



Navigating the stakeholder agenda

Reporting on Section 172



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Introduction

The rise of the ‘stakeholder agenda’ (see below) has focused attention on Section 172 (‘s.172’) of the Companies Act to an extent that has not been seen since it, along with the concept of ‘enlightened shareholder value’, was introduced to the Act in 2006. You can find a reminder of the responsibilities of directors under s.172 (1) on page 2, along with the new reporting requirements that are now connected with it under the Companies Act and the UK Corporate Governance Code.

Given the profile of the debate around the stakeholder agenda we were not surprised to find in our annual review of FTSE 350 corporate reporting: **The reporting dilemma – balancing the needs of shareholders and other stakeholders** that 82% of companies reported on aspects of it in the last round of annual reports (2018/19), prior to the new requirements becoming mandatory. A significant number (22%) referred explicitly to s.172, though many will have felt they were addressing

s.172 concepts in their wider stakeholder reporting. Some disclosures also explained how s.172 is built into board processes or how directors have been given training on this area. More details of our findings are set out on page 3.

It’s too early to draw firm conclusions about how practice will develop when the new requirements start to apply and, as usual, reporting should be tailored to each company’s individual circumstances. We did, however, identify a number of emerging issues in our review that we felt it was important to address now rather than wait for the first full reporting season. Some of these are technical, so it will be important to make sure that these are taken into account next year in order to be properly compliant. Others are primarily about how the new reporting can be made as meaningful and valuable as possible. You can find our thoughts on these emerging issues on pages 4-5.

Two themes run through many of our observations:

First, that the response to s.172 needs to be rooted in, and driven by, a company’s strategy. We believe that effective reporting on s.172 needs to address how the issues that are important to a company’s long-term success have been considered.

And second, that s.172 is about more than stakeholders and stakeholder engagement. Where they are important to a company’s strategy and long-term success, the other aspects of s.172 may also need to be addressed.

We hope that this initial paper will be useful to companies as they prepare for the next reporting season – and look out for ongoing updates. We have also prepared a brief **guide for boards** on how they can tackle s.172 to complement this paper.

Navigating the stakeholder agenda series

The ‘stakeholder agenda’ refers to the debate over the past two to three years around whether companies and boards have had proper regard to their key stakeholders (including employees, pension scheme members, customers, suppliers and more) in the way that businesses are run.

This debate has given rise to a number of changes to reporting requirements most notably in the **2018 UK Corporate Governance Code** and the **‘The Companies (Miscellaneous Reporting) Regulations 2018’**.

We have been following this agenda closely and have developed a number of insights which can be found on our **‘Navigating the stakeholder agenda series’ website**. This will be kept up to date over the next reporting season to create a resource that we hope many companies and boards will find useful.

A reminder of the requirements

Section 172 of the Companies Act 2006

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to-

- a. the likely consequences of any decision in the long term,
- b. the interests of the company's employees,
- c. the need to foster the company's business relationships with suppliers, customers and others,
- d. the impact of the company's operations on the community and the environment,
- e. the desirability of the company maintaining a reputation for high standards of business conduct, and
- f. the need to act fairly as between members of the company.

Companies will now need to report on how the directors have carried out their s.172 duties under both the Companies Act and the UK Corporate Governance Code:

Section 172 (1) statement¹

A statement in the strategic report which describes how the directors have had regard to the matters set out in section 172 (1) (a) to (f) when performing their duty under section 172.

Applicable to: a company that is 'large' under the Companies Act 2006.²

Provision 5, UK Corporate Governance Code 2018 (the 'Code')

The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making.

Applicable to: Premium listed companies and those who adopt the Code on a voluntary basis.

Both effective for periods beginning on or after 1 January 2019.

¹ This is distinct from the directors' report requirements on reporting of engagement with employees and other stakeholders. Refer to our insights on this area at: <https://www.pwc.co.uk/audit-assurance/assets/pdf/stakeholder-engagement-research.pdf>

² Includes private and AIM companies. Because the Regulations refer to section 467 of the Companies Act it appears that AIM and other public companies will be caught even if they are small or medium sized. For Groups, the thresholds are two or more of the following: aggregate turnover – more than £36 million net (or £43.2 million gross); aggregate balance sheet total – more than £18 million net (or £21.6 million gross); and aggregate number of employees – more than 250.



