

# *Navigating the trust journey*

*Building Public  
Trust 2014*

*'Excellence in  
reporting' awards*

*2 October 2014*

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National Audit Office

The Building Public Trust Award ‘Excellence in reporting’ in the public sector is awarded jointly with the National Audit Office.

# Introduction

## ***The ‘Excellence in reporting’ awards 2014***

This is the 12th year in which PwC has presented these annual awards for outstanding corporate reporting in both the private and public sectors. Once again this year, it gives us great pleasure to be presenting the public sector award in association with the National Audit Office.

This evening’s event showcases the three long-established flagship awards for overall excellence in reporting in the FTSE 100, the FTSE 250 and the UK public sector, together with a new award for reporting by charities, which is being presented for the first time. This award recognises the best reporting by the UK’s larger registered charities. Its creation recognises both the dynamism and importance of the charitable sector to UK society, and also the growing focus on how charities explain their activities and performance against their strategic goals.

Each of these hard-earned awards recognises the achievement of organisations that have differentiated themselves through the clarity and transparency of their reporting – in short, showing the way forward on the journey towards ‘telling it how it is’. As well as applauding their efforts this evening, we urge others to emulate them in striving for ever more open, accessible, honest and integrated disclosure of their objectives, actions and impacts.

Each award recognises the achievement of organisations that have differentiated themselves through the clarity and transparency of their reporting.

## Foreword: Ian Powell



I'm delighted to welcome you to PwC's annual Building Public Trust Awards, where we recognise and celebrate the best reporting by UK companies, public sector bodies and – for the first time this year – registered charities.

PwC has presented these awards every year since 2003, making this our 12th annual event. Throughout that time, successive economic cycles have seen no reduction in the relevance and value of these awards; indeed, amid the current gradual return of confidence and growth, the importance of rebuilding public trust is arguably greater than ever.

Why do I say this? In my view, the UK's future growth path can be neither smooth nor sustainable without a robust underpinning of trust in business in general, and in corporate reporting in particular. This applies equally to public trust in the country's public sector bodies and charities.

With the return of economic confidence, there's a great opportunity for all of us – in business, government and the not-for-profit sector – to also help to nurture a recovery in trust, by forging a common understanding founded on transparency, honesty, integrity, and an embedded culture of doing the right thing.

There are clear signs that these awards are helping this to happen, by supporting the ongoing improvement in overall reporting quality noted by this year's judges. And PwC is committed to helping sustain the momentum, both through these awards and also our various other trust-related initiatives.

Ultimately, all of us here this evening are responsible for ensuring that the organisations we represent are worthy of public trust. This evening's nominees have made great strides towards doing this. I encourage others to learn from their example.

***Ian Powell***  
***Chairman and Senior Partner***  
***PricewaterhouseCoopers LLP***

## Chair of the judging panels: Charles Tilley



This is my sixth year on the judging panel, and my fourth as chairman. I'm happy to report that my fellow judges are making my job easier each year, through the diversity of their perspectives and the quality of their analysis.

This year I valued their support more than ever, given the expansion of the programme to include several new awards. The four showcased this evening are just the tip of the iceberg, with a total of 16 awards – more than ever before – having been judged in two panel sessions. Also, the shortlisting and judging processes remain the most rigorous I have ever seen.

All of this is testament to the commitment and hard work both of the PwC team and the external judges, and I'm delighted to thank them all for their sterling efforts. I'm equally pleased to say that the best corporate reporting, as exemplified by this year's FTSE nominees – and especially the FTSE 100 – is continuing to improve. Indeed, looking back over the six years since I became involved, the progress is dramatic.

So, what's changed? The core attributes of content, quality, integration and innovation remain key. But, more fundamentally, the underlying nature of effective corporate reporting is evolving, initially from regulatory disclosures to reference reporting, and now to communication with a narrative telling a clear story in a coherent and interlinked way.

This progression is illustrated by the way a growing number of companies are using their strategy to underpin their report, and reporting on their interrelationships with the economy and wider society, while using links to digital sources to keep their reporting concise and readable.

As Sir Aynas Morse highlights later, public sector reporting is on a similar journey, albeit at an earlier stage. And this year we've started to help charities map out their own path to excellence in communicating their activities and performance, with our inaugural award for reporting by charitable organisations.

