU). This five-year partnership sees Energia become Official Energy Partner to Irish Rugby and title sponsor of both the Men's and Women's All Ireland League competitions.

Energia has been passionate in raising awareness of the sport, in particular women's rugby, and has connected with numerous grassroots clubs around the country in order to better understand their challenges and helping to grow the Women's League. Through its marketing expertise and sponsorship campaign, Energia has provided a platform for female athletes to shine and this has led to the addition of two new women's teams. These clubs and teams provide an accessible pathway for female athletes to reach the highest levels of the game.

To ensure women's rugby in Ireland is getting the media recognition it deserves, Energia produced a three-part documentary following the Leinster women's teams and staff. The series explored the players, management and future development of the sport and was broadcast across media channels including 20x20.

As an additional commitment to women in sport, Energia continued its sponsorship of the Wexford Youths Women FC, who compete at the highest senior level of football in Ireland.

Along with the sponsorship support for Women in Sport externally, Energia have also pursued similar sponsorships internally. Holly Dunnion, the 11 year old daughter of one of our employees, is one of the youngest and most successful Motorsport racers in Ireland. In 2019 Holly finished first overall in the Motorsport Ireland Novice Cadet Kart Racing Championship. This class is for both boys and girls aged between 8 and 13 years old and Holly is the first ever female winner.

In 2019, Energia continued its partnership with Grow it Yourself (GIY). As part of the "Energia Get Ireland Growing" partnership, a fund of €75,000 was awarded to 86 community food growing projects across the island of Ireland. The teams behind 86 community projects will each receive funds in order to develop their unique projects for the benefit of their local community.

The recipients include community groups, schools, NGOs and Not for Profits, community gardens and allotment groups, GIY groups, hospitals, crèches, direct provision centres and men's sheds all across the country.

In addition to the funding provided, GIY will also provide additional support and opportunities for knowledge exchange between the projects, helping the best ideas to be shared through 'Energia Get Ireland Growing'. All of the projects remain part of the GIY network in the long term, giving them access to other GIY resources and additional groups and projects within the network, creating a long-term legacy.

This example forms part of a section covering all aspects of community and social responsibility.

15. Gender diversity information

Requirement

The strategic report must include a breakdown at the end of the financial year showing the number of people of each sex who were directors the (parent) company, the number of people of each sex who were senior managers of the company (other than those already identified as directors) and the number of people of each sex who were employees of the company. The Guidelines allow 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.

Froneri – 31 December 2019

Diversity; Gender-based reporting and Disability

Froneri is committed to gender-neutral employment policies, including retention, recruitment and remuneration. In 2019 the six-strong Froneri board was all male. At the time of writing, the Group has five female country heads (2018: three).

As of 31 December 2019, the Group had a total of 10,418 permanent and non-permanent employees. This total was made up of 9,184 permanent employees and 1,234 non-permanent employees. Of the overall total, 2,926 were women and 7,492 were men.

In terms of management there are 1,036 employees including 308 women. There are 34 employees categorised as senior managers, five of whom are women.

In 2019 Froneri continued its talent and succession planning activity with an emphasis on the "top 200" roles across the Group. As part of this activity it aims to ensure that it undertakes the activity mindful of gender considerations. Its aim is to increase the proportion of women in senior roles both for the benefits that this diversity brings and to better reflect the diversity of its consumers. The object of this exercise is to identify its areas of strength and relative weakness from a talent perspective. It is only by undertaking this exercise on a regular basis that the Group can begin to identify the actions we need to take to put the talent in place, which will ensure the success of the business over the medium and long term.

Actions in talent and succession place an emphasis on developing existing talent in the organisation, taking a strategic view of any external hire opportunity and making sure there are measures in place to retain critical people. These actions are a key focus of Group level activity and act as a template for Country Heads to follow. In 2019 the proportion of key roles filled internally was 70%.

Froneri is a culturally diverse company which is determined to develop an inclusive culture respectful of the contribution of all employees regardless of age, country of origin and race, disability, gender/gender identity and sexual orientation, religion, marital status and dependants, political views and social class. It recruits, employs, rewards, trains and promotes employees on the sole basis of merit and the specific qualifications and abilities needed for the work to be performed.

The example discloses gender split, along with the policies and actions the group is taking in this area.

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.

Contacts

David Teager
Partner, PwC

+44 (0)7764 903000
david.a.teager@pwc.com

Gurpreet Manku
Deputy Director General and Director of Policy, BVCA

+44 (0)2074 920454
gmanku@bvca.co.uk

pwc.com

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