What we've seen so far

In our most recent annual review of reporting practices in the FTSE 350 we found that:

82%

of FTSE 350 companies referred to stakeholder engagement in their reporting

and

22%

of FTSE 350 companies referred to s.172 in their reporting

Of those companies referring to s.172...

Format and placement:

13%

made a formal statement of some kind

87%

included the reference in the governance report

Content:

37%

provided more than just a reference to the regulations and gave insight into the preparations

75%

referenced stakeholders and/or stakeholder engagement in connection with s.172

17%

referenced the long term consequences of decisions

31%

referenced the impact on community and environment

Emerging issues with reporting on Section 172



Only information that is material in the context of the strategic report should be included within it.

(Paragraph 5.1. of the FRC Guidance on the strategic report).



When making an assessment of materiality for the strategic report, the directors should consider the significance of the matter relative to the entity's business model and strategy.

(Paragraph 5.5. of the FRC Guidance on the strategic report).

1. How should companies choose what areas need to be addressed in their Section 172 (1) statement?

S.172 states that a director should act so as 'to promote the success of the business'. This suggests that the strategy and strategic priorities of a company – which are designed to help the business succeed – should be the initial driver of the content of the statement. In other words, companies should consider the matters set out in s.172 in light of their relevance to the strategy of the business.

The need for this strategic lens is further supported by the placement of the s.172 statement – it is a strategic report requirement. As the FRC notes in its Guidance on the strategic report 'when making an assessment of materiality for the strategic report, the directors should consider the significance of the matter relative to the entity's business model and strategy'. A good strategic report will therefore already contain a lot of relevant content, and the corporate governance and remuneration reports might do so too. The addition of the s.172 statement is an opportunity to draw this content together and explain its importance for the delivery of strategy.

This will also help with the 2018 UK Corporate Governance Code, which is now focused on how governance has been applied to deliver the company's strategy and requires reporting similar to the Companies Act on how s.172 has been considered.

2. Are companies expected to cover each of the elements of section 172 from a) to f) equally?

Not necessarily. The statement should disclose matters to the extent that they are relevant and appropriate, using the strategic lens discussed above.

Also, under s.172, in promoting the success of the business directors should 'have regard to' the matters set out a) to f). Having 'regard to' therefore implies a

degree of flexibility and it is not expected that companies cover all matters comprehensively if they are not applicable or relevant.

However, this does not mean that companies should only deal with parts (b) and (c) – those relating to employees, customers and suppliers – and ignore the other matters. From our review of emerging practice, it was clear that (a) the likely consequences of any decision in the long term, and (d) the impact of the company's operations on the community and the environment, were not discussed as much as parts (b) and (c) by some margin. These are both important areas that we would expect to be relevant to a number of companies' strategies.

3. What form should the statement take? What should it look like?

There is a variety of emerging practice and we include some examples of what we found from our review in the next section of this paper.

In some cases, companies are creating a 'standalone' statement that relies on other content to a very limited extent. In others, the statement itself is principally a confirmation that s.172 has been considered, with the evidence being provided through references to other disclosures.

Both of these approaches are potentially appropriate, depending of course on the content included. The experience of the non-financial information statement has been that a cross-referencing approach can appear the most straightforward and the least likely to involve duplication. But it also requires special care to ensure that all the precise requirements of the relevant regulations are met by the content being referred to.

It is particularly important to remember that the requirement is to report on **how** the directors have had regard to the matters in s.172. This means that a simple confirmation that they have considered s.172 will not be sufficient.

4. How detailed does the statement need to be?

There is no one-size-fits-all answer to this. Using strategic relevance as the guiding principle, it may be that a particular company has relatively few matters to disclose while another has many, and the matters themselves may or may not need lengthy disclosures to explain them effectively.

