Improving transparency and disclosure

Good practice reporting by portfolio companies

Private Equity Reporting Group
The Guidelines for Disclosure and Transparency in Private Equity
December 2019

pwc

Contents

Introduction

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

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

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

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

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

The Guidelines require portfolio companies to go beyond compliance with accounting standards, laws and regulatory requirements to offer a genuine understanding of performance. The Guidelines support the foundations of a good annual report, which should be the objective for all companies. The annual report is a key tool for portfolio companies to communicate with stakeholders, bringing the business to life through a joined up strategic narrative that covers both current performance and looks to the future.

In addition to the Guidelines, the Wates Corporate Governance Principles for Large Private Companies (effective from 1 January 2019) further enhance the requirements in this area. Although these principles and the definition of large companies differ from the Guidelines, they will aid further transparency in corporate reporting especially around areas of governance.

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

Each year a sample of portfolio companies are reviewed for compliance with the Guidelines, and over the last twelve years there has been a sizable shift in the underlying quality and transparency of reporting. There continues to be increased focus from stakeholders on sustainability issues such as climate change, modern slavery and ocean pollution, with these areas being an area of focus for society. This focus is continually challenging the existing reporting landscape and encouraging enhanced disclosure across all areas of corporate reporting.

This does not mean the requirements of reporting should be getting longer and more burdensome, rather stakeholders want to see greater transparency across a wider range of topics, rather than just financial performance. The Guidelines assist in meeting this expectation, but should not be considered in isolation for compliance, rather reflected on as a whole and used to underpin a strategically focused, balanced and truly integrated narrative.

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

- The reporting on the business model has been challenging in the current and previous years, but a good business model should focus on the critical elements of the business and there should be an **inherent connection between a company's purpose and its business model** with both being explicit about the stakeholders that are key for the business. The business model in an annual report should:
  - Articulate a clear purpose and how the business model addresses this;
  - Be clear about the role stakeholders play in the business;
  - Explain how value is created and what makes this unique;
  - Explore outcomes or impacts of the model; and
  - Challenge how the content of the business model can be integrated elsewhere in the strategic report.
- Content in annual reports can tend to be quite backward-looking by nature and fail to discuss plans and a direction of travel for the future, which are the **bedrock of strategy**. Without this strategic backbone flowing through and connecting disclosures, it is often hard to see how the strategic picture comes together, tying KPIs, risks and the wider agenda together.
- The **gender diversity** requirement continues to be an area of challenge, as portfolio companies do not take the **opportunity to discuss** the work, they are doing to address diversity in the workplace, at either the gender level or in a wider context. There has been some increase in inclusion of gender pay gap reporting which is useful, but this should not be considered as a replacement for the gender diversity discussion which is central to the Guidelines requirement.

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 as a whole 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 10
- Details on board composition – page 12
- Financial review – position – page 14
- Financial review – financial risks – page 16

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 18
- Principal risks and uncertainties facing the company – page 20
- Key performance indicators – financial – page 22
- Key performance indicators – non-financial including environmental matters and employees – page 24

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 26
- Business model – page 28
- Trends and factors affecting future development, performance or position – page 30
- Environmental matters – page 32
- Employees – page 34
- Social, community and human rights issues – page 36
- Gender diversity information – page 38

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.

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.

Voyage Healthcare – 31 March 2018

Private equity investors

The Group was established in 1988 to provide long-term care for people with learning disabilities as a result of the UK Government's introduction of its "Care in the Community" policy, aimed at moving people with learning disabilities from long-term institutions, especially hospitals, into care facilities that replicate a normal domestic dwelling. In September 2001, Duke Street, a private equity firm, acquired the business. In April 2006, the Group was acquired by HgCapital and SL Capital Partners and in November of 2007, the business was rebranded under the Voyage name. Most recently, in August 2014, the Group were acquired by investment funds managed by Partners Group and Duke Street.

Partners Group is a global private markets investment manager, serving over 1,000 institutional investors worldwide. Partners Group has approximately EUR 62 billion in assets under management across four asset classes—Private Equity, Private Real Estate, Private Debt and Private Infrastructure. Partners Group is listed on the SIX Swiss Exchange and had a market capitalisation of CHF18 billion as of 31 December, 2017. It employs more than 1,000 professionals across 19 offices worldwide. In Private Equity, Partners Group manages assets of USD 38 billion and has on behalf of its clients directly invested in more than 200 companies since inception. The investment focus in Private Equity is on companies with strong growth potential, profitability profile, cash generation and value-add opportunities in six core sectors, including Healthcare. Partners Group pursues a diversified and global relative value approach across geographies and industries. Recent European investments include Key Retirement, Cerba Healthcare and Civica.

Duke Street has an investment strategy based on supporting the long term growth of portfolio companies through investment and operational improvement initiatives. The Group were previously owned by Duke Street from 2001 to 2006. Duke Street has invested in mature, mid-market West European businesses for over 25 years and has a long and successful track record of investing in the healthcare sector, including, amongst others, investments in Medi-Globe.

The Company is ultimately majority-owned by investment funds which are managed by Duke Street LLP and Partners Group AG. As the Company is jointly controlled by Duke Street LLP and Partners Group AG, the Directors do not consider there to be an ultimate controlling party.

This example states the name of the private equity firms involved, history of the acquisition made and a brief understanding of both the background and investment nature of the private equity firm.

CityFibre – 31 December 2018

Company ownership

Connect Infrastructure Topco Limited, a company incorporated in the UK, is the ultimate parent company of CityFibre Infrastructure Holdings Limited (the 'Company' or 'CityFibre'). Connect Infrastructure Topco Limited is jointly-controlled by a consortium formed by Antin Infrastructure Partners and West Street Infrastructure Partners, a fund managed by Goldman Sachs.

Antin Infrastructure Partners is a leading independent European private equity firm focused on infrastructure investments. The firm invests solely in infrastructure, with a primary focus on European infrastructure assets across the telecoms, energy and environment, transport and social sectors. Antin Infrastructure Partners has successfully raised in 2010 and fully invested a first fund of €1.1bn as well as a second fund in 2014 of €2bn, and a third fund of €3.6bn (at the hard cap) in December 2016. Antin Infrastructure Partners' funds are backed by more than 100 institutional investors from Europe, North America, the Middle East, Asia and Australia, including pension funds, insurance companies, asset managers and sovereign wealth funds. Antin Infrastructure Partners has raised €8.0bn of capital since its inception, including co-investment by its institutional investors alongside the funds.

Antin Infrastructure Partners has significant experience in acquiring and owning telecoms infrastructure assets. Telecoms is one of Antin Infrastructure Partners' core investment sectors and Antin Infrastructure Partners has reviewed and analysed a large number of opportunities in this space, including successful investments in fibre (Eurofiber in the Netherlands and Belgium), and tower operators (Axion in Spain and FPS Towers in France). Antin Infrastructure Partners has an in-depth understanding of the relevant business models, key risks and growth drivers involved in owning telecoms assets.

West Street Infrastructure Partners is one of a series of funds managed by Goldman Sachs within its Merchant Banking Division to make direct investments in infrastructure and infrastructure-related assets and companies globally. Goldman Sachs is a leading global investment banking, securities and investment management firm headquartered in New York and with offices around the world, including London. With over $183bn of capital raised since 1986 (as of 31 December 2018) Goldman Sachs' Merchant Banking Division is one of the world's leading private investing platforms, with a mandate to manage Goldman Sachs' private investment activities across dedicated corporate, real estate and infrastructure investment strategies. Since the inception of the infrastructure business in 2006, the Merchant Banking Division has raised more than $12bn of capital dedicated to the infrastructure investment strategy.

West Street Infrastructure Partners has substantial experience in communication infrastructure assets. Its partner infrastructure funds have invested in the US telecoms sector in Unison and Vertical Bridge (telecoms towers) and ExteNet (small cells and distributed network services). Affiliated funds managed by Goldman Sachs within its Merchant Banking Division have invested in several European communication infrastructure companies, including Kabel Deutschland, Cablecom and Get.

This example confirms the private equity firms' background.

2. Details on board composition

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

Shawbrook Group – 31 December 2018

Lindsey McMurray
Institutional Director

A N R RI

Appointed to the Board in April 2010 (Appointed to the Board of Shawbrook Bank Limited in January 2011)

Skills and experience
Lindsey has over 20 years of experience as a private equity investor with a particular focus on the financial services sector. She holds a first class Honours degree in Accounting and Finance from Strathclyde University.