An award that we've previously presented at this evening's event is the International Award for Progress Towards Integrated Reporting. This year we agreed that this award should be presented at the IIRC's 4th annual Pilot Programme Conference, held in Madrid last month in partnership with PwC. This year's winner was Aegon, and I congratulate them on the progress they have made in their journey towards integrated reporting.

Every sector still has some way to go on its reporting journey. But this year's awards reaffirm the direction of travel: towards the transparency, honesty and credibility that can rebuild public trust. I congratulate every organisation nominated this evening for helping to maintain the progress.

**Charles Tilley** is chair of the Building Public Trust Awards judging panels, chief executive of the Chartered Institute of Management Accountants, and member of the International Integrated Reporting Council; also deputy chairman at Great Ormond Street Hospital Foundation Trust in London, and Chairman of IFAC's Professional Accountants in Business Committee. He was formerly Group Finance Director with Hambros plc and a partner at KPMG.

## The judging panels

With this year's expansion of the Building Public Trust programme to 16 awards, we increased the number of judging panels to two for the first time. The judging sessions were held on 10th and 16th September 2014, and were both chaired by Charles Tilley.



The judges, in order of appearance in the photo, from the left: Charles Bowman, Stephen Haddrill, Paul Lee, Angela Knight CBE, Charles Tilley, The Right Hon the Lord Jack McConnell, Sir Chris Powell, Andrew Hind CB.

At the judging session on 10th September, the independent judges on the panel were:

**Charles Tilley**, CEO of the Chartered Institute of Management Accountants, and chair of the Building Public Trust Awards judging panels.

**Stephen Haddrill**, CEO, Financial Reporting Council.

**Angela Knight CBE**, CEO, Energy UK.

**Paul Lee**, Head of Investment Affairs, National Association of Pension Funds.

**The Right Hon the Lord Jack McConnell**

**Sir Chris Powell**, Chairman, The Advertising Standards Board of Finance.

**Andrew Hind CB**, Editor, Charity Finance.

**Charles Bowman**, Senior Corporate Reporting Partner, PwC (not on panel).

# The judging panels



The judges, in order of appearance in the photo, from the left: Melanie McLaren, Charles Bowman, Rod Sellers OBE, Roger Adams, Maggie McGhee, Robert Hodgkinson, Ian Pearson, Charles Tilley, Andy Brough, David Phillips, Liz Morrall, Jeremy Beeton, Lady Susan Rice CBE.

At the judging session on 16th September, the independent judges on the panel were:

**Charles Tilley**, CEO of the Chartered Institute of Management Accountants, and chair of the Building Public Trust Awards judging panels.