5. Is it sufficient to use a specific case study to show how part of Section 172 has been addressed?

Case studies can be used as an effective way to bring to life how the board has had regard to the matters set out in s.172. Again using the principle of strategic relevance, a case study showing how the most strategically significant aspect of stakeholder engagement has been addressed (including, for instance, how it has been considered in decision making) could be a powerful way to illustrate the culture of the organisation. The key is to explain why the matter being discussed is the most significant one.

It is unlikely that companies will look to rely exclusively on case studies, however. Most will want to explain the relevance of the s.172 matters to their long-term strategic success and use specific case studies to show how the appropriate actions have been taken.

6. Does the statement have to be in the strategic report?

It needs to be made clear in the strategic report what content represents the s.172 (1) statement, but this content does not all need to be in the strategic report itself. We strongly advise companies to include a clear 'Section 172 (1) statement' heading within the strategic report to make it easy to access the relevant information.

It was clear from our review of emerging practice that many companies were addressing s.172 in the corporate governance report. This is not surprising considering that s.172 relates to directors' duties, and it may also help with compliance with Provision 5 of the 2018 UK Corporate Governance Code.

However, if taking this approach, companies should be mindful of the following:

- It should be made sufficiently clear in the strategic report where the statement can be found by way of a clear cross reference.
- Where a cross-referencing approach is adopted it is important that all relevant aspects of the Companies Act requirements are addressed, either in the information that is cross-referred to, or in the statement itself.

Most importantly of all, as discussed previously, the statement should be focused on how matters that are strategically significant have been dealt with. A disclosure that addresses only general governance procedures relating to s.172 is unlikely to be fully compliant.

7. How should those subsidiary companies caught by the new requirements approach their Section 172 disclosures? Can they simply cross refer to the parent company's statement?

As with a number of existing disclosures required under the Companies Act, including principal risk reporting, it may be possible for subsidiaries to cross-refer to the parent company's annual report in relation to the s.172 statement – but only where the parent company statement genuinely covers the relevance of s.172 for the subsidiary.

Many groups are currently considering how processes at the subsidiary level may need to be adapted to ensure that the directors on each board adequately address their responsibilities.

Again it is important to bear in mind that the reporting requirement is not just a confirmation but a description of **how** the directors (including those of large subsidiaries) have carried out their duties.

The recommendations set out in this paper are applicable to subsidiaries but we recognise that this is a challenging area and we will be issuing more guidance on this area [on our website](#).

Further information



Tackling s.172 reporting – A brief guide for boards

Section 172 ('s.172') was one of the most debated aspects of the major revision to the Companies Act in 2006. It has subsequently slipped down the order of priority for many boards, but the concept of 'enlightened shareholder value' that s.172 introduced is now once again a high-profile issue.

This brief guide is primarily intended to provide boards of FTSE 350 companies with a starting point for tackling s.172 under both the Companies Act and the 2018 Code, and includes a number of specific tips for boards to consider.



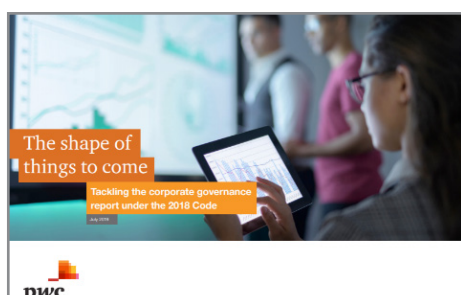
A review of how reporting on stakeholder engagement in the FTSE 350 is developing

We look at the readiness of FTSE 350 companies for reporting on the stakeholder agenda and stakeholder engagement in particular. As well as being directly relevant to the new stakeholder engagement requirements it will also be important for the non-financial reporting regulations and section 172 statement.



The reporting dilemma – balancing the needs of shareholders and other stakeholders

Learn about the current and emerging FTSE 350 reporting practices in 2019, top tips to improve the quality of reporting and good practice examples to inspire action and change. We also provide some thoughts on how companies and boards can make the necessary shift in mindset, drawing on the work of those who are already leading the way.