External appointments/ Directorships
Lindsey is managing partner of private equity fund manager Pollen Street Capital, an affiliate of Marlin Bidco Limited of which she is also a Director. She is also currently an Executive Director of Pollen Street Capital Limited and a Director of Freedom Acquisitions Limited, Honeycomb Holdings Limited, Honeycomb Finance plc and Cashflows Europe Limited.

Cédric Dubourdieu
Institutional Director

A N R RI

Appointed to the Board in September 2017

Skills and experience
Cédric has close to 20 years of private equity experience, having led a number of investments in a variety of sectors across Europe. He holds a degree from Ecole Polytechnique, Paris.

External appointments/ Directorships
Cédric is a Managing Partner of private equity firm BC Partners and sits on BC Partners' investment committee. BC Partners is an affiliate of Marlin Bidco Limited of which Cédric is also a Director. Cédric currently serves on the Boards of MCS, Nille and Allflex.

Daniel Rushbrook
General Counsel and Company Secretary

Appointed Company Secretary in March 2015 (appointed Company Secretary to Shawbrook Bank Limited in March 2011)

Skills and experience
Daniel has over 25 years' legal experience. He has experience in private practice having worked for both Linklaters LLP and Macfarlanes LLP. Daniel became the first in-house lawyer for Commercial First Mortgages Limited, later joining its Board as Legal Director in 2005. In 2011 Daniel transferred to Shawbrook becoming General Counsel and Company Secretary. Daniel holds a first-class law degree from Oxford University and a Masters law degree from the University of Pennsylvania.

External appointments/ Directorships
None.

This example explains both background details of each board member and their relevant experience and other appointments. This is further supported by the inclusion of explanations of the responsibilities and role of board members as well as the number of meetings attended in the year and the composition of other committees.

Infinis Energy Group – 31 March 2019

The Board of Infinis Energy Group Holdings Limited consists of one Shareholder Director and the three Executive Directors.

The Board of Infinis Energy Management Limited (the Governing Company) consists of two Shareholder Directors, the three Executive Directors, the Chairman and the Non-executive Directors.

Key:
- A Audit Committee
- E Executive Committee
- R Remuneration Committee
- Committee Chairman

Shane Pickering
Chief Executive Officer

Committee membership: E

Appointed to the Board
Infinis Energy Group Holdings Limited – 13 January 2017

Infinis Energy Management Limited – 13 January 2017

Other key appointments
None

Shane was appointed on 8 December 2016 following the acquisition of the CLM business from Infinis Energy Limited where he held the position of Director of Operations from May 2015, responsible for both the wind and CLM portfolio. Prior to that, Shane was Regional Director of Operations Engineering at Intergen.

Shane's previous roles with the Central Electricity Generating Board, Power Gen, E.ON and InterGen Operating Company have given him over 30 years' experience in the power generation sector with extensive senior management experience in large-scale generation asset management, engineering, operations, construction and project management.

James Milne
Commercial Director

Committee membership: E

Appointed to the Board
Infinis Energy Group Holdings Limited – 13 January 2017

Infinis Energy Management Limited – 13 January 2017

Other key appointments
None

James was appointed on 8 December 2016 following the acquisition of the CLM business from Infinis Energy Limited, having held the positions of Head of Legal of Infinis from March 2011 and Group Company Secretary from September 2015. He leads the Infinis Group's commercial and legal activities.

Prior to joining Infinis, James was a partner at the international law firm, Herbert Smith, where he spent 16 years and specialised in corporate advisory work, including corporate finance, mergers and acquisitions and private equity. James is a qualified solicitor.

Keith Reid
Chief Financial Officer

Committee membership: E

Appointed to the Board
Infinis Energy Group Holdings Limited – 25 April 2019

Infinis Energy Management Limited – 26 March 2019

Other key appointments
None

Keith joined Infinis as Chief Financial Officer on 18 March 2019. He was appointed to the board of Infinis Energy Management Limited on 26 March 2019 and to the Company Board on 25 April 2019.

Keith is a chartered accountant with a proven track record as a CFO of effective operational and strategic financial management in both UK and International private equity based organisations. Keith started his career with KPMG where he worked for eight years specialising in audit and corporate advisory work.

This example confirms timing of appointment to the board, the background and experience of each director and which committee memberships they hold. There is also wider disclosure of the governance of the organisation.

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 16).

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 New Co acquisition vehicle in its first years of reporting).

Clarion Events – 31 January 2019

Financial review

The Group's operating loss for the year ended 31 January 2019 was £9.6 million (period ended 31 January 2018: profit of £1.9 million). Before amortisation of acquired intangibles, the operating profit for the year ended 31 January 2019 was £28.1 million (period ended 31 January 2018: £9.7 million). The Group's growth is partly driven by acquisitions, and in each financial period it expects to incur advisers' fees for completed and aborted transactions, and costs of restructuring and integrating acquired businesses. The amount of such costs can vary significantly between financial periods, depending on the number and scale of transactions completed, and the level and timing of restructuring required by the acquisition case. The Group operating loss for the year ended 31 January 2019 included £36.1 million of such costs (period ended 31 January 2018: £13.9 million).

As at 31 January 2019, the Group's borrowing facilities were as follows:

	Facility	Maturity	Amount drawn down
Facility B	£315.0m	29/09/2024	£315.0m
Facility B2	$415.8m	29/09/2024	$415.8m
Revolving Credit Facility (RCF)	£75.0m	29/09/2023	-

During the year, the Group repaid its RCF which was increased from £50m to £75m during March 2018. Facility B2 requires repayments of 0.5% every 6 months. Current financial arrangements have limited covenants unless more than 40% of the RCF is utilised. The Group has operated within all covenants set out in the Senior Facilities Agreement ("SFA").

This example explains the nature and breakdown of the debt held at the year-end as well as including repayment terms and cash flow considerations.

NewDay – 31 December 2018

Funding

In 2018, we successfully issued £640m of asset-backed term debt through two debt financing transactions. This included raising US$243m in the US capital markets, a first for NewDay.

The first transaction in July 2018 successfully refinanced £283m of the Group's asset-backed term debt issued in connection with the Group's Own-brand securitisation programme. This £340m transaction comprised: (i) the issuance of £262m of publicly listed asset-backed term debt (of which £49m was retained internally within the Group); (ii) the issuance of US$93m publicly listed asset-backed term debt raised from US capital markets (which was equivalent to £71m on the date of issuance); and (iii) a further £7m of intra-Group funding.

The second transaction in November 2018 raised a further £300m of asset-backed debt in connection with the Group's Own-brand securitisation programme. This transaction comprised (i) the issuance of £176m publicly listed asset-backed term debt (of which £44m was acquired by a Group entity), (ii) the issuance of US$150m publicly listed asset-backed term debt raised from US capital markets (which was equivalent to £117m on the date of issuance), and (iii) a further £7m of intra-Group funding.

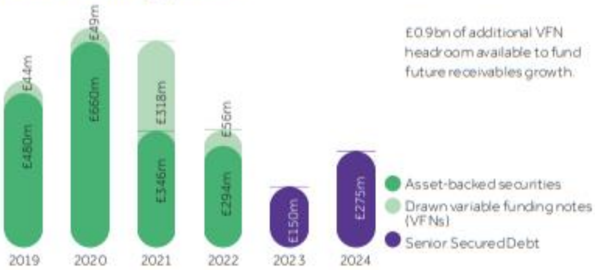
The US$ exposure is hedged through a balance guaranteed cross-currency swap.

Additionally, we extended the maturities on £1.2bn of variable funding notes from December 2020 to between September 2021 and March 2022.

Following the expansion of our variable funding note capacity in December 2017 pursuant to our Value Creation Plan, we continue to maintain significant variable funding note headroom of £0.9bn to fund receivables growth under our asset-backed securitisation arrangements.

As at 31 December 2018, the average maturity of our debt issued was three years (2017: three years). The staggered nature of our debt maturity profiles mean that 15% of committed debt facilities are due for refinancing in less than one year and 85% are due in one to five years. We currently intend to raise further funds through the issue of asset-backed securities during the course of 2019 to refinance the debt facilities due in less than one year.

Debt maturity profile



The Group's blended advance rate for 2018 was 85.9% (2017: 85.3%). The advance rate for Own-brand was 83.3% (2017: 82.5%) and Co-brand was 91.2% (2017: 90.9%).