**Roger Adams**, Director, Special Assignments, Association of Chartered Certified Accountants.

**Jeremy Beeton**, NED, SSE plc.

**Andy Brough**, Co-Head of Pan European small and mid cap, Schroders.

**Robert Hodgkinson**, Executive Director Technical Strategy, Institute of Chartered Accountants in England and Wales.

**Maggie McGhee**, Director General Quality Assurance, National Audit Office.

**Melanie McLaren**, Executive Director, Governance, Codes & Standards, Financial Reporting Council.

**Liz Murrall**, Director of Corporate Governance & Reporting, Investment Management Association.

**Ian Pearson**, Director, IPP Associates Ltd.

**David Phillips**, Trustee, World Wildlife Fund

**Lady Susan Rice CBE**, Lloyds Banking Group Scotland.

**Rod Sellers OBE**, Chairman, Seddon Solutions Ltd.

**Charles Bowman**, Senior Corporate Reporting Partner, PwC (not on panel).

# *‘Excellence in reporting’ in the FTSE 100*

## *Judges’ criteria*

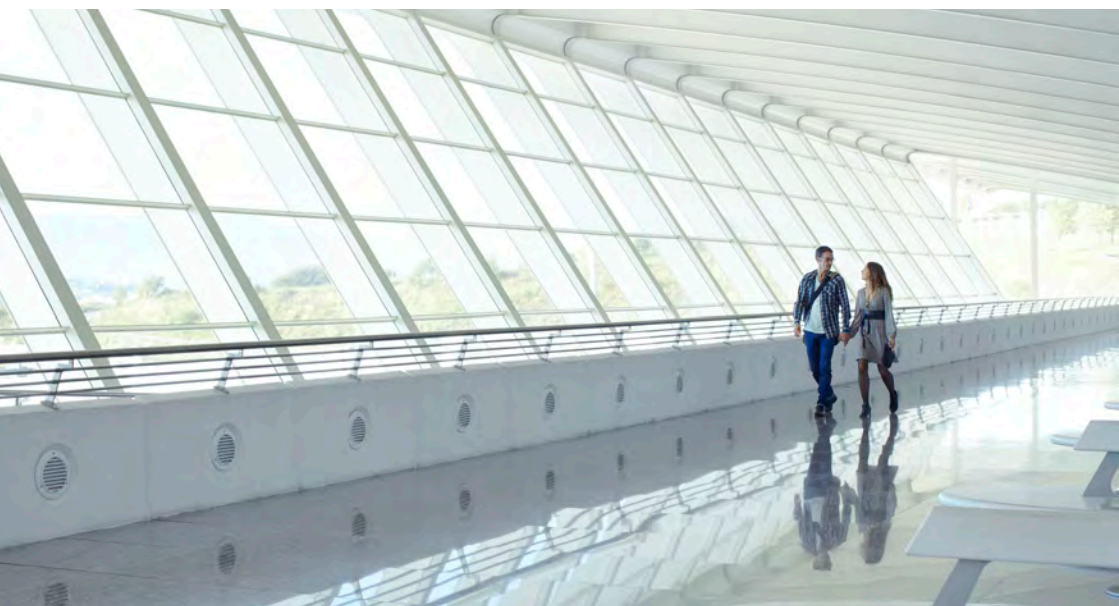
As in previous years, the judges were seeking excellence across the three pillars of corporate reporting:

- **Content** – A holistic balance covering management’s view of the business, its market environment, strategy, business model, risks and performance.
- **Quality** – A forward-looking narrative supported by quantified data, targets, benchmarking and performance indicators.
- **Integration** – Consistent messaging across elements such as strategy, management actions, performance and reward.

Alongside these established attributes, they were also looking for evidence of a fourth: **innovation**, involving taking a fresh approach to traditional disclosures and exploring new ways to meet stakeholders’ information needs.

## *Judges’ comments*

UK reporting has undergone a year of transition following the introduction of new reporting regulations, including a mandatory ‘strategic report’. Against this background, the judges felt that all four nominated FTSE 100 reports – from very different companies of contrasting complexity – were of consistently impressive quality. They also noted that each report exhibited a big step forward towards telling a consistent and coherent story, including reporting on their impacts on wider society. Strategy, business model, risks and KPIs were described in a clear and integrated way, with compelling and imaginative use of graphics and case studies. However, the judges emphasised the importance of demonstrating how the business makes money through its business model, and identifying the problems the companies face so that how they are being addressed can be coherently discussed.



# ***‘Excellence in reporting’ in the FTSE 100***

## **Winner**

### ***Vodafone Group***

Winner of the BPT award for tax reporting last year, Vodafone returns to clinch the flagship prize with a well-designed, highly readable and strongly forward-looking annual report, including excellent linkage between its business model, long-term strategy and emerging market trends. Headlines such as ‘mixed financial performance’ underline the honesty and accessibility of the reporting, and the innovation in design and presentation is echoed in fresh approaches to the financial statements and notes. Overall, outstanding reporting that makes a complex business understandable.

## ***Highly commended***

(in alphabetical order)

### ***The British Land Company***

Nominated for this award for the second year running, and piped at the post this time in a very close vote, British Land maintains its impressive performance with a well-signposted and easily navigable annual report clearly structured around strategic priorities. ‘Sustainability’ and an appreciation of the group’s wider impact are woven into the fabric of the reporting, throughout the disclosures on strategy, business model, risks and performance.

### ***Lloyds Banking Group***

Lloyds makes good use of the new regulatory requirements with a clear and concise ‘strategic report’ linked to more detailed information elsewhere in the annual report on areas such as risk. The reporting is underpinned by clear strategic themes, with insights into current and future priorities, progress to date and performance at a group and segment level. The wider societal impact is well covered, with separate sections on customers, employees and communities.