The shape of things to come – Tackling the corporate governance report under the 2018 Code

One of the main goals of the 2018 UK Corporate Governance Code (the 2018 Code) is to move companies away from boilerplate lists of roles and responsibilities, rehashing the content of the Code, towards a more meaningful form of reporting on corporate governance. This paper provides some suggestions for what this new style of reporting might look like in practice, with the aim of helping companies and boards with reporting against the new Code in their own circumstances.




Appendix – Examples of emerging reporting practice

Appendix – Examples of emerging reporting practice

With the new reporting requirements yet to come into effect, the examples that follow illustrate some of the ways that companies approached s172 in the last reporting season.

United Utilities – Governance, directors' report

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| <p>Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006</p> <p>The board of directors of United Utilities Group PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 March 2019 (see pages 88 to 89). In particular, by reference to the approval of our business plan ('our plan') for the period 2020–25, supported by the board assurance statement accompanying our plan:</p> <ul style="list-style-type: none"> Our plan was designed to have a long-term beneficial impact on the company and to contribute to its success in delivering a better quality, more reliable water and wastewater service for customers in the North West of England to 2025 and beyond. We will continue to operate our business within tight budgetary controls and in line with our regulatory targets. Our plan was awarded 'fast-track' status and commended in relation to: customer engagement, affordability and vulnerability, resilience and innovation (see pages 19 to 21). Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business (see page 6). | <ul style="list-style-type: none"> Our duty, in accordance with the Water Industry Act 1991, is to provide a safe and secure supply of water and return wastewater safely to the environment. Our plan was informed by extensive engagement with customers, enabling us to gain an understanding of their views and priorities, communicating and listening through new channels and underpinned by working with the independent customer challenge group YourVoice (see page 40). We have made a commitment to share the gains of out-performance with customers. We also aim to act responsibly and fairly in how we engage with: our suppliers (see page 42); our credit investors (see page 100); and co-operate with our regulators (see page 44); all of whom are, integral to the successful delivery of our plan. | <ul style="list-style-type: none"> Our plan took into account the impact of the company's operations on the community and environment and our wider societal responsibilities, and in particular how we impact the regions we serve in the North West of England (see page 40). Several of the proposed performance measures in our plan will deliver environmental improvements. As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours (see pages 84 to 143) and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour. As the Board of Directors, our intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan. <div data-bbox="1042 875 1508 1025" style="border: 1px solid orange; padding: 10px; margin-top: 10px;"> <p>Strategic report reference:</p> <p> Read about how the board considers stakeholders in its decision-making in our section 172 statement on page 152</p> </div> |
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Great Portland Estates – Introduction from the chairman (extracts), governance report