During the year we completed our project to re-issue our terms and conditions to allow us to choose to pass any increases in the Bank of England base rate to customers, insulating ourselves against future bank base rate rises by hedging against our cost of funding.

Cash flows

The following table summarises the Group's cash flows during the year:

Pro forma cash flows

	2018 £m	2017 £m
Net cash used in operating activities	(383.5)	(312.0)
Net cash used in investing activities	(9.4)	(988.3)
Net cash generated from financing activities	402.5	1,295.9
Net increase/(decrease) in cash and cash equivalents	**9.6**	**(4.4)**
Cash and cash equivalents at the start of the period	124.4	128.8
Cash and cash equivalents at the end of the period	**134.0**	**124.4**

Net cash used in operating activities of £384m (2017: £312m) was primarily driven by the increase in receivables growth.

Net cash used in investing activities of £9m (2017: £988m) represents investment in intangible and fixed assets. The prior period comparative includes the completion of the Acquisition.

Net cash generated from financing activities of £403m (2017: £1.3bn) consists of issuances and repayments of asset-backed securities and drawdowns of variable funding notes to fund the receivables growth. The prior period comparative is largely driven by the issuance of the Senior Secured Debt and the shareholder loan arrangements.

Capital requirements

There is no regulatory capital requirement for any subsidiary other than NewDay Ltd owing to its status as an Authorised Payment Institution. As at 31 December 2018, the levels of capital for NewDay Ltd exceeded the minimum capital requirement with headroom of £7m.

The Group is subject to various requirements and covenants related to levels of capital and liquidity. We regularly monitor compliance with these requirements and covenants to ensure they are met at all times.

The number and nominal value of all the parent company's shares are detailed in note 21.

This example explains the nature and breakdown of the debt held at the year-end as well as including repayment terms and cash flow considerations.

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, w ith 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 tw o parts. The first looks at information on the position of the entity at year end (see page 14). This second section looks at the financial risks identified.

Basic compliance

The review of financial position requirements should include the follow ing:

- 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 20 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 w e would expect to see more discussion around taxation, w ith some discussion on tax policy, uncertain tax positions, and narrative rather than just numbers to explain key items impacting the effective tax rate.

QA Training – 1 June 2018

CREDIT RISK

The Group's principal financial assets are bank balances and trade debtors. The Group's credit risk is primarily attributable to its trade debtors.

Management continually reviews outstanding receivables and debtor recovery plans together with credit limits across for our customers. The amounts presented in the balance sheet are net of provision f doubtful debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

LIQUIDITY RISK

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Group operates a centralised treasury function, features of which include intercompany cash transfers and management of operating lease contracts.

The Group has sufficient funds through existing cash balances, free cash flow and, if needed, the Revolving Credit facility, to service the annual cost of its financing and meet its other business needs.

Notes 16 and 18 set out information in respect of the Group's leverage position.

The example outlines the financial risks, discusses mitigations and provides a cross reference to more information in the financial statements.

Shawbrook Group – 31 December 2018

Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due, or is only able to do so at excessive cost.

The Group has, therefore, developed comprehensive funding and liquidity policies to ensure that it maintains sufficient liquid assets to be able to meet all its financial obligations and maintain public confidence.

The Group's Treasury function is responsible for the day-to-day management of the Group's liquidity and wholesale funding. The Board sets limits over the level, composition, and maturity of liquidity and deposit funding balances, reviewing these at least annually. Compliance with these limits is monitored daily by Finance and Risk personnel independent of Treasury. Additionally, a series of liquidity stress tests are performed weekly by Risk and formally reported to the ALCo and the Board to ensure that the Group maintains adequate liquidity for business purposes even under stressed conditions.

The Group reports its liquidity position against its liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and other key regulatory ratios for regulatory purposes.

A liquid asset buffer of government Treasury bills acquired under the Funding for Lending Scheme, and reserves with the Bank of England, are maintained as a source of high-quality liquid assets that can be called upon to create sufficient liquidity in order to meet liabilities on demand. The Group also holds extremely high-quality covered bonds.

Further details of the Group's funding sources are as follows:

- **Funding for Lending Scheme:** see Note 1.7(o) of the financial statements.
- **Term Funding Scheme:** see Note 1.7(o) of the financial statements.

Stress testing is a major component of liquidity risk management and the Group has developed a range of scenarios covering a range of market wide and firm specific factors. A comprehensive stress testing exercise is conducted at least annually, and the methodology is incorporated into the Group's statement of financial position risk management model to ensure that stress tests are run on a regular basis. The output of stress testing is circulated to the Board and to the ALCo who use the results to decide whether to amend the Group's risk appetite and liquidity limits.

The example includes an in-depth explanation of a specific risk facing the business with further disclosure made in respect of how the business mitigates it.

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.

Voyage Healthcare – 31 March 2019

Business review

Voyage Care remains the leading UK provider of Registered Care services by revenue and by placements and has a well-established presence in Community Based Care services. The Group supported 3,393 (2018: 3,227) people as at 31 March 2019, comprising 1,927 (2018: 1,885) through its Registered Care services and a further 1,466 (2018: 1,342) supported through its Community Based Care services.

As at the year end the Group's Registered Care services' occupancy had increased 1.5% to 93.9% (2018: 92.4%) and the Group's Community Based Care services delivered approximately 12,200 additional weekly hours of care to 91,300 weekly hours of care (2018: 79,100). The average weekly fee for Registered Care services increased £26 to £1,700 (2018: £1,674) per person and Community Based Care services average revenue per hour increased £0.82 to £17.29 (2018: £16.47) for the year ended 31 March 2019.

Approximately 68% (2018: 73%) of the people we support in the Registered Care services had been in the Group's care for more than five years and some of the people we support have been with Voyage Care for more than 20 years. Providing stable environments for people we support improves the likelihood of positive outcomes and their quality of life.

Whilst individuals with acquired brain injuries will remain with Voyage for varying lengths of time according to their needs, progress, long term plans or personal preferences, individuals with learning disabilities have a lifelong condition and require ongoing support. Approximately 34% (2018: 36%) of the people we support in the Registered Care services division were 40 years of age or younger, and 78% (2018: 78%) were 60 years of age or younger, which contributes to a long average length of stay in those services. Approximately 39% (2018: 36%) of the people we support in the Community Based Care services were 40 years of age or younger, and 81% (2018: 79%) were 60 years of age or younger, which contributes to a long average length of stay in those services.

Of the care we provide, 95% is paid for by Local Authorities and Clinical Commissioning Groups ("CCGs") and, as at 31 March 2019, we generated revenue from over 250 of these publicly funded purchasers across the UK. The Group's long-standing relationships with Local Authorities and CCGs are built on a strong reputation for providing quality services to the people we support.

This example commences with a good understanding of the performance in a wider commercial perspective, before discussing the market and financial performance later in the review.

NewDay – 31 December 2018

Continuing to acquire new customers

It has been a record year for new account acquisitions with 1.2m new accounts, compared with 1.1m in 2017. Our Own-brand business welcomed 456,000 new accounts and our Co-brand business opened 733,000 new accounts. Almost all of our Own-brand new accounts were acquired online and an increasing proportion of our Co-brand acquisitions were digitally originated. In 2018, 63% of all acquisitions across the business were online, compared with 51% in 2017 as we have deployed digital application solutions in a number of our retail partners' stores. Our Unsecured Personal Loans business welcomed 15,000 customers compared to 4,000 in 2017, all of whom were acquired online. As a result of the customer behavioural insight we have developed over many years, today's new customers offer us future receivables predictability – 84% of our 2018 year end receivables relate to pre-2018 originations (see closing receivables by year of origination on page 15).

Our Co-brand business has also made a strong start to 2019 signing agreements with two major new national retailers that are due to launch by the middle of 2019; one of which will utilise our new digital revolving credit product, *NewPay*.

'2018 was another year of strong controlled growth and a breakthrough year in our ambitious digital journey with the end goal of becoming the leading digitally enabled consumer finance provider in the UK"

Another year of financial growth

Strong receivables growth continued with closing receivables of £2.6bn up 21% from £2.2bn at the end of 2017. Own-brand receivables grew by 18% and Co-brand receivables grew by 21%, with our Unsecured Personal Loans portfolio surpassing the £65m mark. This growth across all portfolios resulted in a 19% increase in total income.