### ***United Utilities Group***

United Utilities’ long-term focus is superbly communicated, with strong insights into its strategy and priorities for the short, medium and long term, and a compelling chart of planned actions through to 2040. The company’s regulatory, financial and operational success drivers are clearly identified and then integrated into strategy, KPIs, incentives and performance. The judges were especially impressed by the coherence of the reporting.

# ***‘Excellence in reporting’ in the FTSE 250***

## ***Judges’ criteria***

As in the FTSE 100 category, the judges were seeking excellence across the three pillars of corporate reporting – content, quality, and integration – together with evidence of fresh and innovative approaches to meeting stakeholders’ information needs.

## ***Judges’ comments***

The judges were impressed by the overall quality of reporting from the FTSE 250 nominees. In seizing the opportunities presented by the new ‘strategic report’, the judges noted that the shortlisted FTSE 250

reports had come close to the quality of their FTSE 100 counterparts, and were setting a valuable lead for other FTSE 250 companies to follow. In particular, the nominees had done a very good job of telling a clear story about their activities and performance, explicitly linked to their strategy, business model, risks and KPIs. While the judging panel felt that the overall standard of strategic reports in the FTSE 250 still lagged behind that in the FTSE 100, they voiced a clear expectation that the strategic reports in the FTSE 250 will improve further next year as the regulations bed in.



# ***‘Excellence in reporting’ in the FTSE 250***

## **Winner**

### ***Provident Financial***

Specialist lender Provident Financial emerges as the clear winner, with a well-presented and highly readable annual report. The reporting is as detailed and comprehensive at the segmental level as the group level, with a clear presentation of the business model explicitly linked to other relevant elements. The judges were especially impressed by the strong sense of strategic evolution and forward-looking perspective, with – for example – a six-year view of the evolution of Provident Financial’s marketplace and competitors. One panel member commented: “Provident Financial has really raised the bar again.”

## ***Highly commended***

(in alphabetical order)

### ***Berendsen***

Berendsen’s clear reporting strikes a good balance between financial and non-financial strategic priorities, both of which are well integrated into the segmental level. The judges were struck by the reporting’s ‘clear and approachable style’, and by the company’s coherent account of how its strategy is evolving in the light of changes in the marketplace. The explanation of how Berendsen’s business model creates value is equally comprehensive.

### ***bwin.party***

Taking a distinctive approach, bwin.party builds its annual report around a clear overview of the investment case for the company, supported by good insight into the future market conditions it expects to encounter and the strategic themes for business success. The judges were especially impressed by the clear explanation of how the business model generates revenues, and the strong use of online links to reference further detail. “Overall, a very clear explanation of what the business does and how it makes money”, commented one of the judges.

### ***Great Portland Estates***

Nominated last year, Great Portland Estates is commended once again for a highly forward-looking annual report, characterised by a very strong analysis of the market environment and clear explanation of why it focuses on London. Lead indicators are used well to justify the company’s expectations of future market conditions, and an excellent overview of the business cycle is clearly linked to the corporate strategy. The judges made special mention of the strong use of case studies to bring the strategic themes to life.

# ***‘Excellence in reporting’ in charities***

## ***Judges’ criteria***

Introduced for the first time this year, this new award is being launched at a time of transition for UK charities, as they adapt to the new Statement of Recommended Practice (SORP) for their accounting from January 2015, explore new ways to explain themselves to the funding community, and seek to tell more compelling stories about what they do and why. Against this background, the shortlist for this inaugural award was produced through an assessment of the reporting from the 35 largest national and international charities based in the UK. A version of PwC’s corporate reporting framework specifically tailored for charities was used to perform the equivalent screening for clarity, honesty, transparency, governance, sustainability and linkage as applied to their private sector counterparts. The judging panel then conducted their own assessment to identify the winner.

## ***Judges’ comments***

Based on their review of the shortlisted reports, the judges felt that charities are on a journey towards clear and integrated reporting on their own strategic ambition, purpose and performance, and have some way to go to catch up with the private and even public sector. Of the four shortlisted charities, the judges noted that only one – the British Red Cross, the eventual winner – seeks a substantial proportion of its funding from donations from the public, putting it in a different category in terms of communication and reporting. Overall, the judges felt the strongest aspect of charities’ reporting included their human interest case studies, while weaker areas included more contentious aspects such as executive remuneration disclosures, which are not mandated under the new SORP.