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| <p>2018 UK Corporate Governance Code and s172 reporting</p> <p>This report sets out how we have applied and complied with, the UK Corporate Governance Code 2016 in the financial year ended 31 March 2019.</p> <p>Whilst we are not required to report under the UK Corporate Governance Code 2018 until our 2020 report, I thought it might be useful to present my report this year to reflect some of the key themes of the new governance and reporting rules.</p> <p>Our purpose, strategy, and consideration of the consequence of decisions for the long term</p> <p>Our purpose is to 'unlock potential, creating space for London to thrive'. In setting our purpose, we believe our role in creating space for London to thrive relates not only to our buildings, but also to the people who live and work there and what and how we contribute to the wider public realm and community. The Group's business model and strategy are outlined on pages 20 to 25. At our six scheduled and one unscheduled Board meetings during the year, together with the approvals sought between Board meetings, two of our key considerations have been our strategy and how our business should evolve to react to changing workplace needs and what occupiers want. As a result of this deliberation and the hard work by our team in embracing the opportunity to do things differently, we are delighted to have first trialed and then</p> | <p>rolled out GPE's new flex space offerings over 87,600 sq ft (see more on pages 12 and 13). Whilst our strategy has served us exceptionally well to date, we also debated whether the market in which we operate is changing. Our business model has delivered shareholder value and significant outperformance in cyclical market conditions where we have bought successfully at the bottom and sold towards the top. More recently, however, the market has been flatter and we have, therefore, considered in a market with less volatility whether we should be doing anything different. As part of this debate, we reflected on the optimum size for our business, whether our risk profile was appropriate, whether and how we should return any excess equity, whether we should continue to be selling assets and how we retain people to exploit opportunities should the market change. Our conclusion to these deliberations to date has been that, whilst we expect and are planning for continued political and economic uncertainty, particularly given the ongoing Brexit negotiations, we are exceptionally well positioned. Maintaining our commitment to capital allocation and balance sheet discipline, in November 2018 we concluded that we should return up to £200 million of surplus equity to shareholders by way of a share buyback, providing maximum flexibility and optionality. However, we continue to be supportive of the management team in preserving financial firepower to exploit any weaknesses in the market and to scale up in the event of a market downturn.</p> | <p>Our culture</p> <p>As part of our 2018 Board evaluation, we identified the need to articulate GPE's Values to preserve and strengthen our culture.</p> <p>Understanding the views of all our stakeholders and fostering of business relationships</p> <p>In May and November 2018, I attended the Group's annual and half-year results presentation to equity research analysts.</p> <p>Engaging with our employees</p> <p>Being a relatively small company of just over 100 employees operating in one location, there is a high level of visibility of</p> <p>Engaging with our shareholders</p> <p>We believe that communication with our shareholders is key. To this end, in addition to our comprehensive investor relations programme led by Toby Courtald and Nick</p> <p>Our management of risk and opportunities</p> <p>Consideration of risks is an integral part of how GPE operates on a daily basis and is part of any transaction appraisal. The Board also formally revisits the level of oversight and the monitoring of risks over a variety of areas including</p> <p>The impact of the Company's operations on the community and the environment</p> <p>In April 2018, we approved our inaugural community strategy.</p> | <p>Maintaining a reputation for high standards of business conduct</p> <p>Annually the Board approves the Group's Ethics and Whistleblowing policies, both of which are also reviewed in advance by the Audit Committee and which are available on our website at www.gpe.co.uk/about-us/governance. This year we have updated our Ethics Policy to formally incorporate our values. In September each year, the Board also considers and approves our modern slavery statement, which explains the activities we have undertaken during the year to demonstrate our commitment to seeking to ensure that there is no slavery, forced labour or human trafficking within any part of our business or in our supply chains and which can be found at www.gpe.co.uk. More on how we behave can be found at page 97.</p> |
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Equiniti – Governance, directors' report

DIRECTORS' DUTIES

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.'

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in a large organisation such as ours, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the Company and details of this can be found in our Governance Report on pages 66 to 67.

The following paragraphs summarise how the Directors' fulfil their duties:

Risk Management

We provide business-critical services to our clients, often in highly regulated environments. As we grow, our business and our risk environment also become more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

For details of our principal risks and uncertainties, and how we manage our risk environment, please see pages 48 to 51 and our Risk Committee report on pages 80 to 85.

Our People

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole. People are at the heart of our specialist services. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way.

For further details on our people, please see pages 38 to 41.

Business Relationships

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this, we need to develop and maintain strong client relationships. We value all of our suppliers and have multi-year contracts with our key suppliers.

For further details on how we work with our clients and suppliers, please see pages 42 to 43.

Community and Environment

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us.

For further details on how we interact with communities and the environment, please see pages 44 to 46.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with major institutional investors, private or employee shareholders. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

For further details on how we engage with our shareholders, please see page 43.

BAE systems – Directors' duties, governance report

Directors' duties

This is an overview of how the directors have performed their duty to promote the success of the Company.

The directors of BAE Systems – and those of all UK companies – must act in accordance with a set of general duties. These duties are detailed in the UK's Companies Act and include a duty to promote the success of the Company, which is summarised below.

As part of their induction, the directors are briefed on their duties and they can access professional advice on these – either through the Company or, if they judge it necessary, from an independent provider.

Typically, in large and complex companies such as BAE Systems, the directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the Company.