IFRS 9 came into effect on 1 January 2018, replacing IAS 39 'Financial Instruments: Recognition and Measurement.' IFRS 9 is a forward looking expected credit loss model rather than an incurred loss model, which had the effect of accelerating impairment provision build. The impact of IFRS 9 was to add £30m to impairment in 2018 over and above what would have been recorded under IAS 39. Given the strong growth across our portfolios, there is likely to be an ongoing delay in the recognition of profits as a result of impairment provisions being recognised upon origination. It is important to note that IFRS 9 only changes the timing of profit recognition; our business model, charge-offs and cash flows are unaffected by the change in accounting standard.

As a result of our continued investment in underlying efficiencies, including digital, we have reduced our cost-income ratio, excluding £18m of incremental investment costs to deliver our Value Creation Plan and interventions aimed at customers considered in persistent debt, by 1.6 percentage points to 31.8%.

We reported adjusted EBITDA of £82m (2017: £114m). On a like-for-like IAS 39 basis, adjusted EBITDA would have been £112m despite absorbing the £18m of incremental investment costs noted above. The statutory loss before tax of £7m (2017: loss of £27m) includes a number of items, detailed on page 35, which do not represent the Group's underlying performance.

Free cash flow available for Senior Secured Debt interest increased by £47m to £41m in 2018, highlighting the strong cash generation of the business despite the £18m incremental investment noted above and the higher utilisation of our Payment Protection Insurance (PPI) provision following the FCA's publicity campaigns in 2018. Overall cash increased by £10m to £134m (2017: £124m).

As widely reported, 2018 was a challenging year on the high street and one of our retailers (House of Fraser) entered administration. The House of Fraser business was subsequently acquired by Sports Direct and our previous contract has been novated to the new House of Fraser business. Our agreements with House of Fraser customers are unaffected by the administration and we continue to manage the portfolio accordingly however, new account origination has ceased. We are working closely with the new House of Fraser business to relaunch the programme once they have obtained the necessary regulatory approvals and we look forward to building a long-term relationship with them. In addition, our Co-brand portfolio is well-positioned to help drive revenue for all our retail partners, whether that be through sales on the high street or online, and we continue to diversify our retail partner base and product offering.

21%
closing receivables growth.

Growth across all of our businesses, including both traditional and online.

£82m
adjusted EBITDA.

On a like-for-like IAS 39 basis, adjusted EBITDA would have been £112m.

£41m
free cash flow for Senior Secured Debt interest.

This example clearly explains the performance balanced between financial and non-financial discussion, underpinned by the business strategy.

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 w ith 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 w ill be dependent on a business size and complexity, how ever in order to be meaningful long lists of boilerplate risks should be avoided.

Good practice

Attributes of good practice include:

- Clear alignment betw een 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.

Shawbrook Group – 31 December 2018

Top risk	Mitigation	Change
Intermediary, outsourcing and operational resiliency The Group is a specialist lending and savings bank for SMEs and consumers. The specialist nature of some of its lending through intermediaries and brokers could mean that some customers find themselves with an increased risk of an unfavourable outcome. For the Group this could also lead to increased conduct related redress, additional fraud or credit risk impairments. The Group uses a number of third parties to support the delivery of its objectives. The availability and resiliency of its core customer facing systems play a key role in supporting the Group's reputation in its chosen markets.	The Group works with carefully selected intermediary and broker partners who take on the role of advising SMEs and consumers. The Group recognises that it is ultimately accountable for the lending it originates through its partners and continually undertakes reviews of their performance. The Group continually reviews its risk management approach to intermediaries, brokers and outsource partners to reflect the regulatory environment in which the Group operates.	↑ The Group has continued to invest in its oversight of intermediaries, brokers and outsource partners during 2018. The Group continued to invest in its relationship with Target Servicing Limited and expects to further improve the Group's outsourcing risk profile. This includes (but is not limited to) work on arrears management, forbearance and resiliency planning. The Group continues to explore other third-party relationships through which to deliver its objectives and improve operational resiliency.

This example clearly articulates the risk, the mitigating considerations and also the change in the risk to the group since prior reporting.

Infinis Energy Group – 31 March 2019

PRINCIPAL RISKS AND UNCERTAINTIES

In the table below the following key applies, with measurement against the assessment made at March 2018:

- Risk assessed to have increased
- Risk assessed to have stayed the same
- Risk assessed to have decreased

RISK DESCRIPTION	MITIGATION	CHANGE
1 Mergers and acquisitions increase risk in the short-term		
The introduction of a new business with different processes introduces risk, particularly in the short-term. Human resources – retention of good people. Finance – controls and processes may not be robust. IT – increased risk of cyber attack as new systems integrated. Operations – unpredictability of output and related cost risks. Regulatory – SMT may not have experience of regulatory requirements. Development – investment projects may not have been subject to the same scrutiny and rigour, pre-acquisition. HSQE – different operations may result in new health and safety risks and current procedures of the acquired business may not be as robust.	Our aim is to integrate new businesses in as short a time as possible, focused on achieving investment objectives, managing risk and delivering "best of both". Appropriate due diligence, integration planning and an integration team headed by a member of the SMT are the platform for delivery. Risk register owners recognise the increased short-term risks of new acquisitions and focus on mitigating them during integration. Post acquisition functional review.	
2 Without diversification the natural decline in CLM and CMM will lead to a shrinking business over time		
Organic growth through investment in development activities and growth through M&A into new technologies improves diversification and reduces the risk of a shrinking business. Diversification changes the revenue and cost profile and introduces new risks such as increased exposure to wholesale power volatility, reduced margins and new regulation.	The Group's strategy recognises this risk and is focused on its mitigation. The acquisition of Alkane Energy and the development of an organic PR Division are the first steps in delivery. Integration plans and business-as-usual risk management processes are well-designed to recognise and manage new risk.	

This example clearly articulates the risk, underpinned by the strategy, and where this is managed and monitored. The report also explains in further detail by risk the mitigating considerations and the change in the risk to the group since prior reporting.

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

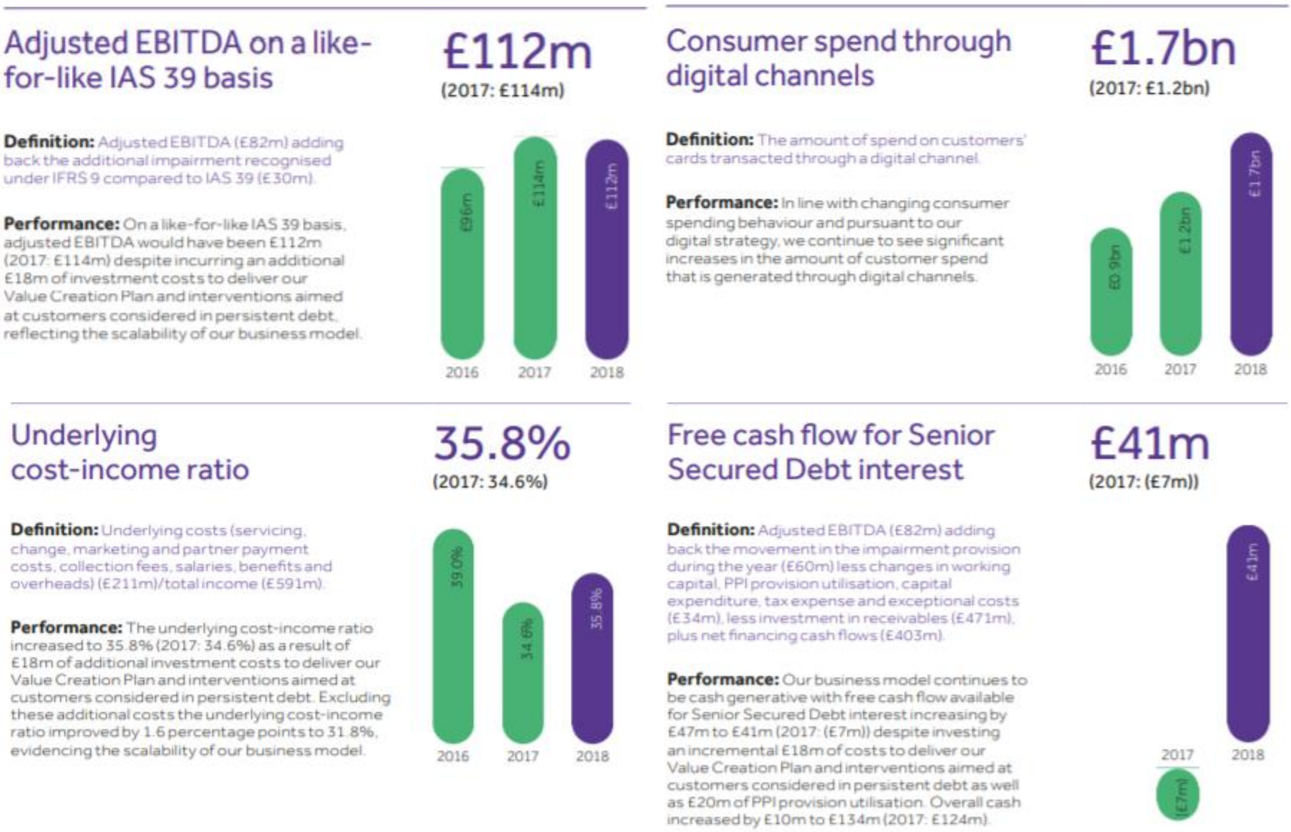
For ease of confirming compliance and effective communication we encourage companies to explicitly disclose their financial KPIs and not leave it up to the readers to deduce what management consider to be 'key'.