# ***‘Excellence in reporting’ in charities***

## **Winner**

### ***British Red Cross***

The British Red Cross wins the inaugural award with a clear and readable yet highly detailed annual report on its strategy, objectives, and activities for the year. The account of the charity’s operations and priorities is transparent and comprehensive, and includes quantified information for the year in review and future periods. The judges were especially impressed by the compelling use of graphics throughout the report to highlight key areas, including financial performance.

## ***Highly commended***

(in alphabetical order)

### ***British Council***

The British Council’s report provides a clear and balanced picture of its activities for the year, including links to well-defined future priorities. The judges noted that the reporting was supported by a wealth of detail, though they felt that at times this risked obscuring the organisation’s core vision and mission. The judges also praised the report’s high degree of transparency in areas such as remuneration and relationships with corporate supporters.

### ***Construction Industry Training Board (CITB)***

The CITB’s annual report reflects the organisation’s strong industry focus through its transparent, in-depth reporting on the economic and business environment, and the charity’s role and remit within it. The KPIs are clearly disclosed and well-aligned with the strategic priorities, and financial performance is communicated effectively through good use of tables. However, one judge commented that while having some ‘extremely good component parts’, the report as a whole felt relatively ‘dry’ in tone.

### ***Wellcome Trust***

Pipped at the post in a very close vote, The Wellcome Trust is commended for an outstanding annual report that does justice to its substantial financial resources. The review of the organisation’s activities for the year and plans for the future is clear and extensive, supported by clear disclosure of its principal risks and corporate governance, including voluntary compliance with the Combined Code. The judges felt the reporting would benefit from the inclusion of more case studies, telling the human stories behind the Trust’s groundbreaking medical research.

# National Audit Office introduction: Sir Amyas Morse KCB



The National Audit Office is delighted to join PwC once again as co-sponsor of the ‘Excellence in reporting’ award in the public sector.

I’m equally pleased to report that the past year has seen continued progress in the quality of the reporting by the highest performing public sector organisations.

The changes in the eligibility criteria for this year’s award – with a greater focus on the largest and highest-spending central government bodies – make direct year-on-year comparisons more difficult than in previous years. However, I’m gratified to see that, despite the extensive and complex reporting requirements for major government bodies, many of them are making real and creditable efforts to ensure their reporting becomes more accessible and readable.

As in other sectors, the move towards excellence in reporting is an ongoing journey. But, as this year’s shortlisted reports demonstrate, much progress has already been made. And I am confident that the momentum

will be maintained, supported by HM Treasury’s review of the current reporting requirements with a view to encouraging further enhancements in quality and accountability.

One clear area for potential improvement is to make public sector reports more concise – a goal whose achievement could be aided by greater use of links to electronic sources for more detailed information. The recommendations within the recent Command Paper considering the Simplification and Streamlining of Annual Reports and Accounts demonstrates the Government’s commitment to this objective, and we hope to see a positive step change over the next two years. This is an area where I believe public sector bodies can learn some particularly valuable lessons from the experience of their private sector counterparts.

The NAO’s involvement with these awards is part of our wider commitment to helping raise the standards of reporting by public bodies. We look forward to continuing to work with HM Treasury, our clients and other stakeholders, including PwC, to promote continued progress in the years ahead.

**Sir Amyas Morse KCB**  
**Comptroller and Auditor General**  
**National Audit Office**

# ***‘Excellence in reporting’ in the public sector***

## ***Awarded jointly by PwC and the NAO***

### ***Judges’ criteria***

As in previous years, PwC and the NAO used a public sector-tailored version of PwC’s Corporate Reporting Framework to assess the annual reports from UK public sector organisations. The eligibility criteria were refined this year to encompass all ministerial departments and other central government bodies with expenditure above £500m. This resulted in the exclusion of many smaller, delivery-focused bodies that traditionally find public reporting more straightforward. It also meant that the 2013 winner, The Crown Estate, was not included in the evaluation. A ‘long list’ of 52 reports meeting the new criteria was assessed using the PwC/NAO scoring tool, producing an initial shortlist of six. This was then reduced to three by a specially-convened public sector judging panel including members from the NAO, PwC and HM Treasury and the Financial Reporting Advisory Board.