The Board recognises that such delegation needs to be much more than simple financial authorities and, in this section of the report, we have summarised our governance structure, which covers: the values and behaviours expected of our employees; the standards they must adhere to; how we engage with stakeholders; and how the Board looks to ensure that we have a robust system of control and assurance processes.

For more detail on our governance structure, see pages 76 and 77.

Shareholders | Employees | Customers Suppliers | Community and Environment

A board should communicate effectively with its shareholders and understand their views, and also act fairly as between different members. Employees are central to the long-term success of a company, as such, a board should consider their interests, and, to assist in doing so, have means of engaging with and understanding their views. Fostering business relationships with key stakeholders, such as customers and suppliers, is also important to a company's success. A board should have visibility of these relationships so that it is able to take stakeholder considerations into account when making decisions. In their decision-making, directors need to have regard to the impact of a company's operations on the community and environment.

Overview of how the Board performed its duties

Shareholders

Members of the Board, including the chairs of the principal board committees, held a governance event with major shareholders in 2018. This allowed directors to liaise directly with shareholders on the Company's governance arrangements, including the important work undertaken by the committees. The feedback received was positive and the Board intends to continue such events at regular intervals.

Employees

The Company has a well-developed structure through which it engages regularly with trade union officials to discuss and understand matters concerning UK employees. During the year, one of the non-executive directors, Ian Tyler, joined the Chief Executive when engaging with employee representatives through this forum.

Decision-making | Governance and performance oversight | Risk

Boards of large companies invariably delegate day-to-day management and decision-making to executive management. Directors should maintain oversight of a company's performance and ensure that management is acting in accordance with the strategy and plans agreed by a board, and its delegated authorities. The culture, values and standards that underpin this delegation should help ensure that when decisions are made their wider impact has been considered. A board should also reserve certain matters for its own consideration so that it can exercise judgment directly when making major decisions, and in doing so promote the success of the company whilst having regard to all necessary matters.

A board needs assurance that a company's financial reporting, risk management, governance and internal control processes, including policies mandating procedural requirements and standards, are operating effectively.

Overview of how the Board discharged its duties

Each year, the Board undertakes an in-depth review of the Company's strategy, including the business plan for the following five years. Once approved by the Board, the plan and strategy form the basis for financial budgets, resource plans and investment decisions, and also the future strategic direction of the Company. In making decisions concerning the business plan and future strategy, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of its decisions in the long term and its long-term reputation.

In 2018, the Board's review of strategy included presentations from the Group Human Resources Director and the leaders of our Procurement function. The Chief Executive is responsible for delivering the plans and strategy agreed by the Board, with authority delegated to executive directors but subject to all decisions being made on the basis of the values and standards mandated

Culture, values and standards

Culture, values and standards underpin how a company creates and sustains value over the longer term and are key elements of how it maintains a reputation for high standards of business conduct. They also guide and assist in decision making and thereby help promote a company's success, recognising, amongst other things, the likely consequences of any decision in the long term and wider stakeholder considerations. The standards set by a board mandate certain requirements and behaviours with regards to the activities of its directors, employees and others associated with it.

Overview of how the Board discharged its duties

The Board is supporting the Chief Executive in embedding a culture that will help deliver long-term success. To assist with this work, during the year this Company undertook an employee engagement survey. The results of this have been reviewed by the directors, together with the subsequent actions the Chief Executive will be taking to reinforce the Company's values and ensure that we have the right culture to meet the strategic needs of the business. Further work on this will be undertaken during 2019.

The Board sets the values and standards required of all employees through its Operational Framework, which contains our Code of Conduct. In 2018, this document was reviewed and amendments agreed by the Board. In overseeing the effectiveness of the Company's processes for dealing with employees whose behaviour falls short of required standards, the Corporate Responsibility Committee has continued to monitor the nature of issues reported through the Company's Ethics Helpline. Also during the year, the Board reviewed the processes in place for the investigation of complaints concerning inappropriate behaviour by employees. The integrity of these processes is an important part of our governance arrangements and the Board will review these processes again in 2019 to ensure they remain effective.

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