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.

NewDay – 31 December 2018



Adjusted EBITDA on a like-for-like IAS 39 basis

£112m
(2017: £114m)

Definition: Adjusted EBITDA (£82m) adding back the additional impairment recognised under IFRS 9 compared to IAS 39 (£30m).

Performance: On a like-for-like IAS 39 basis, adjusted EBITDA would have been £112m (2017: £114m) despite incurring an additional £18m of investment costs to deliver our Value Creation Plan and interventions aimed at customers considered in persistent debt, reflecting the scalability of our business model.

Consumer spend through digital channels

£1.7bn
(2017: £1.2bn)

Definition: The amount of spend on customers' cards transacted through a digital channel.

Performance: In line with changing consumer spending behaviour and pursuant to our digital strategy, we continue to see significant increases in the amount of customer spend that is generated through digital channels.

Underlying cost-income ratio

35.8%
(2017: 34.6%)

Definition: Underlying costs (servicing, change, marketing and partner payment costs, collection fees, salaries, benefits and overheads) (£211m)/total income (£591m).

Performance: The underlying cost-income ratio increased to 35.8% (2017: 34.6%) as a result of £18m of additional investment costs to deliver our Value Creation Plan and interventions aimed at customers considered in persistent debt. Excluding these additional costs the underlying cost-income ratio improved by 1.6 percentage points to 31.8%, evidencing the scalability of our business model.

Free cash flow for Senior Secured Debt interest

£41m
(2017: (£7m))

Definition: Adjusted EBITDA (£82m) adding back the movement in the impairment provision during the year (£60m) less changes in working capital, PPI provision utilisation, capital expenditure, tax expense and exceptional costs (£34m), less investment in receivables (£471m), plus net financing cash flows (£403m).

Performance: Our business model continues to be cash generative with free cash flow available for Senior Secured Debt interest increasing by £47m to £41m (2017: (£7m)) despite investing an incremental £18m of costs to deliver our Value Creation Plan and interventions aimed at customers considered in persistent debt as well as £20m of PPI provision utilisation. Overall cash increased by £10m to £134m (2017: £124m).

This is a good example of disclosure as it shows a definition of the KPI and a history of performance with commentary.

QA Training – 1 June 2018

*Proforma financials set out in Table 1 (page 32) and Table 3 (page 35).

Table 2 sets out the key performance indicators measuring the financial and operational performance of the Group. We define free cash flow as Adjusted EBITDA less the working capital movement, lease rental payments, tax payments and capital expenditure.

The Group's full year proforma revenue increased by 16.5% to £253.3 million (2017: £217.4m).

The core activity of the Group, the provision of training services to over 5,000 clients, accounted for approximately 60% of Group revenue and grew 7.7% in the year.

All of the Group's operations delivered revenue growth in the year with notable performances in vocational and higher education, where the average number of students grew 51.3% and 53.8% respectively.

This is a good example of disclosure as it shows trend analysis over the past three years with further explanation of calculation of the KPI included within the annual report.

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, w here 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 w e encourage companies to explicitly disclose their non-financial KPIs and not leave it up to the readers to deduce w hat management consider 'key'.

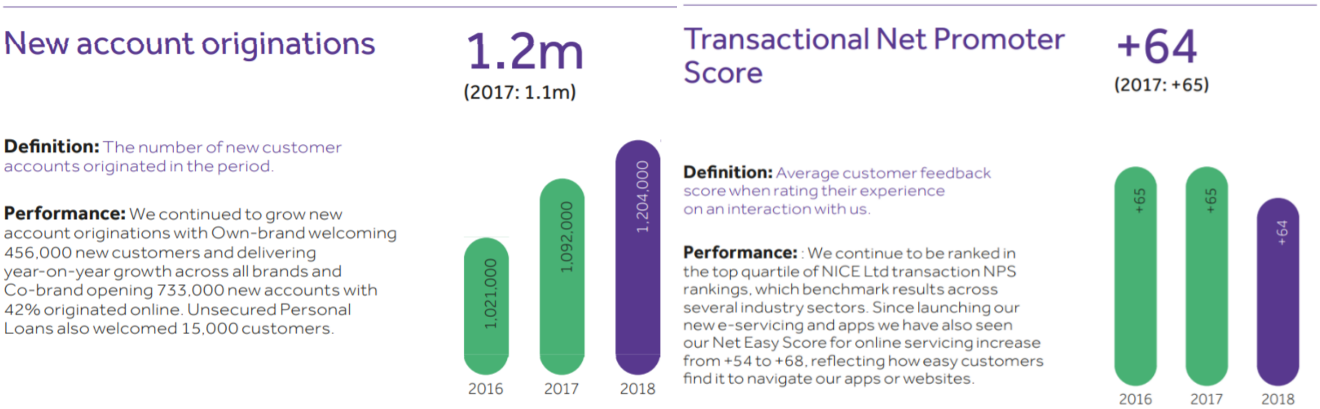
For instance, many companies state that their employees, customers or suppliers are important to the ongoing success of their business. In these circumstances there would be a reasonable expectation by the reader to see employee, customer or supplier-based KPIs as a means to demonstrate performance. The relative importance of certain KPIs w ill 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 w hy each KPI has been included and a definition of how they have been calculated; and
- Quantified trend data, targets and milestones, w hether qualitative or quantitative.

NewDay – 31 December 2018



This example both defines the non-financial KPI measure w hilst also explaining the movement / performance against the assessment made in the prior year. It is also given equal prominence to financial KPIs.

Infinis Energy Group – 31 March 2019

STRATEGIC PRIORITY	OBJECTIVES	RISK
High performance safety culture	— Maintain high standards for health and safety compliance and achieve zero RIDDOR incidents	5
Relentless focus on operational excellence	— Build and maintain an outstanding reputation — Maintain, protect and safeguard assets — Maintain highest standards of environmental compliance	3 4 7 8 9
High level of in-house commercial expertise	— Maximise the average selling price — Define and operate a clearly defined trading strategy — Maintain and renew land arrangements for operating sites	3 4 5 7 9

KPIs	KPI DEFINITION	KPI MEASUREMENTS		
RIDDOR accident frequency rate	Reported as the number of instances for every 100,000 hours worked	0.00 (2018: 0.38)	2019 2018	0.00 0.38
Total recordable injury rate	Total reportable lost time and medical treatment injuries for employees	0.11 (2018: 0.64)	2019 2018	0.11 0.64
Installed capacity (MW)	Total power production capacity	478 (2018: 279)	2019 2018	478 279
Exported power (GWh)	Total power sold	1,530 (2018: 1,424)	2019 2018	1,530 1,424
Reliability (%) [1]	Run hours/adjusted dispatched hours	95.5 (2018: 96.9)	2019 2018	95.5 96.9
Availability (%) [1]	The amount of time our sites are available to generate	91.9 (2018: 94.0)	2019 2018	91.9 94.0
Maintenance capital expenditure (£m)	Capital expenditure on maintenance activity in the year	17.6 (2018: 17.1)	2019 2018	17.6 17.1
Average selling price (ASP) [1]	Revenue recognised in the year divided by exported power	98.07 (2018: 97.42)	2019 2018	98.07 97.42

This example shows the non-financial KPI measures, outlines the performance against the assessment made in the prior year and clearly links the KPI to the strategic priority it underpins.

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's 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 and time frames in order to add further clarity to the reporting.