### ***Judges’ comments***

The judges felt the three nominated annual reports, each from widely differing organisations, were all strong in different ways. The contrasts between them were underlined by the reports’ widely differing lengths, with the HMRC’s being by far the longest. However, what shone through in all three nominated reports was a clear and concerted effort to provide honest, accessible and open reporting, while meeting the relevant reporting requirements. The judges’ deliberations over the HMRC report triggered a lively discussion about whether the award could justifiably be given to an organisation that was reporting openly on so many areas where further improvement was still needed. “There’s a lot of human suffering in these figures,” commented one panel member. However, the consensus was that the transparency of HMRC’s reporting merited first place.



# ***‘Excellence in reporting’ in the public sector***

## **Winner**

### ***HM Revenue & Customs***

The judges found HMRC’s annual report to be an engaging and highly readable document, with strong use of graphics, case studies and verbatim comments from “our people” to bring the reporting alive. Described by one judge as a ‘brilliant document’, the report provides balanced, accessible and understandable communication on HMRC’s organisational performance, pulling no punches about metrics where it is underperforming against targets. “HMRC is on a journey, and is honest about the challenges it faces,” commented a panellist. Another added: “Hopefully this document will provide the basis for a more challenging dialogue, and for further improvements in the HMRC’s performance in the future.”

## ***Highly commended***

(in alphabetical order)

### ***National Savings and Investments***

NS&I wins a commendation with an open, honest and well integrated annual report, enhanced by clear and explicit linkage between all areas, particularly the strategy, objectives and risks. “I came away from the

report feeling I really understood the organisation,” commented one judge. The reporting on performance during the year is succinct, balanced and readable, with bad news as well as good flagged right up front in the Chairman’s statement, and a clear structure and layout aiding navigation throughout.

### ***Pension Protection Fund***

PPF’s annual report is balanced, accessible and attractively presented, opening with a succinct and readable Chairman’s statement that one judge described as ‘fantastic.’ The use of graphics is especially striking, including ‘waterfall’ charts to support the strategic report. The judges were also impressed by the communication on PPF’s risk appetite and management: “There are some aspects here that the private sector might learn from,” said one. Other strong attributes of PPF’s reporting include the analysis of external drivers – especially economic – and reporting on performance against financial targets.

## *In celebration of the Awards this year a donation has been made to the following organisations*



### ***Groundwork***

Groundwork wants to see a society of sustainable communities which are vibrant, healthy and safe, which respect the local and global environment and where individuals and enterprise prosper. Creating these sustainable communities means developing initiatives which cut across economic, social and environmental issues. We'll keep working until everywhere is vibrant and green, every community is strong enough to shape its own destiny and everyone can reach their potential.



### ***National Literacy Trust***

The National Literacy Trust is a national charity dedicated to raising literacy levels in the UK. We work to improve the reading, writing, speaking and listening skills in the UK's most disadvantaged communities, where up to 40 per cent of people have literacy problems. Our research and analysis make us the leading authority on literacy and drive our interventions. Because low literacy is intergenerational, we focus our work on families, young people and children.

## *In celebration of the Awards this year a donation has been made to the following organisations*



### **Wellbeing of Women**

Wellbeing of Women is the charity investing in the future health of women and babies, every year we invest in research projects and allocate funds towards the training of special doctors and midwives. Our cutting edge research not only creates real health outcomes for real women, but our talented researchers dedicate years of their lives to increasing medical and scientific knowledge. Supporting Wellbeing of Women is an investment in the future; it will transform the health of women and babies for generations to come.



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# ***Building Public Trust – 2014 awards luncheon***

The following Building Public Trust Awards will be presented at a separate event on 2 December:

Corporate Governance reporting in the FTSE 100 & 250

Sustainability reporting in the FTSE 100 & 250

Sustainability reporting in the public sector (awarded jointly by PwC and the NAO)

Executive remuneration reporting in the FTSE 100 & 250

People reporting in the FTSE 100

Tax Reporting in the FTSE 100, 250 & 350 Extractives

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