QA Training – 1 June 2018

Purpose and Strategy

Our organisation helps individuals build better careers and makes their employers more successful. By enhancing the skills of working professionals we add to the human capital of the country, enrich our economy and help our society. We aim to be a ladder of social progress as we turn school-leavers into workforce-ready employees, academic education into professional skills and managerial competence into cutting-edge digital skills.

Our focus is in digital, technical and managerial competence. We are one of the UK's leaders in digital education, covering all key areas of professional-skills demand including the newest and cutting-edge technologies. In 2018, we developed technology and business skills for more than 285,000 individuals in more than 850 courses across more than 5,000 employers.

UK businesses spent £3.5billion[1] in 2017 enhancing the skills of their employees through expert providers and it is an addressable market that is growing. It has never been more important for companies to invest in their people as they adapt and embrace changing technologies and develop the leadership skills to succeed in our increasingly digital world.

In this context, we aim to provide the best return on investment for our learners, and those who pay for them to learn.

We aim to do this through:

1 Providing the highest quality training and education

2 Investing in leading-edge content and delivery mechanisms

3 Attracting and retaining the best talent in our organisation

This example shows a clear strategy by identifying three strategies applying them to the wider market.

PA Consulting – 31 December 2018

Taking our clients further, faster

This year we focused on ensuring that our clients could see the full range of what we do, so that we can take them further, faster. We continued our investment in improving our sales capabilities throughout the firm and these efforts are reflected in our client feedback. We completed more than 100 client value reviews to gain deeper insight into what our clients think about our work. Some 90 per cent of our clients say that "we exceed expectations in all, or some, areas" and 98 per cent are "happy to recommend us to another client". All of our clients value that we introduce them to new, ingenious ideas and approaches and that we push forward their thinking about what's possible.

Building an ever-better place to work: our people

We continue to maintain a high-performing organisation that can attract, develop and retain individuals with the skills and qualities needed to deliver visible and sustained value for clients.

Our people strategy is to create a great place to work in which all staff can thrive. Internal research that we undertook during the year showed that our people are excited to work for PA because we offer stimulating work, great clients and a collaborative working environment.

In 2018 we hired and integrated more than 600 new colleagues with in-demand skills like digital, agile and innovation. In the summer we started our programme to hire 400 new digital specialists at our office in Belfast. This team works with clients globally, using digital technologies to adapt and transform their businesses.

Bringing Ingenuity to Life: our purpose and brand

We launched to great success our new Purpose for the firm: 'We believe in the power of ingenuity to build a positive human future in a technology-driven world', and brand, 'Bringing Ingenuity to Life'.

Having a clear sense of purpose is crucial to our success. Our purpose: 'Bringing Ingenuity to Life', is crucial to attracting clients who seek new ways of working. They want to work with a different kind of firm, one that can bring ingenuity to help them seize their opportunities. It's crucial for our business as we seek to grow by winning more of the work we love to deliver. And it's crucial for our people who value what we stand for and enjoy the brilliant projects that help them build their careers through working with outstanding people and teams.

This example links current year performance into the strategic discussion providing further clarity.

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.

M Group Services – 31 March 2018

Principal activities

The group provides support services to blue-chip clients in the regulated utilities, telecom, transport and data services sectors in the UK. Its services range from implementing planned capital investment schemes to reactive repair and maintenance. The principal activity of the Company is that of a holding company.

Business description

Market

The group operates in the regulated utilities, telecoms, transport and data services sectors in which there are a large number of companies offering a wide range of different services. It has a strong long-term track record of growth resulting from concentrating on its core skills in markets in which it has experience, competitive advantage and an established supply chain. In this way, risk and start-up costs are controlled leading to faster, more efficient operations.

The group has an excellent safety record, which is essential for long-term success in these competitive sectors. It has maintained an excellent safety performance over many years and has won a series of awards in recognition of its achievements in this area.

Commercial relationships

The group businesses typically operate under framework contracts of three to ten years' duration. Contracts operate either on a schedule of rates basis with adjustments each year to allow for inflation, or on a target cost basis with some sharing of out-performance or under-performance with the client. Each contract usually has its own unique set of key performance indicators (KPIs) agreed with the client. These KPIs can influence the profit on the contracts.

Responsibility and control

The Chief Executive has responsibility for the performance of the group's businesses, which are in turn supported by a number of key operational support staff including finance, human resources, legal and supply chain management.

Management rigorously review all tenders to ensure that the risk profile is acceptable and that the profit margin and cash flows adequately reflect the risk profile. All new contracts must contribute to the Company's strategic and financial targets. Key drivers of shareholder value (i.e. profitability and cash flows) are reviewed on a monthly basis at a contract level.

This example articulates part of the business model, showing how the business creates value, including routes to market and involvement of stakeholders

Shawbrook Group – 31 December 2018

Our Customers

Landlords

SMEs

Homeowners

Consumers

Savers

Across our carefully selected markets

Property

Business

Consumer

Our channels to market

Through direct and indirect channels...

KBIs
Key Business Introducers through professional services are primarily utilised by our Business Finance division.

Sponsors
Working with private equity and venture capital firms to support their financial goals.

Direct
Our customer can access our services directly via our website, call centres and relationship staff.

RBCs
We currently have seven regional business centres across the UK.

Brokers
We have a selected panel of brokers and for certain products we utilise broker networks.

Our Stakeholders

How we create value

Customer deposits > Existing loan book or originations > Lend to poorly served customers > Interest charged = **Strong Returns**

This example shows the routes to market and involvement of stakeholders that derive value.

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.

Voyage Healthcare – 31 March 2019

Local Authority and NHS customers prioritise developing relationships with high quality stable providers, such as Voyage Care who can offer solutions to their key challenges:

Increasing volume and acuity of people requiring care

- Research indicates that there will be sustained growth in the need for social care services for an increasing number of adults with learning disabilities over the next decade, with estimated average annual increases of 3.2%.
- Projections in demand indicate sustained growth in both community-based support and care homes services to meet the needs of younger adults with disabilities; a clear growth opportunity for Voyage Care as we now have a well-established pathway of specialist care and support solutions.

The rising cost of providing care

- Annual increases to the National Living Wage, workplace pension auto enrolment charges, and the apprenticeship levy, alongside other inflationary pressures, impacted the Group's cost base.

Budget restrictions arising from austerity

- The CQC State of Care report notes the sustained pressure on the social care sector: the government has now made one-off additional budget available for social care in each of the last four years and continues to delay publication of its promised reforms to the long-term funding of social care.
- For the three financial years up to and including the financial year 2019-20 the Council Tax Precept offers Local Authorities the option of charging up to an additional 6% ringfenced for social care. 148 of 152 Local Authorities utilised the precept in 2018-19.
- The 'Improved Better Care Fund' additional grant funding, amounting to £100 million a year in 2017–18 rising to £1.4 billion a year in real-terms by 2019–20, is integrating NHS and social care through a single local pooled budget so that people can manage their own health and wellbeing, and live independently in their communities for as long as possible.

This example is specific to the group and links with market sector considerations e.g. national living wage and local authority funding.

NewDay – 31 December 2018

Market opportunity

We operate within the unsecured consumer credit market, specialising in serving near-prime customers and partnering with retailers to serve their customers (both prime and near-prime).

The unsecured consumer credit landscape

£216bn[1]

unsecured consumer credit market

We offer a range of revolving credit and instalment-based products to serve the specific needs of prime and near-prime customers across our Own and Co-brand businesses. We distribute through direct channels, third party aggregators and in our Co-brand business though retail partners, both online and offline.

Products (selected)	Customer type	Distribution channels
Credit cards/store cards	Prime	Direct (online and offline)
Unsecured personal loans	Near-prime	Aggregators (online)
Cardless credit accounts	Sub-prime	Partnerships (online and offline)
Point of sale (PoS) financing		
Overdrafts		
Catalogue credit		
Guarantor loans		
Payday loans		
Other high cost credit products		

- NewDay
- Products not offered by NewDay (other)
- Products not offered by NewDay (suitable for customers with higher risk profiles)

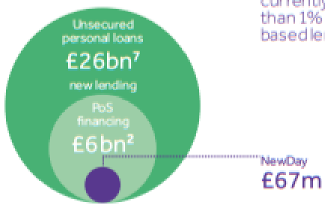
Revolving credit

With 4% of the total UK credit card receivables, there is a sizeable market opportunity for NewDay.

In addition to £73bn credit card receivables balances, there is an emerging cardless revolving credit segment not captured in this number.

There are 59m credit cards in issue in the UK[6], of which around five million are NewDay cards.

Instalment lending



NewDay balances currently represent less than 1% of total UK instalment based lending.

Retail spend

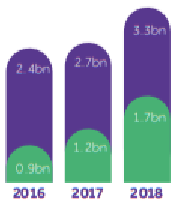
Total retail spend (£bn)[3]

10%

increase in online spending[4]

- Online
- Offline

NewDay spend (£bn)



36%

increase in online spending[4]

- Online
- Offline

The potential market opportunity is explained in detail with areas the business focuses on identified and is well supported by quantifiable evidence.

12. Environmental matters

Requirement

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

Disclosures concerning greenhouse gas emissions are not a mandatory requirement under the Guidelines. How ever, 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.

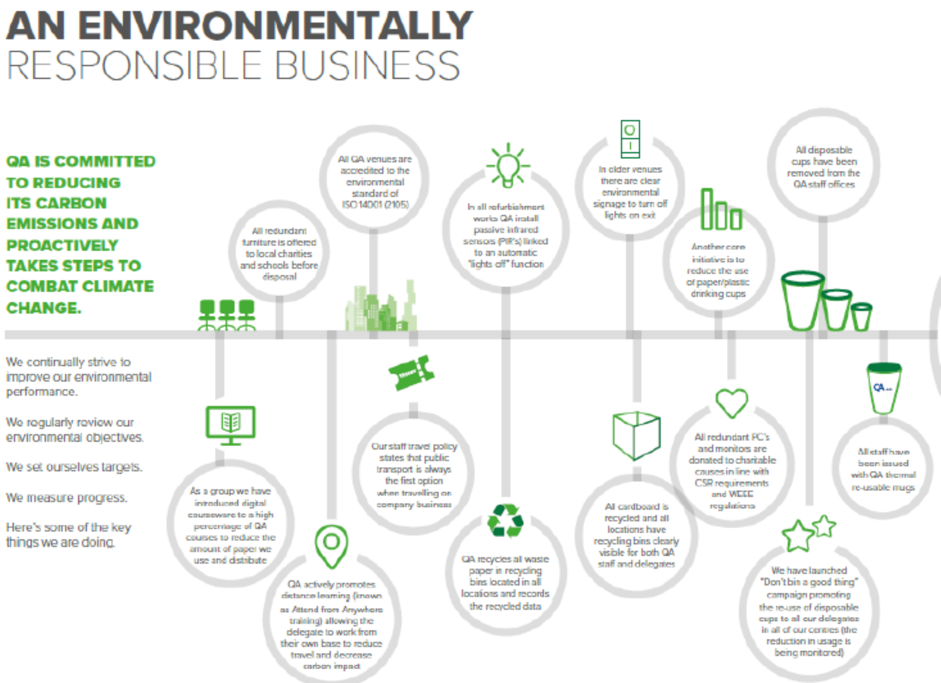
The type of disclosure required is dependent on the nature of the business. For example, it w ould be expected that w ater companies w ould focus on discussions about the level of w ater wastage and food manufactures would focus on reducing packaging, the levels of salt and hydrogenated fats in food.

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

QA Training – 1 June 2018



This example provides consideration of the group's policies and targets in respect of environmental matters, all of w hich clearly link to the strategy.

Infinis Energy Group – 31 March 2019

Infinis' role in climate change mitigation

We are proud to be one of the few UK companies with a net positive impact against the causes of climate change. Our contribution to the reduction in UK greenhouse gas emissions has two main components; operational carbon footprint and, as explained above, positive climate impact made through the capture of methane and the generation of clean electricity. Using only relatively small amounts of energy ourselves, we estimate the net climate impact from our business was positive by over 8.4 million tonnes of CO_2[4] equivalent in FY19.

Waste

Our operations generate relatively little waste. Nevertheless we continue to work to reduce, reuse or recycle the key waste streams we do generate, such as lubricating oil, engine parts and general office waste.

Our most significant category of waste, and our main focus in responsibly reducing waste, is lubricating oil. We do what we can to reduce the use of this oil. Over a number of years, we have worked closely with oil suppliers to develop optimum oil blends for the harsh conditions within an CLM engine. As a result, our oil use efficiency and engine reliability have continued to improve. We have also adopted a system to clean and reuse the oil in our transformers when it does not meet our required technical specifications, rather than dispose of it. Innovations like this are essential to reducing our overall environmental impact and benefit our operating and financial performance.

Notwithstanding these initiatives, a minimum level of lubricating oil is required to ensure the performance and efficiency of our engines. After use, we sell our lubricating oil to a specialist company which, after processing, sells the majority of it as a lower grade lubricating oil. The rest used for fuel by a third party.

Year	**Carbon intensity of operations** (g CO_2 equivalent emission per kWh generated)	**Net positive climate impact from activities**[4] (m tonnes CO_2)
FY19[3]	44.0	10.1
FY18	1.6	9.3
FY17	1.7	9.4

Operational carbon footprint
(tonnes of CO_2 equivalent[3])

Scope[1]	Type[2]	FY19[3]	FY18	FY17
1	Road mileage for our company vehicles	**1,599**	1,534	1,695
1	Fuel we purchase to combust in our Power Response activities	**67,663**	-	-
2	Electricity we purchase to run our business (offices and sites)	**3,797**	2,603	3,169
3	Road mileage in employee owned cars on company business	**286**	281	308
3	Business travel (e.g. flights)	**3**	3	3
Total		**73,348**	4,421	5,175

This example provides a detailed consideration of the group's policies and outputs in respect of environmental matters all w hich clearly link to the strategy. Further supporting quantifiable information has also been provided to help assess the performance to date.

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.

Clarion Events – 31 January 2019

To support employee engagement, we offer our employees a number of benefits:

Helping Our World – (HOW days) - We recognise that employees will gain many benefits from volunteering and by sharing new experiences and becoming part of a new community, employees can enhance their own personal learning and achievement and utilise this in all areas of life. We give all permanent employees the opportunity to take one day per quarter to volunteer in the community.

Birthday gift day - All employees are gifted their birthday as a special day of leave so they can spend time as they wish without using time from their annual leave allowance.

Staff events and treats - As well as Christmas and summer parties and an annual sports day, we give regular office treats such as fruit month in November. This year we are introducing a Wellbeing Programme over a 2-week period with a variety of well-being activities for employees to trial.

Private Health Insurance and support – The majority of our offices globally are covered by private medical insurance.

Social committee – We are in the process of setting up a social committee to add value to the business through increased employee engagement and to invest in company culture.

This example is clear and identifies how the group is engaging with employees.

NewDay – 31 December 2018

Being a responsible employer

We recognise that engaged employees drive better outcomes for our customers and our business. We are focused on improving our engagement through developing our colleagues and making sure we have a diverse and inclusive culture with a focus on creating a healthy and safe environment for our people to work in.

Our biannual, externally managed employee surveys demonstrate high levels of employee engagement, with our current engagement index sitting at 75% (2017: 77%). The results and comments from these surveys are used to build action plans both at an organisational and business team level, including how we communicate with colleagues, engage them in our strategy and ensure appropriate training and development is provided, with 73% of colleagues believing they receive the training and development they need to perform their roles. In 2018, we also introduced our first graduate and apprentice programmes in Credit and Collections and Information Technology respectively.

In striving to develop a highly engaged team we were proud to be recognised with a 1-star accreditation from Best Companies, which compiles the Sunday Times Best Place to Work For lists.

The recruitment, training, promotion and personal and professional development of people with disabilities is encouraged and we help to retain and retrain colleagues who may become disabled whilst in employment with us.

75%
employee engagement
(2017: 77%).

79%
baseline diversity and inclusion index

We are creating a working environment where colleagues feel valued and respected. We operate an equal opportunities policy and oppose all forms of discrimination; we believe colleagues, prospective colleagues, partners, suppliers and customers should be treated fairly, regardless of race, colour, nationality, gender, age, religion, marital status, sexual orientation, disability or any other personal characteristics. We aim to create a culture that sees and values all our differences equally.

As at 31 December 2018, the number of employees totalled 1,208 and the proportion of females was as follows:

	2018 females	2017 females
Employees	51%	52%
Management Committee	13%	13%
Board	8%	9%

We remain committed to diversity and continue to encourage individuals within the business to maximise opportunities to enhance their experience and take on senior roles. In 2018, as part of our diversity and inclusion programme we held our first Women's Forum which brought together females from across the business to share their experiences on navigating gender at work and discuss ideas on ways to improve things for the business. We are also looking at our wider diversity and inclusion agenda. In 2018, we introduced a new goal by including a diversity and inclusion index in our engagement survey with a baseline result of 79%. Building our diversity and inclusion programme will be a key area of focus in 2019.

We are committed to gender equality and promote equal opportunities for progression and pay. We welcomed the Government's initiative requiring organisations to be transparent and to disclose average earnings for men and women, and any bonuses paid and our reporting is available on our website at www.newday.co.uk/sustainability/gender-pay-gap-reporting/.

This example shows a number of the aspects of good practice, including metrics for engagement.

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.

QA Training – 1 June 2018

A RESPONSIBLE EMPLOYER

Our staff are so important to us.

We are fully committed to respecting the human rights of our employees and to complying with all applicable laws regarding, among other things: providing compensation and benefits that are competitive and comply with applicable minimum wages, overtime hours and mandated benefits, promoting workplace diversity, promoting health and safety practices, promoting ethical behaviour and business integrity, protecting the privacy of employees and prohibition of child, forced, bonded or indentured labour.

As a responsible employer, the Group operates in accordance with all applicable human rights laws and respects and promotes human rights through our employment policies and practices, through our supply chain and through the responsible provision of our products and services.

This example provides clear identification of human rights considerations and how the company addresses them as part of a wider corporate responsibility section.

PA Consulting – 31 December 2018

Economic responsibility

Economic responsibility is enshrined in our purpose, our values and our business processes. PA supports sustainable procurement methods, whether prescribed by legislation or through our own policies. As well as the traditional procurement benchmarking criteria of price and quality, we support the 'triple bottom line' ideology and consider social, environmental and economic factors in the procurement decision-making process.

Our UK business is an approved signatory to the Prompt Payment Code and our supplier diversity policy helps ensure that the contracts that we place with suppliers provide not only value for money but that a diverse range of suppliers have fair opportunity to compete for and win new work.

In 2018 we filed our first set of reports in line with the duty to report on payment practices and performance, a mandatory initiative launched by the government to tackle late payment and fair treatment of small business.

The Group has an open and positive working relationship with the tax authorities in all the countries in which we operate, and is committed to prompt disclosure and transparency in all tax matters. PA pays fully the taxes due and the Group has a 'low risk' rating from the UK tax authority, recognising its strong governance and control processes and attitude to compliance in the Group's largest operating region.

Human rights

At PA we are committed to the equal treatment of all. We treat all our people with dignity and respect and provide a productive working environment free from discrimination, victimisation, coercive pressure, bullying and harassment.

We are a UK Living Wage accredited employer and we use only specified, reputable employment agencies to source labour and verify the practices of any new agency before accepting workers from that agency.

Since 2007 we have been a member of the United Nations Global Compact, a strategic policy initiative for business that aims to align members' operations and strategies with the internationally accepted principles relating to human rights, labour, the environment and anti-corruption. We also take steps to ensure that there is no human trafficking or modern slavery in our supply chain or within any part of our business, and we encourage our suppliers to adopt best practices in terms of human rights and diversity, which we assess through our supplier pre-qualification questionnaire.

Giving Back and Volunteering

Our Giving Back and Volunteering activities remain an important part of our culture and reflect a strong desire among our people to take part in activities or actions that contribute towards the needs of wider society. This year we launched Springboard, a work experience programme for school students, celebrated another Raspberry Pi competition in the UK and launched the competition in the Netherlands. We've partnered with Code First: Girls, a social enterprise aiming to increase diversity in digital jobs by teaching 20,000 more women to code by the end of 2020. And since 2014 we've worked with Teach First, a charity aiming to end inequality in education. Through this partnership we have helped mentor and coach new teachers to build leadership skills and helped small education start-ups and social enterprises find ways to improve educational outcomes for pupils from the poorest backgrounds.

Each year PA sets aside equivalent to one per cent of budgeted adjusted EBITDA for Giving Back and Volunteering. Those interested in committing time to a socially worthwhile cause can apply to spend time working on an eligible project. PA also enables staff to contribute their own funds to charities via payroll giving.

This example provides a summary of all aspects of the Guideline criteria.

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.

NewDay – 31 December 2018

We are creating a working environment where colleagues feel valued and respected. We operate an equal opportunities policy and oppose all forms of discrimination; we believe colleagues, prospective colleagues, partners, suppliers and customers should be treated fairly, regardless of race, colour, nationality, gender, age, religion, marital status, sexual orientation, disability or any other personal characteristics. We aim to create a culture that sees and values all our differences equally.

As at 31 December 2018, the number of employees totalled 1,208 and the proportion of females was as follows:

	2018 females	2017 females
Employees	**51%**	52%
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We remain committed to diversity and continue to encourage individuals within the business to maximise opportunities to enhance their experience and take on senior roles. In 2018, as part of our diversity and inclusion programme we held our first Women's Forum which brought together females from across the business to share their experiences on navigating gender at work and discuss ideas on ways to improve things for the business. We are also looking at our wider diversity and inclusion agenda. In 2018, we introduced a new goal by including a diversity and inclusion index in our engagement survey with a baseline result of 79%. Building our diversity and inclusion programme will be a key area of focus in 2019.

We are committed to gender equality and promote equal opportunities for progression and pay. We welcomed the Government's initiative requiring organisations to be transparent and to disclose average earnings for men and women, and any bonuses paid and our reporting is available on our website at www.newday.co.uk/sustainability/gender-pay-gap-reporting/.

The example discloses gender split, along with actions taken in the year.

Infinis Energy Group – 31 March 2019

Diversity and inclusion - striving to raise the bar

Our diversity policy is designed to ensure that we recruit, develop and promote employees based on performance regardless of race, gender, religion or belief, marital status, age, culture, sexual orientation, disability or background.

As with many companies working in our sector, we face challenges in attracting a diverse work force. We recognise this challenge and have taken steps to ensure that people managers and recruiting managers within Infinis are trained in equality and diversity matters. We strive to deliver the highest quality workforce irrespective of background. We give full and fair consideration to all job applicants with opportunities for promotion and career development being managed on a similarly meritocratic basis.

Where circumstances change, for example with regard to disability, efforts are made to continue to support the individual. This could be by modifying or adjusting their work or working practices or by redeploying individuals to suitable alternative roles alongside individuals wherever possible.

We have continued our focus on gender diversity, with the publication of our second Gender Pay Report. We have identified some key steps that we will take to address some of the underlying causes of our gender pay gap to support our commitment to talking this challenge. The steps identified to address and reduce this gap further include partnering with the Employers Network for Equality and Inclusion (enei) and Business in the Community (BITC), reviewing our bonus incentive schemes to ensure parity across all parts of the organisation, seeking more diverse recruitment shortlists and continuing the promotion of our policies that encourage parents back to the workplace.

Diversity: gender (% as at end of FY19)

	2019		2018		2017	
	Employees	Senior management	Employees	Senior management	Employees	Senior management
Male	89.5	100.0	88.4	100.0	88.6	100.0
Female	10.2	0.0	11.2	0.0	11.0	0.0
Other	0.3	0.0	0.4	0.0	0.4	0.0

Diversity: age (% as at end of FY19)

	2019	2018	2017
Under 30	10	8	11
30-39	27	26	29
40-49	30	33	32
Over 50	33	33	30

Diversity: ethnic diversity (% as at end of FY19)

	2019	2018	2017
White (UK)	94	94	95
White (Other)	3	3	3
Black (African)	1	1	1
Black (Caribbean)	1	1	0
Other (Mixed background)	1	1	1

This example shows the gender split disclosed along with other diversity splits, with a wider narrative discussion.

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.
- 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:

  a. the main trends and factors likely to affect the future development, performance and position of the company's business, and

  b. information about— i. environmental matters (including the impact of the company's business on the environment), ii. the company's employees, and iii. social, community and human rights issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies. If the report does not contain information of each kind mentioned in paragraphs (b)(i), (ii) and (iii), it must state which of those kinds of information it does not contain.
- s414C(8) requires in the case of a quoted company and as adopted by the Guidelines the strategic report must include:

  a. a description of the company's strategy,

  b. a description of the company's business model,

  c. a breakdown showing at the end of the financial year— i. the number of persons of each sex who were directors of the company; ii. the number of persons of each sex who were senior managers of the company (other than persons falling within sub-paragraph (i)); and iii. the number of persons of each sex who were employees of the company.

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

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

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

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

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

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

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

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

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

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